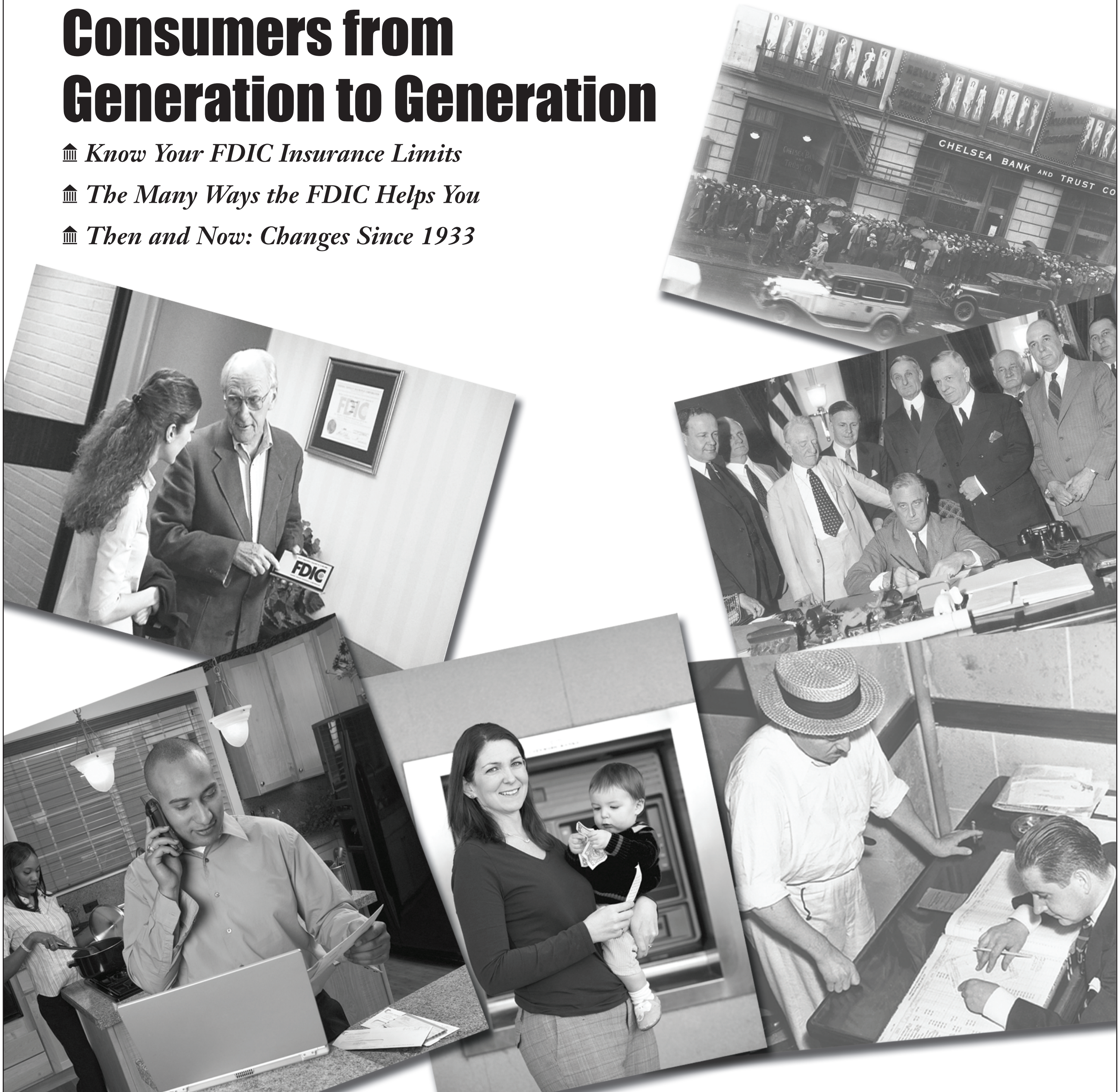
ALSO INSIDE: A To-Do List for Your Finances • Update on Help for Mortgage Borrowers

Winter 2007/2008

# FDIC Consumer News

## The FDIC at 75: Protecting America's Consumers from Generation to Generation

- *Know Your FDIC Insurance Limits*
- *The Many Ways the FDIC Helps You*
- *Then and Now: Changes Since 1933*



