FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 330

FEDERAL HOME LOAN BANK BOARD

12 CFR Parts 561 and 564

Brokered Deposits, Limitations on Deposit Insurance

AGENCIES: Federal Deposit Insurance Corporation and Federal Home Loan Bank Board.

ACTION: Proposed Rulemaking.

SUMMARY: On November 1, 1983, the Federal Deposit Insurance Corporation ("FDIC") and the Federal Home Loan Bank Board ("Board") (as operating head of the Federal Savings and Loan Insurance Corporation) ("FSLIC") solicited public comments in the Federal Register on the issue of deposit brokerage relative to FDIC- and FSLIC-insured institutions. 48 Fed. Reg. 50,339. That Advance Notice of Proposed Rulemaking ("Advance Notice") expressed the agencies' concern that the brokering of insured deposits is counterproductive to marketplace discipline in the depository institutions industry and requested comments on the overall practice of deposit brokerage as well as responses to nineteen specific questions on the topic. As the result of an analysis of the information received by the FDIC and the Board on the Advance Notice and other data on brokered deposits assimilated over the past several months, the agencies are proposing amendments to their respective regulations. If adopted, these amendments would limit the insurance coverage afforded to deposits placed by or through a broker with an insured bank or savings associations. The proposed regulations would define deposit brokerage to encompass current business arrangements that the agencies believe facilitate misuses of federal deposit insurance. If the proposed amendments are ultimately adopted as final regulations, the new insurance regulations would apply to deposits placed or renewed on or after October 1, 1984. The FDIC and the Board are interested in receiving comments on these proposed amendments.

DATE: Comments must be received by [forty-five days after publication in the Federal Register].

ADDRESSES: Please direct comments to:

Hoyle L. Robinson, Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429. Comments may be delivered to Room 6108 on weekdays between 8:30 a.m. and 5:00 p.m., where they will be available for public inspection.

Director, Information Services Section, Office of the Secretariat, Federal Home Loan Bank Board, 1700 G Street, N.W., Washington, D.C. 20552. Comments will be publicly available at this address.

FOR FURTHER INFORMATION CONTACT: Joseph A. DiNuzzo, Senior Attorney, Federal Deposit Insurance Corporation, Legal Division, (202) 389-4171, Room 4126B, 550 17th Street, N.W. Washington, D.C. 20429 or Robert H. Ledig, Attorney, (202) 377-7057, or Chistopher P. Bolle, Law Clerk, (202) 377-6472, Federal Home Loan Bank Board, Office of General Counsel, 1700 G Street, N.W., Washington, D.C. 20552.

SUPPLEMENTARY INFORMATION: On November 1, 1983, the FDIC and the Board issued an Advance Notice of Proposed Rulemaking soliciting comments on the brokering of deposits of FDIC- and FSLIC-insured institutions. 48 Fed. Reg. 50,339. The Advance Notice outlined the major types of deposit brokerage, discussed the concerns shared by the FDIC and the Board about deposit brokerage and posed a multitude of questions encompassing the nature of those concerns and the possible means of dealing with them. In summary, the Advance Notice stated that: the most troubling aspect of deposit brokering is that of enabling virtually all institutions to attract large volumes of funds from outside their natural market area irrespective of the institutions' managerial and financial characteristics; the ability to obtain de facto one-hundred percent insurance through the parcelling of funds eliminates the need for the depositor to analyze an institution's likelihood of continued financial viability; the availability of brokered funds to all institutions, irrespective of financial and managerial soundness, reduces market discipline; although deposit brokering can provide a helpful source of liquidity to institutions, ongoing brokering practices make it possible for poorly managed institutions to continue operating beyond the time at which natural market forces would otherwise have precipitated their failure; and this impediment to natural market forces results in increased costs to the FDIC and the FSLIC in the form of either greater insurance payments or higher assistance expenditures if the institutions are subsequently closed because of insolvency. The nineteen questions posed in the Advance Notice focused on whether the public and industry members perceived any significant problems with deposit brokerage and, if so, what steps the agencies should take to remedy those problems.

Comments Received by the FDIC

The FDIC received 168 comments on the Advance Notice. Eighty-two comments were from banks, thirty-one from savings and loan associations, twenty from brokers and other members of the financial services industry, sixteen from financial industry trade groups, five from state or municipal governmental entities, four from credit unions, eight from other individuals or entities and two from federal government agencies.

