FDIC Insurance for Noninterest-bearing Transaction Accounts

Over the past few years, there have been various and substantial changes in FDIC insurance. One of those changes occurred with the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). In July 2010, the rules changed yet again and provided for temporary unlimited FDIC insurance coverage for noninterest-bearing transaction accounts (NIBTAs). This unlimited coverage was scheduled on a temporary basis.

Alert Date:	November 16, 2012
Status:	Coverage scheduled to expire December 31, 2012
Links:	FDIC Notice of Expiration FDIC FAQs

When Will the Unlimited Coverage for NIBTAs Expire?

The unlimited FDIC insurance coverage is scheduled to expire on December 31, 2012. ***If there is no change in law***, the coverage will expire as planned.

Has the FDIC Provided any Communications Regarding This Coverage?

Yes, the FDIC issued a Financial Institution Letter earlier this month regarding the expiration of this coverage. They have also posted various "Frequently Asked Questions" regarding the expiration on their website.

The FDIC *encourages* insured depository institutions to take the following steps:

- Provide affected accountholders with advance written notice that the temporary unlimited coverage for NIBTAs is set to expire on 12/31/2012; and that thereafter, those accounts will be insured up to the maximum amount of $250,000.
- Remove "Notice of Changes in Temporary FDIC Insurance Coverage for Transaction Accounts" signage and notices.
- Review your account agreements and disclosures for NIBTAs for any language regarding FDIC insurance and revise the language as needed to reflect the correct FDIC insurance level that will be in effect on 1/1/2013.

How Should a Notice Be Provided? Is Model Language Available?

There are no specific notice requirements imposed; however, the FDIC recommends that a notice be provided. Institutions may use any reasonable method of providing reminders to depositors, such as individual written notices or notices on account statements. E-mail may also be used for depositors who normally receive account information in that manner.

The FDIC has provided model language that may be used in communicating this change to your affected customers. A second, shorter version of the model language is also provided that may be used as a statement message, as follows:

> **NOTICE**: By federal law, as of 1/1/2013, funds in a noninterest-bearing transaction account (including an IOLTA/IOLA) will no longer receive unlimited deposit insurance coverage, but will be FDIC-insured to the legal maximum of $250,000 for each ownership category. For more information, visit: http://www.fdic.gov/deposit/deposits/unlimited/expiration.html

Recommendations for Next Steps

1. Prior to 12/31/2012, provide an advance notice to affected accountholders. *As there may be a law change prior to 12/31/2012 that extends this coverage*, institutions may wish to delay providing such a notice. In determining when your institution will provide such a notice, some factors to take into consideration may include the number of affected accounts and whether written notices will be provided individually or if statement messages will be used.

2. By 1/2/2013, remove the "Notice of Changes in Temporary FDIC Insurance Coverage for Transaction Accounts" signage and notices. Ensure these are removed from main offices, branches and websites.

3. By 1/1/2013 ensure that account agreements and disclosure statements for NIBTAs have been revised, if needed, to accurately reflect FDIC coverage for these accounts. Any needed adjustments should be made to documentation for use promptly upon expiration of the unlimited FDIC coverage.