FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC TO ISSUE NEW REGULATIONS REFLECTING PERMANENT DEPOSIT INSURANCE COVERAGE FOR EACH PARTICIPANT IN 457 PLANS

The Federal Deposit Insurance Corporation will amend its regulations during the next few months to reflect that pass-through insurance for so-called 457 plans has been extended indefinitely by the new banking legislation signed yesterday by President Bush.

Under the new Federal Deposit Insurance Corporation Improvement Act of 1991, each participant in a 457 Plan, which is a deferred compensation plan mainly for state and local government employees and tax-exempt organizations, will be covered up to the statutory limit of $100,000 of federal deposit insurance.

Before enactment of the new law, FDIC regulations restricted deposit insurance for 457 Plans to $100,000 per plan, rather than per participant. Those regulations were scheduled to go into effect on January 29, 1992, or in the case of a time deposit, the first maturity date thereafter. The provisions of the new legislation essentially cancel that effective date and permit per-participant coverage to continue uninterrupted.

However, the statute requires that beginning December 19, 1992, one year following the date of enactment of the new law, the FDIC will not provide pass-through insurance if at the time the deposits are accepted the institution is prohibited from accepting brokered deposits because it does not meet minimum capital requirements or, it is adequately capitalized but has not applied to the FDIC for permission to accept brokered deposits.

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