Forty-six (or fifty-six percent) of the comments from banks stated that deposit brokerage presents substantial enough problems to warrant additional regulatory or legislative initiatives by the FDIC and the Board. Three of these comments were from money-center banks and forty-three were from smaller institutions. The comments noted that deposit brokerage harms the depository institutions industry by providing funds to weak or mismanaged institutions. Many stated that deposit brokering presents a potential threat to the soundness of participating institutions. The majority of comments suggesting additional action by the agencies favored increased monitoring of the deposit

brokerage activities of all federally insured institutions with special attention paid to troubled banks, particularly banks rated composite 4 and 5 under the Uniform Financial Institutions Rating System. 1 FED. DEPOSIT INS. CORP. LAW, REG., RELATED ACTS (FDIC) 5079. Some recommended that a limit be placed on the percentage of brokered deposits comprising an institution's assets, deposit base or net worth. Others suggested that the agencies eliminate the insurance coverage of all brokered deposits.

Thirty-six (or forty-four percent) of the bankers' comments recommended that no additional action be taken by the agencies to limit the brokering of deposits. Six of these comments were from money-center banks and thirty from smaller entities. They commented that deposit brokerage provides a source of liquidity and investment for depository institutions and enables smaller institutions to compete with bigger banks. Many of the comments stated that greater monitoring efforts should be directed at problem institutions, but that no overall action on deposit brokerage should be taken by the agencies.

Eighteen (or fifty-eight percent) of the thirty-one savings and loan associations who commented on the Advanced Notice favored a maintenance of the status quo. They stated that no additional action by the agencies is required because an adequate monitoring mechanism is already in place. The thirteen other associations (forty-two percent) recommended regulatory or legislative actions similar to those recommended by the majority of bankers who commented.

The American Bankers Association stated that money brokers provide a beneficial service to the industry, but acknowledged that deposit brokerage has caused abuses in that some troubled banks have been sought after and exploited. It voiced strong objection, however, to substantial changes to the regulation of money brokers until the agencies have acquired sufficient information to assess the nature and magnitude of the attendant problems. The Independent Bankers Association criticized deposit brokerage as seriously adverse to the industry and recommended that the agencies either prohibit such deposits or render them ineligible for insurance coverage. The National Council of Savings Institutions commented that additional action by the agencies on brokered deposits should be deferred until a more comprehensive study of the issues by the agencies has been accomplished.

The Office of the Comptroller of the Currency stated that no additional regulatory or legislative action is necessary to deal with deposit brokerage. It commented that the risks caused by this activity can be minimized through existing supervisory remedies. The Securities and Exchange Commission said it had continuing concerns about the consumer-protection issues relative to deposit brokering and that it would be pleased to consult with the FDIC and the Board on a regulatory scheme in this regard.

The deposit brokers who commented on the Advance Notice stated that deposit-placement activities are beneficial to the depository institutions industry because they reverse disintermediation, improve competitive positions of regional banks and thrifts, provide access to long-term deposits, foster secondary-market activity, lessen deposit concentration in money-center banks and provide higher interest rates on deposits for individuals. Some brokers conceded that deposit brokerage could have disadvantageous effects upon institutions, but noted that such situations could be handled by increased regulatory monitoring of weaker banks and savings and loan associations.

Of the five state and local governments who commented on the Advance Notice, one emphasized that any limitation on the insurance coverage of brokered deposits would jeopardize the safety of public deposits. The others expressed strong objection to limiting the insurance coverage of pension fund deposits, but did not comment on deposit brokerage. Two credit unions commented that deposit brokerage is undesirable and should be acted against by the FDIC and the Board. Two others noted that a better monitoring mechanism by the agencies would be sufficient to deal with deposit brokerage problems. The Credit Union National Association stated that the agencies should gather more information on brokered deposits before proposing extensive regulatory and legislative changes.

Comments Received by the Board

The Board received seventy-three comments on the Advance Notice. Thirty-five were from savings and loan associations, three from banks, twelve from brokers and other members of the financial services industry, twelve from financial industry trade groups, five from state or municipal governmental entities, three from credit unions, two from federal government entities and one from an individual.

Eight of the comments from savings and loan associations supported the prohibition of, or restriction on, the acceptance of brokered funds by insured institutions. One commenter expressed concern that nationwide money brokers could come to dominate the market for insured accounts, thereby causing many institutions to become dependent on them for funds and also permitting market dynamics to bid up the cost of funds to the detriment of insured institutions. Commenters also suggested that brokers were using FSLIC insurance for a purpose for which it was not intended.