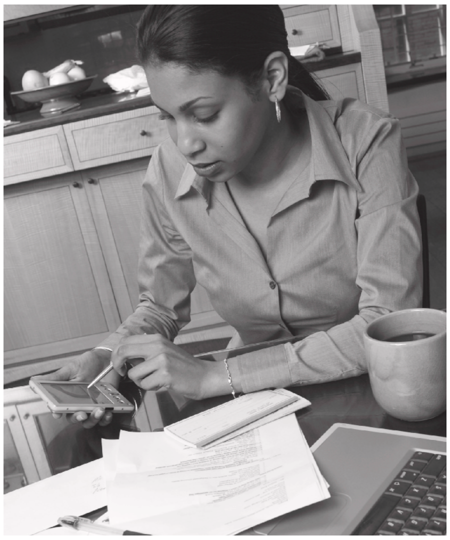
# Know Your Limits: Why, When and How to Be Sure You're Fully Protected by FDIC Insurance

A deposit in an FDIC-insured bank or savings institution is one of the safest ways to protect your money. Bank failures are uncommon (only three banks failed in 2007). Also, the overwhelming majority of depositors have accounts that are fully within the FDIC's insurance limits. However, "if a bank fails, any deposits that exceed the FDIC's insurance limits are *not* protected by FDIC insurance," said Kathleen Nagle, Associate Director of the FDIC's Consumer Protection Branch. "That's why it's important for consumers to be aware of their insurance coverage and how they might ensure that their deposits are fully protected."

Here are some basic points to remember.

**If you (or your family) have $100,000 or less in all of your deposit accounts at the same insured bank, you don't need to worry about your insurance coverage**. Your deposits are fully protected under federal law and FDIC rules because the basic insurance coverage is $100,000 per depositor per insured institution.

**You may qualify for more than $100,000 in coverage at one insured bank if you own deposit accounts in different "ownership categories**." For example, let's say you have three accounts at one bank. Two of the accounts you own by yourself — a savings account totaling $65,000 and a checking account with a balance of $9,000. The third account is a $180,000 certificate of deposit (CD) that you own jointly with another person, and your share is presumed to be half ($90,000) unless specified otherwise. Because the checking and savings accounts are both held in the single-account category (that is,



owned by one person), they are added together for insurance purposes and the total ($74,000) is fully insured since it is under the $100,000 FDIC limit for single accounts. Because the CD is a joint account (a different ownership category), your $90,000 share is fully insured, separately from your single accounts. So, even though you have $164,000 in deposits at one bank, all of it would be fully insured by the FDIC.

In addition, FDIC rules for some ownership categories allow you to hold more than $100,000 in one account and still be fully insured. For example, certain retirement accounts are insured up to $250,000 per owner per bank. And, the owner of one or more revocable trust accounts — a category of deposits intended to pass along to named beneficiaries upon the owner's death — can be insured up to $100,000 for the actual interests of each qualifying beneficiary if certain requirements are met. That would mean all the revocable trust accounts you have in one insured bank could be insured for as much as $200,000 if there were two qualifying beneficiaries, $300,000 if there were three, and so on. The rules for coverage of revocable trust deposits, which include payable-on-death accounts and living trust accounts, are very specific. For more information, check with the FDIC.

**Periodically review your coverage if there's been a big change in your life or banking situation and you have deposits of more than $100,000 at one bank**. For example, if two people have a $150,000 joint account (which is fully insured up to $200,000), and one of them dies, the survivor has six months under the FDIC's rules to restructure the account. After that, the entire account is insured as the survivor's single-ownership deposits along with any other accounts in that group, up to $100,000, thus leaving $50,000 or

### A Message to Readers

The FDIC was created by Congress in 1933 to restore confidence in the U.S. banking system after thousands of banks closed during the Great Depression, and families and businesses all across America lost money deposited in those institutions. We're extremely proud of the FDIC's 75 years of service to the American people, including the fact that no depositor has ever lost a single penny of FDIC-insured funds. But there's much more to the story about how the FDIC helps and protects consumers.

The FDIC will be observing our 75th anniversary in a variety of ways during 2008, including special features in ***FDIC Consumer News***, starting with this collection of consumer tips and information reminding you how the FDIC is still here helping to preserve and protect your money, just as we have been for generations of bank customers since 1933.

more over the insurance limit and at risk of loss if the bank failed.

