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**MEMORANDUM**

May 25, 2011

To Our Clients and Friends

Re: FDIC Guidance on Interest on Demand Deposit Disclosures

The Federal Deposit Insurance Corporation (“FDIC”) has issued guidance on required disclosures if a bank or savings association begins paying interest on demand deposits. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), beginning July 21, 2011, banks may begin paying interest on demand deposit accounts. Under another provision of the Dodd-Frank Act, the FDIC provides unlimited deposit insurance for noninterest-bearing demand deposit accounts and other transaction accounts through December 31, 2012. The FDIC’s guidance provides that depository institutions that will begin paying interest on or after July 21<sup>st</sup> are required to inform customers that their demand deposit accounts no longer will be eligible for unlimited deposit insurance coverage as noninterest-bearing transaction accounts.

A copy of the FDIC’s guidance can be found at our website at <http://www.schwartzandballen.com/news.html>

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, Heidi Wicker or Lauren Bianchini at (202) 776-0700.