PRESS RELEASE

Federal Deposit Insurance Corporation

January 13, 2004

Media Contact:
David Barr (202) 898-6992

FDIC Simplifies The Insurance Rules For Living Trust Accounts

FOR IMMEDIATE RELEASE

The FDIC Board of Directors voted today to simplify the insurance rules for deposits held in connection with a living trust, an increasingly popular estate-planning tool. The FDIC is changing the insurance rules for living trust accounts primarily because the existing rules have been confusing for both consumers and bankers.

"The new living trust rules will be much easier for consumers and bankers to understand," said FDIC Chairman Don Powell. "This simplification of the rules will make it much more likely that families with living trust accounts will be fully protected by the FDIC if their bank fails."

The new rules will become effective April 1, 2004, but the FDIC will apply the new rules to living trust deposits at any insured institution that fails between now and April 1 if doing so would benefit the affected depositors.

In general, a living trust is a type of "revocable" trust that enables the owner (grantor) to retain full control over the assets and the designation of beneficiaries during the owner's lifetime. A common characteristic of many living trust documents is that the owner specifies that assets will pass to specified beneficiaries only when certain conditions are met, such as when the person reaches a certain age or graduates from college. These conditions often are known as "defeating contingencies" because they can be roadblocks to receiving an inheritance.

Under the new rules, if a bank fails, the FDIC will provide insurance coverage of up to $100,000 for each "qualifying" beneficiary entitled to a living trust account's assets upon the death of the account owner. As with the existing rules, a qualifying beneficiary is defined as the account owner's spouse, children, grandchildren, parents and siblings. However, unlike the current rules, the new rules will not limit FDIC insurance coverage if there are defeating contingencies in the trust agreement. This means, for example, that a living trust account owned by one person and listing three children as the beneficiaries would be eligible for $300,000 of FDIC insurance coverage - even if the living trust document contains conditions on when the children could get the money.

The revised rule also eliminates the existing requirement that beneficiaries of living trust accounts be named in the records of the depository institution. The FDIC has determined that this requirement is burdensome and unnecessary, especially when living trust depositors may change the trust beneficiaries at any time. The removal of this recordkeeping requirement supports the ongoing efforts of the FDIC and the other federal banking regulators to eliminate unnecessary regulatory requirements, as mandated by the Economic Growth and Regulatory Paperwork Reduction Act.

The revised rules are similar to one of the proposed alternatives the FDIC issued for public comment in June 2003.

The FDIC is planning several ways to raise awareness of the new rules among bankers and bank customers. The FDIC will be issuing new deposit insurance publications for consumers and bankers that will address the rule changes and replace the popular Your Insured Deposits brochure. The upcoming Winter issue of the agency's quarterly publication *FDIC Consumer News* will cover the living trust rule in depth. Information on the new rules will be available on the FDIC's Web site at www.fdic.gov. In addition, the FDIC is planning special educational programs to explain the new rules to bankers.

Consumers or bankers who have questions about the new rules on living trusts or any other aspect of FDIC insurance coverage may contact the FDIC by phone (toll-free at 877-275-3342), mail (550 17th Street, NW, Washington, DC 20429) or e-mail (using an online form at www2.fdic.gov/starsmail/index.html). The FDIC's Web site also contains extensive information about FDIC insurance coverage.