Also review your coverage if you own accounts at two institutions that merge and the combined funds exceed $100,000. Accounts at the two institutions before the merger continue to be separately insured for six months after the merger, and longer for CDs, but you have to remember to review the accounts within the grace period to avoid a potential problem with uninsured funds.

**The FDIC can help you understand and determine your insurance coverage**. To learn more about how to qualify for more than $100,000 in coverage at one bank, you need to know how FDIC insurance works.

For guidance 24 hours a day, seven days a week, go to www.fdic.gov/deposit/deposits to find insurance brochures and videos. This site also gives you access to our interactive Electronic Deposit Insurance Estimator (EDIE), which allows users to calculate the insurance coverage of their accounts and generate a printable report that clearly states if their deposits are fully insured or not. The FDIC also responds to letters, e-mails and calls from consumers who have questions about their insurance coverage.

"We encourage anyone with a question about their FDIC insurance to check out our Web site or call us," Nagle said. See details in the box on Page 4.

## More About the FDIC's History

To read and see more about the FDIC's rich history in protecting consumers — including a 1934 newsreel of the first depositors to receive FDIC insurance payments after a bank failure and a national TV report from 1983 when the agency turned 50 — go to www.fdic.gov/about/history/index.html on the FDIC's Web site.

## Making Sure Depositors Have Quick Access to Their Insured Funds After a Bank Closes

When an FDIC-insured bank fails, all customers quickly receive their insured deposits, including any interest they've earned, up to the federal insurance limit.

Photo by Bill Archer

*The FDIC makes sure depositors receive their insured funds promptly when a bank fails. Here a representative meets with customers and answers their questions.*

Federal law requires the FDIC to pay all insured deposits "as soon as possible" after an insured institution fails. In practice, the FDIC pays depositors within a few days, usually the next business day. "FDIC staff does whatever it takes — often working long into the night or the weekend — reviewing thousands of account balances and determining the insurance coverage for each depositor," said Michael Spaid, who manages an FDIC section that develops policies for handling deposit insurance claims.

In most cases, the FDIC provides access to accounts on the next business day by arranging with a healthy institution to assume the insured deposits. The account owners can then decide whether to remain as customers of the other bank or move their money elsewhere. With certain types of deposits, such as living trust accounts (see Page 2) and deposits placed through brokers, the FDIC may need more time to finalize the insurance payment but usually no more than a week or two.

If the FDIC cannot find another institution to assume the failed bank's accounts, the FDIC will issue checks to depositors in amounts up to the federal insurance limit. That process can take longer than one business day but usually not more than three business days.

Spaid added that by paying failed-bank depositors quickly, the FDIC enables consumers and businesses to continue handling their day-to-day financial affairs with little or no delay, inconveniences or hardships, "and that is essential to maintaining consumer confidence in banks, which keeps local economies running smoothly, especially in small communities."

## Insured or Not Insured?

You're placing funds with an FDIC-insured banking institution. Does that mean it's all covered by FDIC insurance? Not necessarily. Federal law is very specific about what is and is not FDIC-insured.

**FDIC-insured accounts** primarily are checking accounts (including money market deposit accounts, which are not the same as money market mutual funds that invest in non-deposit investments and are *not* insured), savings accounts, certificates of deposit (CDs), and retirement accounts placed in deposits at insured institutions

**Products that are *NOT* FDIC-insured,** even if purchased from a bank, include investments in mutual funds (stock, bond or money market mutual funds), annuities, stocks, bonds, Treasury securities and other investment products. Contents of safe deposit boxes also are not protected by FDIC insurance.

# More Than Just Deposit Insurance: The Many Ways the FDIC Helps Consumers

You know that the FDIC insures deposits if an insured bank fails. But there's a lot more to how the FDIC helps consumers. Here's a look at various ways the FDIC serves and protects individual households and local communities.

**Supervising banks for sound operations and compliance with consumer laws**: To promote safe banking practices, the FDIC and other federal and state bank regulatory agencies constantly review financial data from institutions. More detailed information is compiled and analyzed during formal examinations conducted at the banks. "The regulators give a high priority to the financial stability of banks and the banks' compliance with consumer protection regulations," said Christopher J. Spoth, Senior Deputy Director of the FDIC's Division of Supervision and Consumer Protection. "Our aim is to promptly correct weaknesses before they become serious."