Twenty-seven of the comments from savings and loans opposed actions which would limit the ability of financially and managerially sound institutions to accept brokered funds. Commenters suggested that the agencies focus on the use of funds and the overall funds acquisition policies of institutions rather than on brokered funds alone. Many commenters discussed the benefits of brokered funds such as the opportunity for institutions in capital-deficient areas to obtain funds, and the cost-effective means such deposits provide for an institution to acquire funds of a desired rate and maturity without altering its retail offerings. The three banks which commented expressed similar views.

The United States League of Savings Institutions expressed serious concerns over the current unregulated practices of deposit brokers and concluded that the potential problems outweigh the benefits that might result from permitting the continuation of the current practices. It recommended specific restrictions on the ability of institutions to obtain brokered deposits designed to address the particular problems raised by excessive use of deposit brokerage while preserving the usefulness of brokered deposits in restructuring efforts. The six state and regional savings and loan trade associations which commented expressed the view that financially and managerially sound institutions should not be limited in their access to brokered funds.

The deposit brokers and other members of the financial services industry which commented generally opposed any restriction on the acceptance of brokered deposits by sound institutions, while one commenter supported percentage limitations applied to all institutions. The commenters emphasized that it is in a broker's interest to avoid directing customers' funds to institutions which may default. Commenters discussed the economic efficiency of the brokerage function and referred to the extent to which brokerage permits non-money-center institutions to gain access to the national funds market.

Four of the state and local entities which commented stated their oppositon to potential changes in the level of insurance coverage available to pension funds and public units. The fifth expressed concern about the use of brokered deposits and stated that if the federal agencies did not take action it would propose legislation to limit the issuance of out-of-state jumbo certificates by banks and savings and loan associations.

A corporate central credit union and a committee of corporate credit union representatives stated their concern about the current lack of risk sensitivity in the placement of deposits, and suggested that either a cost-sharing formula be developed or that brokers be treated as principals for insurance purposes. Two credit unions opposed limitations on the placement of brokered funds with sound institutions. One individual supported a prohibition on the use of brokered funds and stated that institutions should be required to rely on their local markets for deposits.

Proposals

Over the past several months the FDIC and the Board have collected data on banks and savings and loan associations which are involved with deposit brokerage. The data assimilated thus far indicate that, although brokered deposits comprise a modest percentage of total domestic deposits, a significantly greater proportion of poorly rated institutions use brokered deposits than highly rated institutions. Moreover, the seventy-two commercial banks that failed between February 1982 and mid-October 1983 had substantial brokered deposits. These deposits constituted sixteen percent of the total deposits held by the seventy-two banks. Some of the failed banks relied more heavily on brokered funds. In three instances brokered deposits equalled more than sixty percent of the failed bank's total deposits. In nineteen other cases these deposits equalled between twenty and fifty percent of the failed bank's deposits. The FDIC and the Board are continuing to collect information on deposit brokerage. Based on the data assembled to date and an analysis of the comments received on the Advance Notice, however, the agencies have preliminarily determined that deposit brokerage has a sufficiently adverse effect upon the depository institutions industry to warrant remedial regulatory action. At present the approach deemed most desirable by the FDIC and the Board in addressing the problems inherent in deposit brokerage is that of limiting deposit insurance for such deposits.

In addition to their concern about the effects of deposit brokerage on troubled institutions, the FDIC and the Board are also concerned about the potential which exists for the abuse of brokered funds by insured institutions generally. The use of these deposits has grown dramatically over the past

several years and, if not limited in some way, will likely continue to grow at a rapid pace. Furthermore, the FDIC and the Board believe that deposit brokerage represents an outright misuse of the federal deposit insurance system. Deposit insurance was originally intended to establish stability and to promote confidence in the monetary and banking systems by protecting primarily small, relatively unsophisticated depositors in their relationships with banks and savings associations. It was never intended to protect investors seeking the highest yields available in money markets. The FDIC and the Board believe it is essential that the situation be promptly addressed in view of the recent decontrol of interest rates paid by banks and thrifts. Consideration of soundness should enter into the selection of a bank or thrift, not simply the rate paid on deposits.

