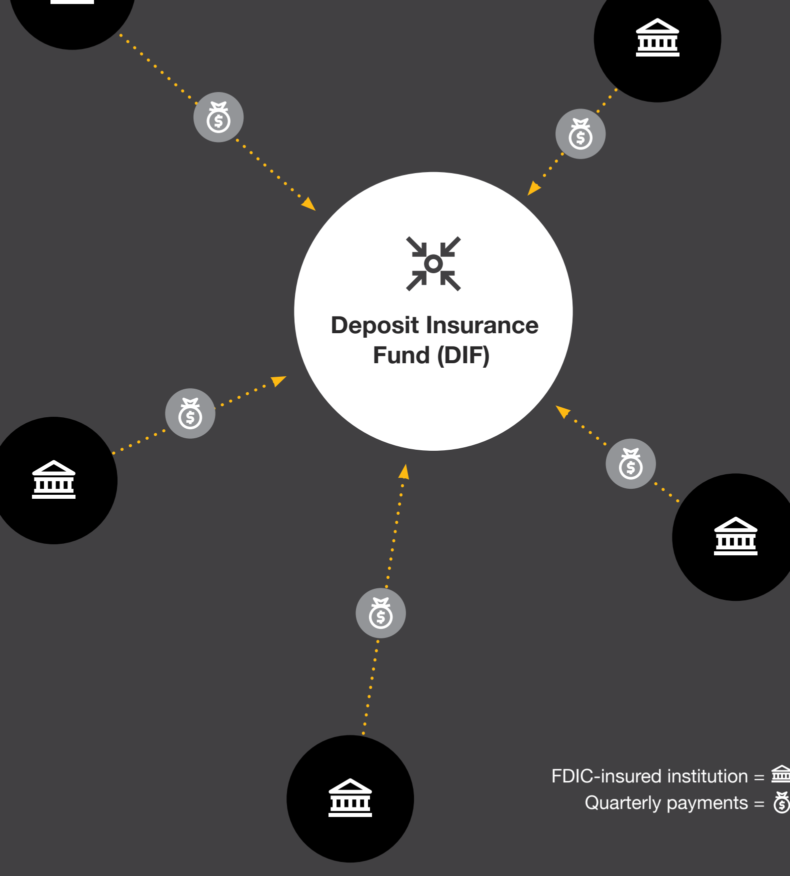
Understand FDIC insurance and bank with confidence

The standard FDIC insurance amount is $250,000 per depositor, per insured bank, for each account ownership category

The Federal Deposit Insurance Corporation (FDIC) was established as an agency of the United States government via the Banking Act of 1933. The FDIC was created to maintain stability and public confidence in the nation’s banking system. One way the FDIC accomplishes that mission is by insuring certain deposits. The underlying pool of insurance is funded by quarterly payments made by banks into the Deposit Insurance Fund (DIF).



These account types **are covered** by the FDIC:

- Checking accounts
- Negotiable order of withdrawal (NOW) accounts
- Savings accounts
- Money market demand accounts (MMDAs)
- Time deposit (for example, certificates of deposit) accounts
- Cashier’s checks, money orders, and official items issued by the institution

These account types **are not covered** by the FDIC:

- Stock investments
- Bond investments
- Mutual funds
- Crypto assets
- Life insurance policies
- Annuities
- Municipal securities
- Safe deposit boxes and their respective contents
- U.S. treasury bills, bonds, or notes

Account “ownership category” determines coverage

The FDIC sets forth various ownership categories, including single accounts, joint accounts, and trust accounts, among others. A single depositor can have holdings in multiple ownership categories, and each ownership category is afforded separate insurance coverage independent of the other categories.

Single

Individual accounts are funds owned by a person who is solely authorized to make withdrawals. Sole proprietorship accounts are derived from businesses that will treat deposits as single accounts of the sole proprietor.

Joint

Joint accounts are generally funds owned by persons for which each co-owner can withdraw funds on the same basis as the other co-owner.

Trust

Trust accounts generally allow for the transfer of ownership of funds to one or more beneficiaries upon a qualifying event. Qualifying beneficiaries include persons, charitable organizations, or nonprofit entities.

Have questions?

We encourage all depositors to talk directly with their financial institution on ways to maximize insurance coverage. Also, refer to the following resources for more information, including examples of how the FDIC determines insured amounts for different deposit account scenarios.

FDIC’s Deposit Insurance at a Glance | **FDIC’s Your Insured Deposits** | **FDIC’s Electronic Deposit Insurance Estimator (EDIE)**

Other strategies to further maximize coverage

In addition to fully utilizing ownership categories, there are a number of other strategies available to increase coverage.

Swapping

Swapping arrangements generally result in an institution using a network to facilitate transferring deposits on behalf of the customer to other FDIC-insured institutions participating in the network for the purposes of maximizing FDIC insurance coverage.

Sweeping

Sweeping arrangements generally result in deposits being “swept” into other accounts for the purposes of achieving a higher rate of return, including internal products managed by the bank that could potentially qualify for FDIC insurance.

Multiple institutions

Existing law does not limit the number of institutions that a depositor can utilize for depositing funds. Thus, this option likely achieves the maximum amount of insurance coverage, although not the most convenient operationally.

What happens to your deposits when a bank fails?

The FDIC acts in two primary capacities when a bank failure occurs.

Role 01 Insurer

As the insurer, the FDIC pays deposit insurance to the depositors up to the insurance limit determined by their underlying account ownership holdings.

Role 02 Receiver

As the receiver, the FDIC collects and liquidates the assets of the failed bank and settles its debts, including claims for uninsured balances for depositors. Depositors are given a receiver’s certificate as proof of this claim.

Ensuring financial stability

The primary remedy to make all deposit balances whole is typically accomplished through a combination of FDIC insurance and the resolution process. It is also possible that depositors can be made whole, based on a provision contained in the systemic risk exemption of the 1991 Federal Deposit Insurance Corporation Improvement Act. This provision authorizes the U.S. Treasury Secretary to utilize funds from the DIF to reimburse uninsured deposits if the incremental intervention would “avoid or mitigate” the “serious adverse effects on economic conditions or financial stability.”

In summary

Depositors having access to their deposits is foundational for the protection and integrity of the capital markets at large. Careful understanding of the insurance available, and opportunities to maximize such coverage, in the event of a bank failure are foundational to key risk mitigation considerations.

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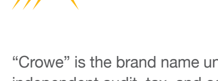

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