

4 Deposit Insurance Coverage

4.1 Ownership Right and Capacity Codes

4.1.1 Overview

This section outlines the steps for completing the ORC, SMDIA, and deposit insurance calculations on deposit accounts at the CI.

First, the correct ORC must be determined from the deposit account records for each deposit account. One way to identify the applicable ORC would be based on account titling. For reference purposes only, the following resources list the i) key words, and ii) the business rules that the FDIC has used for bank failures.

- FDIC's IT System Insurance Determination Rules
<https://www.fdic.gov/regulations/resources/recordkeeping/documents/it-system-insurance-determination-rules.pdf>.
- FDIC's Ownership Rights and Capacity Category Key Words
<https://www.fdic.gov/regulations/resources/recordkeeping/documents/ownership-right-capacity-key-words.pdf>.

After the initial ORC assignments are made, CI staff may validate the assignments by cross-checking with service charge codes for business accounts and codes for public institution accounts, among other methods.

4.1.2 Single Accounts

4.1.2.1 Right and Capacity and SMDIA Calculation

Determine if an account meets FDIC requirements for a single account:

- 1) Identify the account holder.²
- 2) If there are multiple account holders, refer to section 4.1.3 of this document for Joint Accounts.
- 3) If the account is titled in the name of a trust, then refer to Section 4.1.4 or Section 4.1.5 of this document for trust accounts.
- 4) If the account is titled in an individual's name and bank records indicate the account is payable on death to eligible beneficiaries, then refer to Section 4.1.4 of this document for trust accounts.
- 5) If the account is a self-directed retirement plan account, then refer to Section 4.1.6 of this document for Certain Retirement Accounts.
- 6) The SGL category may include: (1) single owner, non-retirement, non-trust deposits, e.g., personal checking, savings, etc.; (2) single owner "doing business as" deposits; (3) accounts established for the "estate of" a deceased party;³ (4) tax and insurance payments under (MSA), assuming the payment was from one person (not two people); (5) deposits styled as trusts but ineligible for coverage under the trust categories⁴; and (6)

² Account holder shall be deemed as a depositor entitled to up to the SMDIA as provided for under the applicable ownership category.

³ A deceased account holder may have multiple accounts at the bank in the single account ownership right and capacity category (SGL ORC). Accounts titled to the decedent or for the "estate of" the decedent, in the SGL category, should be aggregated and insured up to the SMDIA.

⁴ Part 370 recordkeeping and reporting should utilize ownership right and capacity codes "REV" and "IRR" for trust accounts insured as described in §§ 330.10 and 330.13 until March 31, 2024. On and after April 1, 2024, Part 370 recordkeeping and reporting should utilize ownership right and capacity code "TST" for the combined revocable and irrevocable trust category set forth in the revision of § 330.10 that takes effect on April 1, 2024.

deposits that fail to qualify under another ORC, such as (i) a joint account that is not a “qualifying” joint account; and (ii) a “non-qualifying entity” under the BUS ORC (see 330.11(d)).

- 7) If an account meets the definition of a single account, then set DP_Right_Capacity equal to SGL.
- 8) The account holder of a single account for the combined amount of his or her interests in all single accounts at the same CI is entitled to SMDIA.

4.1.2.2 Single Ownership Account Deposit Insurance Calculation

If all single ownership accounts have been processed through Section 4.1.2.1 Right and Capacity and SMDIA Calculation or placed in the Pending File (see Section 5.4 of this document), then:

- 1) Identify all single-ownership accounts and the beneficial owners of the deposits in these accounts.
- 2) Aggregate total account balance and accrued interest by each unique beneficial owner for all deposits held by the owner in the single account right and capacity at the CI. If this is a second or successive iteration of the Deposit Insurance Calculation due to newly identified account(s), the accounts in the same ORC from the previous calculation must be aggregated with the newly identified account(s).
- 3) For the aggregated account balance and accrued interest for each beneficial owner:
 - a) If the total balance plus accrued interest does not exceed SMDIA, then the funds are fully insured and the insured amount for each account is equal to the sum of the balance and accrued interest.
 - b) If the total balance plus accrued interest exceeds SMDIA, then funds in excess of SMDIA are not insured.
- 4) If there are uninsured funds for the account holder then apply debits.
- 5) Based on the above calculation record the respective uninsured amount to each account for the account holder.
- 6) Calculate the insured amount for each individual account as the sum of the current balance and accrued interest, less the uninsured amount, and then record the insured amount for each account.