The agencies believe the deposit insurance alternative would avoid the constant monitoring of all deposit brokerage activity which would only serve to increase the regulatory burden on depository institutions and the supervisory role of the agencies. Alternatively, a blanket prohibition on the use of brokered deposits would be unduly restrictive and would totally eliminate the benefits to insured institutions of brokered deposits. Limiting the insurance coverage of brokered deposits would not defeat the liquidity benefits of brokered deposits for well-run institutions. Such deposits would still be obtainable, but without a "federal guaranty." Investment decisions would be made on the strength or weakness of the involved depository institution, and not on the federal insurance feature of the deposit.

A result of these proposed amendments would be to instill market discipline by preventing the marketing of federal deposit insurance by non-depository entities in a way that the FDIC and the Board believe is outside the scope of the legislative intent underlying the federal deposit insurance scheme. Despite the insurance limitations which would result from the proposed amendments, brokered deposits would continue to be afforded insurance coverage up to $100,000 for each broker per insured institution. Any deposits in excess of $100,000, however, would not be insured. An analysis of the depository institution's financial and managerial soundness, therefore, would be the prudent course when depositing funds over $100,000. The proposed amendments would apply to basic brokering programs, certificate-of-deposit participation programs, deposit listing services and financing arrangements where an agent or trustee establishes a deposit or member account for the purpose of enabling the institution to finance a prearranged loan with the proceeds in the account.

If adopted, the proposed rules would afford a maximum of $100,000 insurance coverage per insured bank or savings association for the total deposits placed by or through a single deposit broker. The term "deposit broker" would be defined as any person or entity who is engaged in the business of placing deposits for others and an agent or trustee who establishes a deposit or member account in connection with an agreement with the institution to use the proceeds in the account to fund a prearranged loan. The agencies request comment on whether subsidiaries or networks of depository institutions should be included within the definition of "deposit broker" for purposes of the proposed amendments. They also request comments on what treatment should be accorded to institutions owned either directly or indirectly by business

entities which would be within the proposed definition of "deposit broker." Also, as proposed, the term "deposit broker" would not include employees of depository institutions. The agencies are concerned, however, that too broad a definition of "employee" would lead to circumvention of the intent behind the proposed amendments. Therefore, the FDIC and the Board are defining an "employee" of an institution as a person who is employed exclusively by that institution, is paid primarily on a salaried basis, does not share his or her compensation with someone who is engaged in the business of brokering deposits, and uses an office facility which exists exclusively for his or her institution/employer. As proposed, the definition of "deposit broker" would not include the normal activities of trust departments of insured institutions. Activities and arrangements with the purpose and effect of circumventing the intent of the proposed amendments, however, could cause such trust departments to be deemed "deposit brokers."

For purposes of calculating the amount of insurance, the broker would be deemed the "depositor" or "member" in a deposit brokerage situation. This differs from the current FDIC and Board regulations which, if certain requirements are met, deem the customer of the deposit broker to be the "depositor" or "member." The proposed definition includes not only deposit brokerage arrangements where the broker is the holder of an account for a number of principals, but also where the broker directs or otherwise facilitates the transfer of funds of depositors to an institution without itself becoming a holder of an account; thus, the definition would also apply to deposit listing services and similar arrangements.

The FDIC and the Board do not intend to disturb traditional deposit relationships. Accounts held by agents would remain insured up to $100,000 per principal, provided that the agent is not engaged in the business of placing deposits. Thus, arrangements such as a real estate agent's and attorney's escrow accounts would not be affected by the proposed amendments. Comments are welcomed on the question of what types of activities of agents should or should not be deemed to constitute the business of deposit brokerage if the agencies adopt the proposal. Furthermore, the insurance coverage currently available to pension funds, other employee benefit plans and irrevocable trusts (other than the prearranged loan transaction noted above) would not be affected, where the deposits are not placed by or through a deposit broker. Likewise, the insurance coverage of accounts of public units would not be affected, provided that a deposit broker is not employed to place the funds.

Comments are also requested on whether any amendments should be made to the current rules on the insurance of negotiable or bearer-form certificates of deposit. At present, for insurance purposes, the "depositor" of a negotiable or bearer-form deposit is the person holding the deposit on the date the institution is closed because of insolvency, 12 C.F.R. §§ 330.11 and 570.11. The agencies are concerned that such deposits may be used to impede the intent of the proposed amendments. Thus, they are requesting comments on what regulatory steps, if any, should be taken to prevent possible misuses of negotiable or bearer-form certificates of deposit to circumvent the proposed amendments. One option is to require that institutions maintain records on the original purchaser of the deposit. This would permit a determination that the certificate was not purchased by or through a deposit broker.

