PRESS RELEASE
Federal Deposit Insurance Corporation

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FDIC SIMPLIFIES DEPOSIT INSURANCE RULES

FOR IMMEDIATE RELEASE

The FDIC Board of Directors today adopted changes that will make it easier to understand the agency's deposit insurance rules. The changes will benefit consumers and bankers.

"Deposit insurance simplification is one more example of the FDIC's efforts to eliminate burdensome regulations without reducing protections for consumers or safety and soundness standards for institutions," said FDIC Chairman Andrew C. Hove, Jr. "The public can only benefit from having a better understanding of the deposit insurance rules."

The Board approved inserting into the rules a variety of straightforward, easy-to-understand examples illustrating how deposit insurance applies to the three basic types of accounts owned by consumers. The examples will help the depositor read the rules and quickly understand what insurance coverage he or she has (or would have) at an FDIC-insured bank or thrift.

The three basic types of accounts are individual accounts (owned only by one person, including a sole proprietor of a business), joint accounts (owned by two or more people and all parties have equal rights to withdraw money) and payable-on-death accounts (where the owner indicates that upon his or her death the funds will pass to a spouse, child or grandchild).

In addition, the Board today adopted three substantive revisions to the insurance rules. These changes:

- Give the FDIC more flexibility to insure third-party deposits made by law firms, real estate agents, title companies and other businesses on behalf of their customers;

- Provide a six-month grace period after a depositor's death for beneficiaries to rearrange inherited accounts if necessary to avoid going over the $100,000 insurance limit; and

- Clarify the insurance coverage of "living trust accounts," a type of trust account that an owner can cancel or change during his or her lifetime.

The new rules, which go into effect July 1, 1998, are substantially the same as a proposal the Board authorized for public comment in April 1997. When the original proposals were announced last year, the Board also instructed FDIC staff to study the implications of revising the rules governing joint accounts and payable-on-death accounts as part of the overall simplification effort. The results of that study are expected to be presented to the Board in the near future.

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