

Leveraging CDARS® to Increase Your FDIC Coverage

To increase investor confidence, promote stability in the banking system, and protect depositors against a bank failure, the United States government created the Federal Deposit Insurance Corporation (FDIC) in 1933. Deposits held by Member FDIC Banks are “backed by the full faith and credit of the United States Government.” However, the Federal Deposit Insurance Corporation limits the insured portion of the deposits per Member FDIC Bank. This deposit insurance limit should be considered by anyone who keeps in excess of the \$250,000 Standard Maximum Deposit Insurance Amount per ownership category.

To address the need for FDIC insurance in excess the Standard Maximum Deposit Insurance Amount, some banks offer CDARS, the Certificate of Deposit Account Registry Service. CDARS banks allow individuals and businesses to establish multiple CDs through a single bank and offer multi-million dollar FDIC coverage, protecting a depositor’s principal and interest.

CDARS is particularly beneficial to homeowner associations, non-profit organizations, and public entities that have a fiduciary responsibility to protect their members’ funds.

For instance, under a traditional banking structure, a homeowner association with \$1,000,000 in their reserve account would only be insured \$250,000 in the event of a bank failure. To fully insure the \$1,000,000 principal and the accrued interest without CDARS, the association would need to divide the funds in increments less than \$250,000 between at least five banks. With CDARS, the association could open a single term-deposit account that would be insured for the full amount, eliminating the need to establish multiple banking relationships, negotiating multiple rates, and manually consolidating monthly and year-end statements.

The process for establishing a CDARS account is similar to the process of establishing a regular CD, with one significant difference: CDARS banks are part of a network of banks in the United States that share their FDIC insurance, allowing a CDARS bank to offer protection in excess of \$250,000. With CDARS, individual and business depositors can negotiate one interest rate with one bank, view one consolidated statement, and manage one maturity date while retaining multi-million dollar FDIC coverage.

To learn more about CDARS, call 305.274.8382.

Executive National Bank is a privately-owned community bank that has proudly served South Florida since 1972. This federally insured institution holds a national charter and offers a full range of banking services including lockbox, homeowner association accounts, commercial loans, mortgages, remote deposit capture and CDARS®. To learn more about Executive National Bank, please visit www.executivebank.com or call Kathrina F. Saladrigas 305.274.8382.

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