If the proposed amendments are ultimately adopted as final regulations, the effective date would be October 1, 1984. Thus, any deposits either placed or renewed on or after October 1, 1984, would be subject to the new regulations on insurance coverage. Deposits either placed or renewed prior to October 1, 1984, however, would be subject to the current insurance rules until the scheduled maturities of those deposits. The FDIC and the Board welcome comments on this proposed effective date. Additionally, the agencies are concerned that a few insured institutions may have portfolio structures requiring additional time in which to adjust in order to avoid severe disruption. The agencies also request comments on methods by which such disruptive effects may best be alleviated.

Finally, the FDIC and the Board request comments on any other methods by which the objectives of the two agencies might be otherwise achieved.

Paperwork Reduction Act

As proposed, the amendments would not entail any reporting or recordkeeping requirement; therefore, the Paperwork Reduction Act of 1980 (44 U.S.C. 3501-3520 (1980)) would be inapplicable.

Initial Regulatory Flexibility Analysis

Pursuant to Section 3 of the Regulatory Flexibility Act, Pub. L. No. 96-354, 94 Stat. 1164 (Sept. 19, 1980), the FDIC and the Board are providing the following regulatory flexibility analysis:

1. Reasons, objectives, and legal bases underlying the proposed rules. These elements have been incorporated elsewhere in the supplementary information regarding the proposal.

2. Small entities to which the proposed rules would apply. The rules would apply to insured institutions.

3. Impact of the proposed rules on small institutions. As brokered deposits do not yet constitute a significant portion of total deposits of most insured institutions, the proposed rules would not have a significant impact on a substantial number of small entities.

4. Overlapping or conflicting federal rules. There are no federal rules that duplicate, overlap, or conflict with this proposal.

5. Alternatives to the proposed rules. The proposal would limit federal deposit insurance on brokered deposits. Other alternatives considered, such as increased monitoring and approval mechanisms and blanket prohibitions on brokered deposits, would be more burdensome to the agencies' regulatees or would eliminate the benefits of a regulated activity, including availability of liquidity.

LISTS OF SUBJECTS

12 CFR Part 330

Banks, Bank deposit insurance, Banking, Federal Deposit Insurance Corporation.

12 CFR Parts 561 and 564

Banks, Bank deposit insurance, Banking, Federal Home Loan Bank Board, Federal Savings and Loan Insurance Corporation, Savings and loan associations.

In consideration of the foregoing, the FDIC hereby proposes to amend Part 330 of title 12 of the CFR and the Board hereby proposes to amend Parts 561 and 564 of title 12 of the CFR as follows:

Part 330 - Clarification and Definition of Deposit Insurance Coverage

1. The authority citation for Part 330 is as follows:

Authority: 12 U.S.C. 1813, 1817, 1821, 1822.

2. It is proposed that section 330.0 be amended by revising its heading, redesignating its first paragraph as paragraph (a) and adding paragraphs (b) and (c) as follows:

§ 330.0 Definitions.

(a) For the purpose of this Part 330, the term "insured bank" includes an insured branch of a foreign bank.

(b) For purposes of this Part 330, the term "deposit broker" includes: (1) any person or entity, other than an insured bank or employee thereof, engaged in the business of either placing or listing for placement deposits of insured banks; and (2) an agent or trustee who establishes a deposit account to facilitate a business arrangement with an insured bank to use the proceeds of the account to fund a prearranged loan.

(c) The term "employee," for purposes of this section only, includes only an employee: (1) who is employed exclusively by the insured bank for which he or she is soliciting deposits; (2) whose primary compensation is in the form of a salary; (3) who does not share his or her compensation with a deposit broker; and (4) whose office space or place of business is used exclusively for the benefit of his or her insured bank/employer.

3. It is proposed that section 330.2 be amended by revising its heading, removing its preface, removing the heading of paragraph (a), and removing paragraphs (b) and (c) as follows:

§ 330.2 Individual accounts.

Funds owned by an individual (or by the community between husband and wife of which the individual is a member) and deposited into one or more deposit accounts in his or her own name shall be insured up to $100,000 in the aggregate.

4. It is proposed that section 330.10 be amended by revising its text as follows:

§ 330.10 Trust accounts.