Although the FDIC insures nearly all banks in the U.S., we only directly supervise some of the institutions we insure. Protection of consumers' rights at FDIC-supervised banks is among the cornerstones of the FDIC's oversight program. "Through our consumer-related examinations, we ensure that the banks we supervise follow important laws that help consumers receive the information they need to make financial decisions and that protect them from unfair practices," said Luke Brown, Associate Director for Compliance Policy.

These consumer protections include prohibitions against illegal discrimination in lending; requirements that consumers have adequate and truthful information about deposit, investment and loan products; prohibitions against unfair and deceptive practices; and safeguards for consumers' privacy and personal information.

**Answers to questions or complaints about banks or banking practices**: After deposit insurance questions, matters involving credit cards are the second most common reason consumers contact the FDIC. "Sometimes there's just a misunderstanding about a card's terms and conditions," said Janet Kincaid, Chief of the FDIC's Consumer Response Center. "But other times, things do go wrong, such as when a credit card bill is incorrect. We will review each complaint and, if necessary, investigate." Other common questions or complaints involve checking account features, assorted fees and other industry practices.

In general, Kincaid said, it's best to first contact your bank and try to get your questions answered or problems resolved. But if you believe your bank isn't being responsive to your situation or if you just need help understanding something, don't hesitate to contact your bank's primary federal regulator. You can find out which agency regulates a particular institution by calling the FDIC (see the box on the right) or going to the FDIC's Bank Find page at www2.fdic.gov/idasp/main_bankfind.asp.

**Free consumer education**: FDIC is committed to helping consumers learn how to manage their money. In addition to ***FDIC Consumer News***, our educational products and services include brochures and consumer alerts on topics ranging from deposit insurance to shopping for home loans and preventing identity theft. We also offer free videos on FDIC insurance coverage and how to protect against Internet scams.

The FDIC's "Money Smart" is a financial education curriculum for instructor-led classes and self-paced use on computers. "Money Smart can help anyone, particularly those with little or no banking experience, learn the benefits of effectively managing their money," said Luke W. Reynolds, Chief of the FDIC's Community Affairs Outreach Section.

**Support for local neighborhoods and entire communities**: "First, banks provide a reliable place for people to save money for their future, and that leads to more stable and more prosperous households and communities," FDIC Chief Economist Richard A. Brown explained. "But beyond that, deposits provide the funds that banks can use to make loans for homes, businesses and other purposes that foster community development and strengthen local economies."

The FDIC also promotes local economic development by fostering dialogue and partnerships between financial institutions and the community in support of needs such as housing for low- and moderate-income individuals and loans for small businesses.

Want to learn more? Start at our Consumers and Communities page online at www.fdic.gov/quicklinks/consumers.html.

## For More Help or Information from the FDIC

**Call our toll-free consumer assistance line** at 1-877-ASK-FDIC (that's 1-877-275-3342). It is staffed Monday through Friday from 8:00 a.m. to 8:00 p.m., Eastern Time.

**Go online** for consumer information and a Customer Assistance Form you can use to e-mail the FDIC. Start at www.fdic.gov.

**You can also mail us a letter** by writing to the FDIC, Division of Supervision and Consumer Protection, 550 17th Street, NW, Washington, DC 20429-9990.

## Then and Now: Changes Since the FDIC's Creation in 1933

### How Banking Has Changed

***THEN***: Services we take for granted today — including online banking, debit cards and credit cards — were unheard of. Also, laws to disclose account terms and protect consumers from fraudulent banking practices did not exist.

***NOW***: Many of today's banking customers have a debit card and probably more than one credit card. And, with the growing popularity of the Internet, many consumers are taking advantage of online banking to monitor their accounts and pay bills. As banking has become more sophisticated, consumer protection laws have become more prevalent. Among the first federal laws protecting bank customers was the Truth in Lending Act of 1968, which requires lenders to clearly disclose the terms and costs of their loans.

### Deposit Insurance Coverage

***THEN***: When federal deposit insurance became effective on January 1, 1934, the FDIC provided $2,500 in insurance coverage. The amount was raised to $5,000 a few months later and remained at that level until 1950. Although $5,000 might not seem like a lot of money, in 1934 it was the equivalent of about $80,000 today (adjusted for inflation). We also insured around 14,000 institutions — mostly small, locally owned banks with about 17,000 main offices and branches. They had total insured deposits of approximately $18 billion, which is around $282 billion in today's dollars.