4.1.3 Joint Accounts

4.1.3.1 Right and Capacity and SMDIA Calculation

Determine if an account meets FDIC requirements for a qualifying joint account:

- 1) Identify all co-owners of the account and determine if the joint account is a qualifying joint account by:
 - a) Verifying all co-owners are “natural persons” (defined as human beings);
 - b) Determining all co-owners have equal withdrawal rights; and
 - c) Verify all co-owners have signed the signature card, or have satisfied the signature requirement, as discussed in section 2.3.1 above. The signature card requirement does not apply to certificates of deposit, deposits evidenced by negotiable instruments, or accounts subject to pass-through insurance.
 - d) Credit balances on debt accounts constitute deposit liabilities. If a covered institution’s debt account records demonstrate that the obligors are jointly liable and otherwise meet the requirements for qualifying joint accounts under 12 CFR § 330.9(c), then the credit balance should be insured in the JNT ORC. FDIC will view execution of the debt agreement by each person with joint liability as satisfaction of the joint account signature card requirement.
- 2) For accounts that do not qualify as joint:
 - a) For accounts that include one or more co-owners that are not natural persons, the funds should be treated as jointly owned by the remaining natural person co-owners. If only one natural person owner

exists, the account should be reclassified as a single ownership account for deposit insurance purposes (refer to Section 4.1.2 of this document for Single Accounts).

- b) Accounts that the CI treats as joint but do not meet the signature card requirement should be placed in the Pending File under the JNT DP_Right_Capacity code and the RAC Pending_Reason code.
 - c) For accounts where the owners do not have equal withdrawal rights, the ORC will be determined by the actual ownership interest of the named account holders. For example, if individuals are the named account holders for a non-qualifying joint account, then refer to Section 4.1.2 of this document for Single Accounts.
- 3) If an account co-owner is deceased, then determine if the six-month rule applies. See 2.3.5. If it does, continue to classify as JNT (subject to other JNT requirements). If the six-month rule does not apply, then recognize the account co-owner's death for purposes of ORC selection and insurance calculation, e.g., a two-owner JNT should be reclassified as an SGL.
 - 4) If the account meets the definition of a "qualifying" joint account, then set DP_Right_Capacity equal to JNT.
 - 5) Split the total account balance and accrued interest equally across the total number of account co-owners.
 - 6) Each co-owner of a qualifying joint account(s) is insured up to SMDIA for their share of all qualifying joint accounts at the same CI.
 - 7) Each depositor is insured up to the SMDIA in the JNT ORC.

4.1.3.2 Joint Account Deposit Insurance Calculation

If all qualifying joint accounts have been processed through Section 4.1.3.1 Right and Capacity and SMDIA Calculation or placed in the Pending File (see Section 5.4 of this document), then:

- 1) Identify all unique joint account co-owners.
- 2) Aggregate total account balance and accrued interest for each unique account co-owner for those accounts held in the JNT right and capacity. If this is a second or successive iteration of the Deposit Insurance Calculation due to newly identified account(s), the accounts in the same ORC from the previous calculation must be aggregated with the newly identified account(s).
- 3) For the aggregated account balance and accrued interest for each account co-owner:
 - a) If the total balance plus accrued interest of an account co-owner does not exceed SMDIA, then the funds of the account co-owner across all joint accounts at the CI are fully insured.
 - b) If the total balance plus accrued interest of an account co-owner exceeds SMDIA, then the owner's funds in excess of SMDIA are not insured.
 - c) If there are uninsured funds, then calculate the uninsured amount for each account co-owner based on steps 3(a) and 3(b) above.
- 4) If there are uninsured funds for an account co-owner then apply debits to the appropriate account.
- 5) Based on the above calculation (and repeat as necessary for each account co-owner), record the respective uninsured amount for each account of the account co-owner.
- 6) The insured amount of the owner for each individual account is the difference between the co-owner's funds in that account and the uninsured amount calculated based on the steps above.

4.1.4 Trust Accounts

4.1.4.1 Revocable Trust Accounts – Right and Capacity and SMDIA Calculation Effective Until March 31, 2024

Determine if an account meets FDIC requirements for a trust account:

- 1) Identify all grantor(s) and all unique primary beneficiaries.
 - a) A primary unique beneficiary is the person or entity entitled to an interest in the trust when the grantor dies. Alternative or contingent beneficiaries that depend on the death of primary beneficiaries are not taken into account in calculating deposit insurance coverage, if the primary beneficiaries are alive, except in the case where a life estate beneficiary is identified. Some trusts identify a life estate beneficiary with remainder beneficiaries upon the death of the life estate beneficiary. For deposit insurance calculations, each grantor – life estate beneficiary pair is insured up to the SMDIA across all REV trusts at the same CI. The remainder beneficiaries are also considered primary beneficiaries.
- 2) If a grantor is deceased determine if the FDIC's six-month rule applies. See 2.3.5. If it does, then continue to classify the account as REV. If the six-month rule does not apply, then recognize the grantor's death for purposes of ORC selection and insurance calculation. Under the REV ORC:
 - a) If the REV is an informal revocable trust (e.g. POD account) with two grantors, then after the first grantor dies and the six-month rule expires, treat the account as a REV with one grantor.
 - b) If the REV is a formal revocable trust with two grantors, then after the first grantor dies and the six month rule expires, treat the account as a REV with one grantor (unless the terms of the trust agreement dictate the trust be treated as an IRR).
- 3) Identify eligible unique primary beneficiaries.
 - a) If **all** primary beneficiaries are deceased, then:
 - i) If there are no substitute or contingent beneficiaries named in the revocable trust document for that primary beneficiary, then
 - (1) Funds associated with that revocable trust should be treated as funds in a single or joint account ORC belonging to the trust grantor(s) and aggregated and insured with other accounts of the trust grantor(s) in the corresponding ORC.
 - ii) If the trust document (or bank records for an informal revocable trust) indicates the interest associated with a deceased primary beneficiary is passed to other beneficiaries (e.g., per stirpes⁵ or per capita), determine the eligibility of the successor beneficiaries and the total number of unique eligible beneficiaries (including eligible successor beneficiaries) for purposes of deposit insurance calculation.
 - b) If **some** primary beneficiaries are deceased and there is no contingency for the deceased beneficiaries, then determine the number of eligible beneficiaries by counting the number of living primary beneficiaries (identified in the trust agreement or, for informal trust, in bank records). For example, if a POD account identifies three primary beneficiaries but one dies (without contingent beneficiaries), then the trust has two eligible beneficiaries.
 - c) For payable-on death ("POD") and formal revocable trust account.
 - i) If a beneficiary is ineligible,⁶ then the beneficiary should be ignored for purposes of deposit insurance calculation under REV.
 - (1) Funds associated with that ineligible beneficiary should be treated as funds in a single account (SGL_ORC) for the grantor and aggregated with other SGL accounts the grantor has at the same CI. For example, if A and B co-own a POD revocable, name a corporation as the beneficiary, and have \$300,000 on deposit, then half the account (\$150,000) is treated as A's SGL ORC and the