All trust interests for the same beneficiary deposited in deposit accounts established pursuant to valid trust agreements created by the same settlor (grantor) shall be added together and insured up to $100,000 in the aggregate, except time and savings deposits of the same beneficiary which qualify as pension or profit-sharing plans under section 401(d) or 408(a) of the Internal Revenue Code 1954, as amended. The vested and ascertainable interest (excluding any remainder interest) of each beneficial owner in a time or savings deposit established under either of the above sections, shall be added together and insured to an additional $100,000 maximum for each beneficial owner, notwithstanding the insurance provided in this section to other types of deposit accounts. Except where the trustee is a "deposit broker," as defined in section 330.0(b), the insurance of such trust interests shall be separate from that afforded deposit accounts of the trustee of such trust funds or the settlor or beneficiary of such trust arrangement.

5. It is proposed that section 330.13 be added as follows:

§ 330.13 Accounts held by or established through intermediaries.

(a) Except as provided in paragraph (b) of this section, funds owned by a principal and deposited into one or more deposit accounts in the name or names of agents or nominees shall be added to any individual accounts of the principal and insured up to $100,000 in the aggregate.

(b) Notwithstanding any other provision of this Part, funds deposited into one or more deposit accounts by or through a "deposit broker," as defined in section 330.0(b), shall be added to any other deposits placed by or through that deposit broker and insured up to $100,000 in the aggregate.

(c) Funds held by a guardian, custodian or conservator for the benefit of a ward or for the benefit of a minor under a Uniform Gifts to Minors Act and deposited into one or more accounts in the name of the guardian, custodian or conservator shall be added to any individual accounts of the ward or minor and insured up to $100,000 in the aggregate.

Part 561 - Definitions.

1. The authority citation for Part 561 is as follows:

Authority: 12 U.S.C. 1724, 1725, 1726, 1728.

2. It is proposed that section 561.2a be added as follows:

§ 561.2a Definition of "deposit broker."

(a) The term "deposit broker" includes: (1) any person or entity, other than an insured institution or employee thereof, engaged in the business of placing or listing for placement deposits of an insured institution; and (2) an agent or trustee who establishes a member account to facilitate a business arrangement with the institution to use the proceeds of the account to fund a prearranged loan.

(b) The term "employee," for purposes of this section only, includes only an employee: (1) who is employed exclusively by the institution for which he or she is soliciting deposits; (2) whose primary compensation is in the form of a salary; (3) who does not share his or her compensation with a deposit broker; and (4) whose office space or place of business is used exclusively for the benefit of his or her institution/employer.

Part 564 - Settlement of Insurance

3. The authority citation for Part 564 is as follows:

Authority: 12 U.S.C. 1724, 1725, 1726, 1728.

4. It is proposed that section 564.3 be amended by revising its heading, removing its preface, removing the the heading of paragraph (a), removing paragraphs (b)(1), (b)(2) and (c) as follows:

§ 564.3 Individual accounts.

Funds owned by an individual (or by the husband-wife community of which the individual is a member) and invested in one or more accounts in his or her own name shall be insured up to $100,000 in the aggregate.

5. It is proposed that section 564.10 be amended by adding at the end thereof a sentence as follows:

Except where the trustee is a "deposit broker," as defined in section 561.2a, the insurance of such trust interests shall be separate from that afforded deposit accounts of the trustee of such trust funds or the settlor or beneficiary of such trust arrangement.

6. It is proposed that section 564.12 be added as follows:

§ 564.12 Accounts held by or established through intermediaries.

(a) Except as provided in paragraph (b) of this section, funds owned by a principal and invested in one or more accounts in the name of agents or nominees shall be added to any individual accounts of the principal and insured up to $100,000 in the aggregate.

(b) Notwithstanding any other provision of this Part, funds invested in one or more accounts by or through a "deposit broker," as defined in § 561.2a, shall be added to any other deposits placed by or through that deposit broker and insured up to $100,000 in the aggregate.

(c) A loan servicer who receives loan payments and places or maintains such payments in an insured institution prior to remittance to the lender or other parties entitled to the funds shall, for insurance-of-accounts purposes, be considered an agent of each borrower.

(d) Funds held by a guardian, custodian or conservator for the benefit of a ward or a minor under a Uniform Gifts to Minors Act, and invested in one or more accounts in the name of the guardian, custodian or conservator, shall be added to any individual accounts of the ward or minor and insured up to $100,000 in the aggregate.

By Order of the Board of Directors, January 16, 1984

FEDERAL DEPOSIT INSURANCE CORPORATION

signed

Hoyle L. Robinson
Executive Secretary

By Order of the Board, January 16, 1984

FEDERAL HOME LOAN BANK BOARD

signed

Secretary to the Board