



Written by on September 29, 2008

## McCain and Obama Propose to Raise FDIC Coverage

Senator Obama said the current FDIC coverage limit of \$100,000 per depositor per insured bank, while adequate for most families, is insufficient for many small businesses. Obama said that raising the limit to \$250,000 "would boost small businesses, make our banking system more secure and help restore public confidence in our financial system."



McCain delivered his recommendation to President Bush in a September 30 phone call, as part of a plan to use the Treasury's Exchange Stabilization Fund of \$250 billion to "shore up our institutions." In addition to recommending that the FDIC raise its insurance coverage on federally insured deposits to \$250,000 — the same figure proposed by Obama — McCain also proposed that the Treasury should buy up \$1 trillion in mortgages.

"By the way, the first thing I'd do is say, 'Let's not call it a bailout. Let's call it a rescue.' Because it is a rescue. It's a rescue of Main Street America," McCain said in an interview with CNN.

Obama also called the White House on the 21st. White House spokesman Tony Fratto told CNN: "Both calls were very constructive, and the president appreciated hearing from them. The senators offered ideas and reaffirmed what they have said publicly — that this is a critical issue that needs to be addressed."

The FDIC last increased its deposit insurance in 1980; however, in 2006, it raised the coverage limit for Individual Retirement Accounts (IRAs) to \$250,000. According to the FDIC's website, there are other exceptions where higher coverage is provided. For example, if a couple has a joint checking account and a joint savings account at the same insured bank, each co-owner's share of the two accounts are added together and insured up to \$100,000, providing up to \$200,000 in coverage for the couple's joint accounts.

The FDIC also provides coverage for Payable-on-death (POD) accounts of \$100,000 for the interests of each qualifying beneficiary (e.g., spouse and children) named in the accounts.

In addition to sending a unified message regarding FDIC coverage, both candidates have urged Congress to pass the financial bailout plan rejected by the House of Representatives on September 29. Speaking to a crowd in Westminster, Colorado, Barack Obama urged both Democrats and Republicans to "step up to the plate" and "get it done." McCain, talking to reporters in Des Moines, Iowa, said he was "hopeful the improved rescue plan would pass." He said, "It's time for all members of Congress to go back to the drawing board."



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Besides promoting the same plans, both candidates also apparently enjoy using well-worn metaphors. If so, perhaps they would see the wisdom in another time-tested metaphor that, if taken to heart by depositors, would avoid the need to raise the FDIC coverage: “Don’t put all your eggs in one basket.”



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