⁵ Per stirpes implies the estate of the deceased primary beneficiary is to be distributed to each branch of the family in equal share.

⁶ An ineligible beneficiary does not meet the requirements of an eligible beneficiary but is still able to legally receive the bequest under state law. Examples of ineligible beneficiaries include for-profit business entities and pet trusts. For purposes of calculating deposit insurance coverage, the funds associated with an ineligible beneficiary is reverted to funds in the SGL right and capacity of the grantor(s).

other half (\$150,000) is treated as B's SGL ORC. These totals are subject to aggregation with any other SGL accounts that A or B has at the same CI.

- d) If a primary beneficiary is invalid.⁷
 - i) Funds associated with that invalid beneficiary should be allocated to the remaining beneficiaries.
 - e) Where the co-owners of a revocable trust are the sole beneficiaries of the corresponding trust, then identify the account as a joint account and the account shall be insured as a joint account (refer to Section 4.1.3) and shall not be insured under the provisions of the Revocable Trust Accounts. (Example: If A and B establish a payable-on-death account naming themselves as the sole beneficiaries of the account, the account will be insured as a joint account because the account does not satisfy the intent requirement (under paragraph (a) of this section) that the funds in the account belong to the named beneficiaries upon the owners' death.
 - f) If the account names as beneficiary a formal revocable trust owned in whole or part by someone other than the account holders, then refer to Section 4.1.2 or Section 4.1.3 of this document for Single or Joint Accounts representing the interest of the grantor(s).
 - g) If the account has no eligible beneficiaries, then refer to Section 4.1.2 or Section 4.1.3 of this document for Single or Joint Accounts depending on the grantor(s).
- 4) If the account meets the definition of a revocable trust account, then set DP_Right_Capacity equal to REV.
 - 5) Identify information related to allocation of funds to eligible unique primary beneficiaries.
 - a) If ownership allocations to beneficiaries are not stated for a POD account, then assume an equal allocation across all beneficiaries.
 - b) If ownership allocations to beneficiaries are not stated for a revocable trust account other than a POD account, then place the account in the Pending File (see Section 5.4 of this document).
 - 6) If grantor information or beneficiary information is not complete, then place the account in the Pending File (see Section 5.4 of this document).
 - 7) If there is a life estate beneficiary who has the right to receive income from the trust or to use trust assets during the beneficiary's lifetime prior to other beneficiaries, then flag the beneficiary as a life estate beneficiary.
 - 8) Each unique combination of grantor and unique life estate beneficiary is entitled to the SMDIA for the combined amount of all account interests at the same CI.
 - 9) Each unique combination of grantor and eligible unique primary beneficiary is entitled to the SMDIA for the combined amount of all account interests at the same CI.

4.1.4.2 Revocable Trust Account Deposit Insurance Calculation Effective Until March 31, 2024

If all trust accounts have been processed through Section 4.1.4.1 Right and Capacity and SMDIA Calculation or placed in the Pending File (see Section 5.4 of this document), then complete the following steps in order:

- 1) Identify the grantor and unique primary beneficiaries.
- 2) For each grantor identify the associated eligible unique primary beneficiaries.
- 3) Determine the allocations to the eligible unique primary beneficiaries based on the information of the allocation of funds (note a life estate beneficiary is valued at the SMDIA for purpose of deposit insurance calculation).

⁷ An invalid beneficiary is unable to legally receive the bequest under state law. Example of invalid beneficiaries includes a fictional person. For purposes of calculating deposit insurance coverage, bequests to invalid beneficiaries are ignored and funds are allocated to the remaining beneficiaries.