***NOW***: The basic insurance amount today is $100,000 per depositor per insured bank. Certain retirement accounts are insured up to $250,000 per depositor per insured bank. The FDIC today insures about 8,600 institutions — far fewer than the number in our early years, but due to economic and population growth as well as other factors, today's banks have many more offices and branches (around 100,000) and far more insured deposits, an estimated $4.2 *trillion!*

### When a Bank Fails

***THEN***: The first FDIC-insured bank to fail, the Fon du Lac State Bank in East Peoria, Illinois, was closed by the state on May 28, 1934. Because state and federal laws at that time didn't allow for quick action by the FDIC, customers waited until July 3, 1934 — a little more than five weeks — to get their federal deposit insurance checks. From all appearances, though, the depositors at that closing didn't seem troubled by the delay. They knew that without the FDIC, they might have to wait *years* to get *any* money back. In the first year of the FDIC, the time it took to pay depositors varied from four days to several months.

***NOW***: Fortunately, bank failures are less common these days, and when they do occur, there is considerably less disruption for depositors. That's because the FDIC is almost always able to find a healthy bank to take the insured deposits of the failed institution, and in those instances funds are typically available to customers the next business day. During this transition, customers typically still have access to their money by writing checks or by using their debit or ATM cards. If the FDIC cannot find a healthy bank to step in, checks are in the mail to depositors within 48 hours for the amount of their insured funds. (See Page 3 for more information.)

### Bank Examinations

***THEN***: Examinations of a bank's financial condition, management and compliance with certain banking laws were extremely labor-intensive in the years before computers, and these examinations consumed almost all of the agency's time and resources.

***NOW***: The FDIC still examines institutions to evaluate their safety and soundness, but the process is much more streamlined and automated than it was 75 years ago, including the frequent collection of data that can provide early warning signs of problems. The FDIC also examines institutions for compliance with consumer laws and investigates and responds to consumer complaints about financial institutions.

*Lydia Lobsiger received the first federal deposit insurance check in U.S. history on July 3, 1934, in East Peoria, Illinois.*

### Wanted: Memories and Memorabilia from the FDIC's First 75 Years

We are especially interested in stories and items related to consumers and bank failures just before or just after the creation of the FDIC in 1933, but all submissions are welcome. The best material may be chosen to appear on the FDIC Web site, in a display at the FDIC or elsewhere.

For more information or to submit material, please contact Jay Rosenstein in the FDIC Office of Public Affairs at jrosenstein@fdic.gov or 550 17th Street, NW, Washington, DC 20429. We also will return items.

# A To-Do List for Fine-Tuning Your Finances

Any time is a good time to prioritize your financial goals and begin taking steps to achieve them. Here are suggestions to consider for *your* financial to-do list.

**If you're having problems making loan payments or meeting other financial obligations, get help as soon as possible**. Recent news reports have focused on people at risk of losing their homes because they had adjustable-rate mortgages that were resetting at higher, unaffordable monthly payments. But even in the best of economic times, people can have trouble making ends meet, especially after a job loss, divorce or separation, or a death or illness in the family. The most important thing you can do is address the problem.

"A financial crisis doesn't happen overnight," noted Eloy Villafranca, a Community Affairs Officer with the FDIC. "Unfortunately, many times people don't see the warning signs until it's too late and they face the prospect of spending several years getting back on track."

If you answer "yes" to one or more of the following situations, you could be in danger with debt:

- You will be unable to make your mortgage payment.
- Your credit cards are close to or over the limit.
- You can only pay the minimum monthly amount due on your credit cards.
- You are borrowing money to pay some of your monthly bills.
- You have started working overtime or a second job just to cover food, housing, and other basic living expenses.

When it comes to a problem paying an existing loan — whether it is a mortgage, a credit card, an auto loan or any other substantial debt — contact your lender as soon as possible, preferably before you miss any payments. "Explain your situation and indicate your interest in continuing to make payments to avoid defaulting on your loan," said Janet Kincaid, Chief of the FDIC's Consumer Response Center. "Lenders would much prefer to work with a borrower on a new repayment plan than have to foreclose or repossess a home or a vehicle."

