

JOINT ACCOUNTS (12 C.F.R. § 330.9)

I. Definition

A Joint Account is a deposit owned by two or more individuals that satisfies the requirements set forth below.

II. Insurance Limit

Each co-owner of a joint account is insured up to \$250,000 for the combined amount of his or her interests in all joint accounts at the same IDI. In determining a co-owner's interest in a joint account, the FDIC assumes each co-owner is an equal owner unless the IDI records clearly indicate otherwise.

III. Requirements

- 1. Co-owners Must be Natural Persons:** A natural person is a human being; therefore, legal entities, such as corporations or trusts, cannot own a joint account.
- 2. Co-owners Must Have Equal Withdrawal Rights:** When an account purports to have three or more co-owners, it raises the issue of whether all co-owners have equal rights to withdraw from the joint account. For example, the account title “John Jones or Sally Jones and Mary Jones” suggests unequal withdrawal rights. Specifically, the titling suggests that John can withdraw funds by himself but Sally and Mary must act together to withdraw funds. As a result, account ownership is unclear and could result in uninsured funds. This situation can occur when the depositor and the IDI are attempting to establish an informal power of attorney (“POA”) arrangement. An example of such a scenario would be a parent allowing both children acting together to withdraw funds on behalf of the parent due to illness. Depositors may wish to consider whether to use a formal POA arrangement to avoid confusion with respect to deposit insurance determination. If the withdrawal rights are unequal, the account will not be insured as a joint account.
- 3. All Co-owners Must Personally Sign the Signature Card:** The general rule is that each co-owner must sign the joint account signature card. The FDIC recognizes electronic signatures. The signature card requirement may also be satisfied by information in the IDI's deposit records establishing co-ownership of the deposit account.

The FDIC waives the signature requirement in some cases. Negotiable instruments and CDs, for example, are exempt from the signature requirement. Depositors can hold negotiable instruments or CDs as joint accounts assuming they satisfy the other requirements of a joint account.

In addition, when an agent opens a joint account on behalf of his or her clients, the FDIC does not require the clients to *personally* sign the signature card, although the agent will be required to provide documentation proving ownership of the funds should the IDI fail.

IV. Co-owned Testamentary Accounts are not Insured as Joint Accounts

As with single accounts, a common misunderstanding among depositors and IDI employees is that a jointly held account which names beneficiaries is insured under the Joint Accounts category. However, the joint account definition does not include co-owned testamentary accounts. If two or more people own an account that they title as a payable on death account (or with similar testamentary language), and identify beneficiaries, their account will be insured as a trust account.

Example 6 – Two Co-owners of a Joint Account are Each Insured up to the SMDIA

Account Title	Deposit Type	Balance
Cathy or Rich Rush	CD	\$500,000
Total		\$500,000

Example 6

Facts:

Cathy and Rich Rush have a jointly held CD (with equal withdrawal rights) at ABC Bank for \$500,000. They want to know if they are fully insured.

Rules:

- a. Each co-owner of a joint account is insured up to \$250,000 for the combined amount of his or her interests in all joint accounts at the same IDI.
- b. The FDIC assumes each co-owner is an equal co-owner unless the IDI records clearly indicate otherwise.

Answer:

In this case, Cathy and Rich co-own only one joint account. The FDIC assumes each of the two depositors owns half of the joint account. Cathy’s half of the \$500,000 is \$250,000; therefore, she is fully insured. Similarly, Rich is fully insured since his half of the account is \$250,000.

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Insurance Coverage for Each Joint Account Owner is Calculated as Follows:

Joint Account Owner	Co-owner's Interest	Insured Amount	Uninsured Amount
Cathy Rush	\$250,000	\$250,000	\$0
Rich Rush	\$250,000	\$250,000	\$0
Total	\$500,000	\$500,000	\$0

Example 7

Coverage for multiple joint accounts with multiple owners can be complex. Below is an example of some joint accounts at the same IDI held by three owners.

Example 7 – Different Co-owners and Multiple Joint Accounts

Account Title	Deposit Type	Balance
Mary Smith or John Smith DBA Smith's Apple Pies	DDA	\$230,000
John Smith or Mary Smith	Savings	\$250,000
Mary Smith or John Smith or Robert Smith	CD	\$270,000
Total		\$750,000

Facts:

Mary and John Smith co-own an unincorporated business, Smith's Apple Pies. They opened a joint DBA account at XYZ Bank to keep track of their funds. They have equal withdrawal rights and each signed the signature card. At the same IDI, John and Mary also keep their joint savings account. Mary and John also co-own a CD with Robert Smith.

Mary and John believe everyone is fully insured because there are three joint account owners and a total balance of \$750,000. What is the deposit insurance coverage for these accounts?

Rules:

- a. Each co-owner of a joint account is insured up to \$250,000 for the combined amount of his or her interests in all joint accounts at the same IDI.
- b. The FDIC assumes each co-owner is an equal owner unless the IDI records clearly indicate otherwise.

