PRESS RELEASE

Federal Deposit Insurance Corporation ● Each Depositor insured to at least $250,000

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FDIC Simplifies Coverage Rules for Mortgage Servicing Accounts

The FDIC Board of Directors today adopted an interim final rule, effective immediately, to simplify the deposit insurance rules for accounts held at FDIC-insured institutions by mortgage servicers.

Under the FDIC's current rules, accounts maintained by a mortgage servicer comprised of *principal and interest* payments made by borrowers are insured based on the ownership interest of each *lender* (or investor) in those accounts. Over the past several years, securitization methods and vehicles for mortgages have become more layered and complex. Thus, it has become much more difficult and time-consuming for a servicer to identify and determine the share of any investor in a securitization and in the *principal and interest* funds on deposit at an insured depository institution.

Under the interim rule, coverage will be provided to the lenders/investors, as a collective group, based on the cumulative amount of the borrowers' payments of *principal and interest* into the account. Because servicers are able to identify *borrowers* more quickly than *investors*, the per-borrower coverage provided for under the interim rule would enable the FDIC to make deposit insurance determinations on mortgage servicing accounts more quickly and to pay deposit insurance more quickly. This insurance coverage afforded in connection with *principal and interest* payments in mortgage servicing accounts would not be aggregated with or otherwise affect the coverage provided to borrowers in connection with other accounts the borrowers might maintain at the same insured depository institution.

"This simplification of the coverage rules for mortgage servicing accounts will help prevent losses to otherwise insured depositors and prevent withdrawals of deposits for principal and interest payments from depository institutions," said FDIC Chairman Sheila C. Bair. "Thus, we believe the new rule will benefit both mortgage security-holders and insured institutions."

The interim rule is effective as of October 10, 2008, for all existing and future mortgage servicing accounts. The FDIC will publish the interim rule with a comment period of 60 days.

Attachment:
Interim Rule on Temporary Increase in Standard Coverage Amount and on Mortgage Servicing Accounts (PDF Help)