PRESS RELEASE
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FDIC SIMPLIFIES THE DEPOSIT INSURANCE RULES FOR JOINT ACCOUNTS AND PAYABLE-ON-DEATH ACCOUNTS

FOR IMMEDIATE RELEASE

The FDIC Board of Directors voted today to simplify the deposit insurance rules governing two common types of accounts -- joint accounts and "payable-on-death" accounts. The agency is changing the existing regulations primarily because they have been confusing for both consumers and bankers. That confusion has caused losses to depositors at failed institutions who mistakenly believed their funds were within the $100,000 insurance limit.

"These changes will greatly benefit consumers," said FDIC Chairman Donna Tanoue. "The new rules will be much easier to understand, and therefore it will be much less likely that a consumer will unknowingly exceed the $100,000 insurance limit. That can only enhance public confidence in the deposit insurance system."

The new rules are scheduled to go into effect when they are published in the Federal Register, most likely in the next week or two. The revisions are substantially the same as the proposed changes issued for public comment in July of 1998. They will apply to all existing and future joint accounts and payable-on-death (POD) accounts, including existing certificates of deposit.

Joint Accounts

For many years, the calculation of FDIC insurance coverage for joint accounts (those owned by two or more people) has involved a two-step process. Step One: All joint accounts owned by the same combination of people at an insured institution are added together and insured up to $100,000. Step Two: Each person's shares in all joint accounts at that same institution are added together and insured up to $100,000. This means no one person's insured interests in joint accounts can exceed $100,000. FDIC officials say that much of the confusion over the joint account rules stems from the fact that many people are unaware of the first step. For example, people mistakenly believe that a joint account owned by two people would be insured up to $200,000, when the actual coverage is $100,000.

To address this problem, the FDIC Board today agreed to a simple, one-step process for determining the coverage of joint accounts. Under the new standard, a person is insured up to $100,000 in total for his or her share of any joint accounts at an insured bank or savings institution, even if one of those accounts has a balance of more than $100,000. For example, under the revised rules, if two people own a joint account with a balance of $200,000 and they have no other joint accounts at the same insured institution, each person would be insured for $100,000 on the joint account. As under the current rules, however, no person could be insured for more than $100,000 for his or her interests in all joint accounts at the same insured bank or thrift.

As before, a depositor's ownership in joint accounts will be covered up to $100,000 separately and in addition to the FDIC insurance available for other types of consumer accounts, such as individual accounts, payable-on-death accounts and retirement accounts.

Payable-on-Death Accounts

Payable-on-death accounts are those where the depositor indicates in the account records that, upon his or her death, the funds will be payable to one or more named beneficiaries. These accounts are commonly referred to as "POD," "In Trust For" or "Totten Trust" accounts.

The current rules provide that, if certain conditions are met, the interests of each beneficiary in a depositor's POD accounts at an institution will be insured up to $100,000. One such condition is that the beneficiaries of the account are the owner's spouse, children or grandchildren (known as "qualifying beneficiaries"). This means a parent's POD accounts that list three children as the beneficiaries would be insured for up to $300,000, not just $100,000. Some people mistakenly believe, however, that each beneficiary of POD accounts is entitled to $100,000 of insurance, regardless of the relationship. They incorrectly assume, for example, that a POD account naming a parent, brother and sister as the beneficiaries would be insured up to $300,000. But under current rules, an account with those beneficiaries would be considered the owner's individual account and protected (with other individual accounts) up to $100,000, not to $300,000.

To avoid the confusion that has surrounded POD accounts, the FDIC Board today extended the list of qualifying beneficiaries to include the depositor's parents and siblings. For example, when the new rules become effective, a depositor who establishes an account payable-on-death to his two children and brother will be insured up to $300,000 on that account.

POD accounts also continue to be separately insured from other types of deposit accounts, such as individual accounts, joint accounts and retirement accounts.

Information to Be Updated

To reflect the new rules, the FDIC will be revising its deposit insurance publications for consumers and bankers, including the popular "Your Insured Deposits" brochure. The agency also will be updating the deposit insurance-related information posted on the FDIC's www.fdic.gov Internet site, including the "Electronic Deposit Insurance Estimator" (EDIE) service that allows consumers to quickly and easily check whether their accounts exceed the insurance limit.

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