LSC

Legal Services Corporation
America's Partner For Equal Justice

Program Letter 13-2

TO: All Executive Directors

FROM: James J. Sandman, President

DATE: May 14, 2013

SUBJECT: Advisory Regarding Recent Bank Deposit Insurance Changes

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The purpose of this Program Letter is to inform all Legal Services Corporation ("LSC") grantees of recent changes to the Federal Deposit Insurance Corporation ("FDIC") coverage limits. If they have not already done so, LSC grantees should take immediate precautionary action so as to protect both LSC and other program funds appropriately.

Expiration of Temporary Full FDIC Coverage

Beginning January 1, 2013, noninterest-bearing transaction accounts, such as checking accounts, are no longer insured separately from depositors' other accounts at the same FDIC-insured depository institutions.[1] Instead, noninterest-bearing transaction accounts are added to any other depositor accounts in the applicable ownership category, and the aggregate balance is insured up to at least the Standard Maximum Deposit Insurance Amount ("SMDIA") of $250,000, per depositor, at each separately chartered FDIC-insured depository institution. "Ownership category" refers to the eight account types, or categories of legal ownership, recognized by the FDIC.

For example, if a depositor under a single ownership category has $600,000 deposited in a noninterest-bearing transaction account and $150,000 deposited in a certificate of deposit, for total deposits of $750,000, then, as of January 1, 2013, the depositor would be insured for $250,000 and uninsured for the remaining balance of $500,000. A bank customer who has multiple accounts may qualify for more than $250,000 in insurance coverage if the customer's funds are deposited in different ownership categories and the requirements for each ownership category are met.

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[1] Expiration of Temporary Unlimited Coverage for Noninterest-Bearing Transaction Accounts, http://www.fdic.gov/deposit/deposits/unlimited/expiration.html .

Advisory

A number of bank failures have occurred within the United States in recent years. Depositor organizations can and do lose uninsured money.[2] It is critical that no LSC funds be put at unnecessary risk.

LSC grant recipients should take all precautionary steps to ensure that cash deposits in excess of the maximum FDIC limit are not exposed to inappropriate risk. The Cash and Investments section (2-2.2) of the Accounting Guide for LSC Recipients (2010 Ed.) ("Accounting Guide") addresses how LSC funds should be maintained. This section discusses the requirement that LSC funds be maintained in federally-insured accounts, certificates, or other government investments. Further, the Accounting Guide states that LSC funds in excess of FDIC limits and not needed for immediate operating expenses should be invested with another financial institution or otherwise in a federally-insured manner. Amounts over $250,000 with any given institution should be given close attention and transferred as necessary. In assessing available options, LSC grant recipients may benefit from consulting with their banks and financial advisors on how to take precautionary actions.

Additional Resources

The FDIC website has information on the topic of "Are My Deposits Insured?" and several helpful links:

- Deposit Insurance Summary, http://www.fdic.gov/deposit/deposits/dis/
- Ownership Categories - Corporation/Partnership/Unincorporated Association Accounts, http://www.fdic.gov/deposit/deposits/insured/ownership7.html
- Chart illustrating FDIC limits by account ownership type, http://www.cbsjbank.com/PR093.pdf

If you have any questions regarding the information in this letter, please contact Lora M. Rath, Director of the Office of Compliance and Enforcement, at rathl@lsc.gov or 202-295-1524.

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[2] *See* http://www.fdic.gov/bank/historical/bank/ .