



**"PARKED" FUNDS FDIC INSURANCE
In 1031 Exchange Cases**

The 1031 Exchange Center LLC
An IRS Qualified Intermediary

The 1031 Exchange Center (1031XC) Policies on "Parked" Funds

Exchange funds may be deposited with us in an **FDIC Insured Cash Sweep® (ICS) program** that allocates deposits among multiple FDIC-insured banks in accordance with applicable insurance limits. So a large deposit of \$5,000,000, for example, that is deposited ("parked") in our master escrow account at our bank participating in such **FDIC Insured Cash Sweep® (ICS) program** would have FDIC insurance coverage limits of \$5,000,000. FDIC insurance is subject to federal law and aggregation rules.

Background

The standard insurance coverage limit from the Federal Deposit Insurance Corporation (FDIC) for each FDIC-insured bank is **\$250,000** per each depositor, per insured bank, for each ownership category.

Here are key additional details:

- The \$250,000 applies to a given **ownership category** (e.g., individual accounts, joint accounts, retirement accounts) at a given FDIC-insured bank.
- If you have accounts in different ownership categories at the same bank (for example an individual account plus a joint account), each category is insured separately (up to \$250k each) so you may have more than \$250k insured at that bank.
- If you have accounts at different FDIC-insured banks, each bank is treated separately, so the \$250k limit applies per bank per category.
- The FDIC covers **deposit accounts** (checking, savings, money market deposit accounts, CDs, etc.). It does *not* cover investment products like stocks, bonds, mutual funds—even if offered by an FDIC-insured bank.

So, for example, if husband and wife deposit **\$1,000,001** in **FDIC-insured Bank A** then **only \$500,000 would be the covered** by the FDIC (i.e., \$250,000 of husband's deposit + \$250,000 of wife's deposit). And the remaining \$500,001 would exceed the FDIC coverage limit.

But there are FDIC-insured financial institutions, affiliated through **FDIC Insured Cash Sweep® (ICS) programs** offered by participating banks. So husband and wife would deposit **\$1,000,001** in an **ICS participating Bank A** then **\$1,000,000 could be insured** if \$500,000 of those funds were allocated to **ICS participating Bank B** (i.e., \$250,000 of husband's deposit in Bank A + \$250,000 of his deposit in Bank B + \$250,000 of wife's deposit in Bank A + \$250,000 of her deposit in Bank B).

Similarly they could have a **\$10,000,000 coverage limit** on their single deposit of \$1,000,000 in **ICS participating Bank A** as long as \$9,500,000 of it is allocated to 19 other of its ICS participating banks—with \$500,000 insured in each of the 20 banks.

Deposit of Exchange Funds; FDIC Insurance (ICS Program)

Deposit of Exchange Funds.

Exchange funds received by the Qualified Intermediary ("QI") may be deposited in one or more deposit accounts at FDIC-insured financial institutions, including through an **FDIC Insured Cash Sweep® (ICS) program** offered by a participating bank. The ICS program is designed to allocate funds among multiple FDIC-insured banks in increments intended to provide FDIC insurance coverage up to the maximum amount permitted by law.

Although Exchange funds may be reflected on consolidated account statements through a single financial institution, the underlying deposits may be held at multiple FDIC-insured banks. FDIC insurance coverage is provided by the Federal Deposit Insurance Corporation and is subject to statutory limits, aggregation rules, ownership classifications, and regulatory requirements.

The 1031 Exchange Center LLC

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The QI does not provide deposit insurance and makes no representation or guarantee beyond the coverage provided by applicable federal law.

Qualified Intermediary Independence.

The selection of depository institutions and deposit programs is made by the QI in its capacity as an independent qualified intermediary. No deposit arrangement is intended to grant the Exchanger control over the Exchange funds or to create an agency, trust, or fiduciary relationship beyond that expressly set forth in this Agreement.

Interest on Exchange Funds.

Interest, if any, earned on Exchange funds shall be credited in accordance with this Exchange Agreement and the terms of the applicable deposit account(s). Interest rates are determined by the depository institution(s) and may change from time to time.

Companion Clause C (Risk Allocation / No Guarantee)

No Guarantee of Yield or Liquidity.

The QI does not guarantee any specific rate of return, yield, or liquidity beyond the terms of the applicable deposit account(s). Access to funds is subject to banking regulations and the operating policies of the depository institution(s).

(Short Form) Good for Schedules, Exhibits, or Signature Pages.

Exchange funds may be deposited through an **FDIC Insured Cash Sweep® (ICS) program** that allocates deposits among multiple FDIC-insured banks in accordance with applicable insurance limits. FDIC insurance is subject to federal law and aggregation rules.

Drafting Notes (Why This Works)

- Avoids constructive receipt language
- Avoids guarantees
- Preserves QI independence
- Matches how banks describe ICS
- Reads cleanly to exchangers without confusing them