



# ICBA Capital Summit

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## ICBA Legislative Update: Deposit Insurance

### Overview:

The collapse of Silicon Valley Bank in 2023 has led to consideration of deposit insurance reform proposals by Congress, Treasury, and the FDIC. Hearings were held in the Senate Banking and House Financial Services committees, and several legislative proposals have been introduced addressing different aspects of reform.

ICBA has engaged in the deposit insurance reform debate with a view toward mitigating the risk of deposit flight from community banks to too-big-to-fail institutions during times of stress, among other priorities. (See ICBA Principles for Deposit Insurance Reform below.)

### Proposed Legislation

#### *Relief from Brokered Deposit Rules*

#### **The “Community Bank Deposit Access Act of 2025” (H.R. 5317, Chairman Hill R-AR)**

- The bill would allow custodial deposits to be held by community banks without being considered brokered deposits, provided the custodial deposits do not exceed 20 percent of the banks’ total liabilities. This treatment would be available to banks of less than \$10 billion in assets with a strong composite rating (“outstanding” or “good”) that are well-capitalized or have obtained a waiver from the FDIC.

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- Status: Included in the Housing for the 21st Century Act, which passed the House on February 9 with 390 bipartisan votes. ICBA is pressing for its inclusion in the final House-Senate housing bill.

## **The “Keeping Deposits Local Act” (H.R. 3234, Rep. Emmer R-MN)**

- The bill would raise the percentage threshold of reciprocal deposits that may be held by a bank without being considered brokered deposits. Currently, a community bank may exclude the lesser of \$5 billion in reciprocal deposits or 20 percent of its total liabilities from being treated as brokered deposits. The bill would create a scale of tiered thresholds according to bank-asset levels. Community banks would be able to treat 30 to 50 percent of liabilities as non-brokered.
- Status: Included in the Housing for the 21st Century Act. (See above.)

### *Increasing FDIC Insurance Coverage*

## **“Main Street Depositor Protection Act” (Sens. Hagerty R-TN and Alsobrooks D-MD (S. 4198)/Rep. Lucas R-OK (H.R. 8087))**

- The bill would give the FDIC discretion to raise coverage for non-interest-bearing transaction accounts up to \$5 million. During a ten-year transition period, no bank with assets of \$10 billion or less would be required to pay any special assessment or increase in assessments to the FDIC to offset any impact on the Deposit Insurance Fund’s reserve ratio resulting from the additional insurance coverage.
- Status: Pending in the Senate Banking and House Financial Services committees.
- Note: Sens. Hagerty and Alsobrooks previously introduced a bill (S. 2999) that would raise coverage to \$10 million but is otherwise substantially similar to S. 4198.

*For up-to-date information on cosponsorship of these bills, see this link.*



## *Authority for Emergency Transaction Account Guarantee Program*

### **H.R. 8075, Rep. Andy Barr (R-KY)**

- The bill would provide the FDIC with authority to create an emergency transaction account guarantee (ETAG) program to help stabilize deposits in a financial crisis. Following a determination by the Secretary of the Treasury of a “banking stress event,” the FDIC would have authority to temporarily guarantee the deposits of all insured depository institutions that are maintained in non-interest-bearing transaction accounts. The ETAG program would last for not longer than six months, though it could be extended for an additional three months.
- Status: Pending in the House Financial Services Committee.

### **ICBA Deposit Insurance Working Group and Principles**

In 2025, ICBA formed a deposit insurance working group to evaluate proposals for deposit insurance reform. Based on feedback from this group, ICBA published Principles for Deposit Insurance Reform, which set forth recommendations for lawmakers to protect community banks when considering deposit insurance modernization efforts. The Group’s Principles are below:

#### **Promote Depositor Confidence in Community Banks**

- Promote depositor confidence in community banks and prevent deposit flight to Too-Big-To-Fail (TBTF) banks.

#### **Curb TBTF**

- Do not reinforce the implicit guarantee provided to TBTF.
- Do not allow voluntary programs that enable TBTF to circumvent or constructively optout of increased coverage and accompanying premiums.
- Require TBTF to pay systemic risk premiums to fund the DIF.

#### **Control the Cost of Deposit Insurance for Community Banks**

- Limit the FDIC’s ability to increase deposit insurance premiums,

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either through base increases or special assessments, for community banks.

- Avoid procyclical increases to deposit insurance assessments.
- Provide consistent and predictable assessments for community banks, especially during times of non-stress, to ensure the DIF is healthy during times of stress.
- Do not adopt reformed coverage amounts that require frequent adjustments (such as indexing to inflation) or result in overly complicated numbers (e.g. \$346,379 of coverage) that are difficult to communicate to customers.

## **Provide Increased Coverage for Uninsured Deposits**

- Minimize outcomes where there are winners and losers among depositors or among community banks.
- Do not make some types of transaction account deposits less desirable than others, especially after Congress mandated the repeal of Regulation Q and removed the prohibition on payment of interest on demand deposits.
- Protect, at the very least, transaction accounts for small businesses, municipalities, and nonprofit organizations.
- Ensure reforms are simple for community banks to implement and the FDIC to administer.

## **Expand the FDIC's Ability to Protect Community Banks and Their Customers During Crisis**

- Provide the FDIC unencumbered authority to establish deposit insurance programs to provide stability during times of crisis.
- Promote changes to the least cost resolution framework to allow the FDIC to select bids that protect all depositors, including the uninsured depositors at community banks.

## **Protect the Bank Funded DIF for Bank Resolutions**

- Ensure that the bank funded DIF not be used to bail out or protect nonbanks.

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