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- c. A DBA account can be insured under the Joint Accounts category but only if it meets the requirements of a joint account (owners are natural persons, have equal withdrawal rights, and have signed the signature card).

Answer:

Example 7- Insurance Coverage for Each Joint Account Owner is Calculated as Follows:

Joint Account Owner	Co-owner's Interest	Insured Amount	Uninsured Amount
Mary Smith	\$330,000	\$250,000	\$80,000
John Smith	\$330,000	\$250,000	\$80,000
Robert Smith	\$90,000	\$90,000	\$0
Total	\$750,000	\$590,000	\$160,000

The DBA account is insured as a joint account because there are two owners (not simply two signatories) and the account meets the FDIC's joint account requirements.

To determine each co-owner's share of a joint account, the FDIC assumes each co-owner is an equal owner. In this case, Mary owns \$330,000 in the Joint Accounts category: half of the DDA (\$115,000), half of the savings account (\$125,000), and one third of the CD (\$90,000). Mary's joint account deposits are insured for up to \$250,000; therefore, Mary has \$80,000 in uninsured deposits.

Similar to Mary, her co-owner John has \$330,000 on deposit among three joint accounts and has \$80,000 in uninsured funds. Robert is one of three co-owners of the CD; therefore, he owns one third of the CD (\$90,000) and is fully insured.

In this example, although no one co-owner has more than \$250,000 in any one account, it is the total of the co-owner's funds in all joint accounts that is insured up to the SMDIA.

V. DBA Account With Multiple Owners

In rare cases, such as in the above example, a DBA account has two or more owners. Provided that the two-owner DBA account satisfies the FDIC's joint account requirements, it will be insured in the same manner as any other joint account. Please note that some DBA accounts have multiple signatories who are not all owners. In Example 7 above, if Mary is the sole owner and John is merely signing as Mary's agent, the account would be insurable as Mary's single account as it would not meet the requirements of a joint account.

Example 8

Facts:

John and Mary Smith have a joint savings account with \$300,000 at Any Bank. This is their only account at this IDI and it is held as a “joint account with right of survivorship.” While they are both alive, they are fully insured for up to \$500,000 under the Joint Accounts category. After John passes away, what is the deposit insurance coverage?

Rule - The Six-Month Grace Period

- a. For up to six months (calendar days) after the death of an account owner, the FDIC continues to insure the decedent’s accounts as though he or she were still alive, assuming the titling of the account remains unchanged. In effect, the deceased is still considered an account owner.
- b. After the six-month grace period ends, the FDIC will insure the deposits based on the actual ownership of the funds and will not consider the deceased as an account owner. As a result, calculating deposit insurance based on the actual ownership may cause funds to revert from the joint account category to the Single Accounts category.

Answer:

During the six-month grace period, the FDIC continues to insure Mary’s account for up to \$500,000 under the Joint Accounts category. Mary is the only owner who can withdraw the funds. Even though John has passed away, he is still considered a joint account owner.

Example 8A – Two Co-owners of a Joint Account After One Owner Dies and *During* the Six-Month Grace Period

Account Title	Deposit Type	Balance	Insured Amount	Uninsured Amount
John Smith & Mary Smith	Savings Account	\$300,000	\$300,000	\$0
Total		\$300,000	\$300,000	\$0

After the grace period, deposit insurance is based on the actual ownership of the funds. Since Mary is the sole owner, the deposit will be insured as a single account. The funds, in other words, will be insured in the Single Accounts category. Therefore, Mary is insured for up to \$250,000 under her Single Accounts category and uninsured for \$50,000.

Example 8B – Coverage of a Joint Account When One Owner has Died and *After* the Expiration of the Six-Month Grace Period

Account Title	Deposit Type	Balance	Insured Amount	Uninsured Amount
Mary Smith	Savings Account	\$300,000	\$250,000	\$50,000
Total		\$300,000	\$250,000	\$50,000

Most joint accounts are held with rights of survivorship, which means ownership passes from decedent (John) to survivor (Mary).

In the above example, Mary was the sole surviving owner; therefore, the funds are insured in the Single Accounts category after the expiration of the six-month grace period.

While most joint accounts are held with rights of survivorship, in rare instances joint account owners are “tenants in common,” which means ownership does not necessarily pass from decedent to survivor. Instead, each co-owner can bequeath his or her share of the account to whomever he or she chooses. For deposit insurance purposes, the FDIC does not distinguish between the two types of joint accounts and the six-month rule applies to both types.

VI. Common Misconceptions

Deposit insurance coverage for joint accounts is not increased by:

- Using one owner’s social security number on one joint account and another owner’s social security number on a different joint account;
- Rearranging the owners’ names or changing the styling of their names; or
- Alternating the use of “or,” “and,” or “and/or” to separate the names of co-owners in multiple joint account titles. For example, an account titled “Albert and Mary Bolles” is not insured separately from an account titled “Mary or Albert Bolles.”