For help negotiating with a lender or otherwise getting a debt problem under control, consider asking an attorney, accountant or another trusted advisor to refer you to a reliable credit counselor who, at little or no cost, can help you develop a recovery plan. But be very careful to check out the qualifications of a credit counselor before signing an agreement. Some people holding themselves out as counselors may offer questionable or expensive services, and others may be scam artists. For more guidance on where to turn for help if you're having problems paying your mortgage, see the last page of this issue.

**Find ways to spend less and save more**. Many experts suggest that consumers get a better handle on how much they're spending, and where, by keeping a log of their expenditures for a one-month period. "Do your best to write down every purchase, even all those sodas from the vending machine," explained Villafranca. "You may be surprised to learn how these expenses, even the small ones, can add up." Among the areas he said you may be able to trim back are restaurant meals and premium TV, Internet or phone services you really don't need or use.

Also consider ways to pay less for banking services, added Kincaid. Examples she cited: Pay as much as you can on your credit card each month — pay in full, if possible — to avoid or limit interest charges. Pay your loans and other bills on time to avoid late fees and damage to your credit record. Order a free copy of

your credit reports (start at www.AnnualCreditReport.com or call toll-free 1-877-322-8228) and correct inaccuracies that can keep you from getting the best interest rate on a loan or credit card. Whenever possible, use your own bank's automated teller machines to avoid fees charged for using another institution's ATM. Also comparison shop for financial services the way you would for any purchase. For more ideas on how to cut costs, see back issues of ***FDIC Consumer News*** at www.fdic.gov/consumernews, including our Summer 2007 special edition called "51 Ways to Save Hundreds on Loans and Credit Cards."

By reducing expenses, including avoiding unnecessary fees, you'll have more money available for savings and investments to support your future needs, including long-term goals such as retirement. Given the inevitable ups and downs in the stock market, it's also important to review your portfolio — your mix among stocks, bonds, mutual funds, savings accounts, CDs (certificates of deposit) and so on — to be sure it's well-diversified. "It's your money, so you've got to be proactive in protecting it," said Kincaid. For ideas about how to rebalance your portfolio as you age, with a special focus on saving for retirement, see our to-do list in the Fall 2005 issue of ***FDIC Consumer News*** at the Web site above.

**Simplify your financial life**. Examples include signing up for direct deposit of your pay and benefit checks and other regular income, having a certain sum automatically transferred each month to a savings or investment account, and exploring banking and bill paying by phone or online. These services can help you save time, reduce stress, lower the fees you pay, and maybe earn a little extra on your savings and investments.

Also consider arranging and updating your financial files to help you and your family locate important documents (such as wills and insurance policies) in an emergency.

**Review your insurance coverage**. About once a year, make sure you have enough insurance without over-insuring or paying too much. This periodic checkup is especially important if there's been a big change in your life — such as a marriage, a new child or a change in employment — that could result in a need for more health, life or disability insurance (to replace lost income during a serious illness).

"Also look at your homeowners insurance — what it covers, what it doesn't — especially if you've recently added a new room or made other major improvements," Villafranca said. "This is crucial, because if your home gets severely damaged or destroyed, you will be very sorry if you didn't carry enough insurance."

**Be on guard against financial fraud**. "Con artists are very creative and unscrupulous when it comes to thinking of new ways to steal money," said Michael Benardo, manager of the FDIC's Financial Crimes Section. "Consumers need to understand the warning signs and be on the lookout for fraud involving loans, checks, credit cards, ATMs, the Internet and other bank products and services." Here's what Benardo said are some of the best ways to protect against financial fraud:

• Review your bank statements to spot unauthorized withdrawals.

• Get copies of your credit reports (see Page 6) and look for loans, credit cards or other accounts that an identity thief may have opened in your name.

• Be wary of requests to divulge personal information — especially your date of birth, Social Security Number, bank account information and your mother's maiden name — in response to an unsolicited call, letter or e-mail, no matter how official it may look.

• Before disposing of documents with personal information, use a crosscut shredder that will turn the paper into confetti.

• Beware of offers or prizes that seem too good to be true — for example, you are told you won a lottery you never entered or a stranger sends you a big check by mistake — and you are pressured to wire money back to cover "fees," "taxes" or some other (fraudulent) purpose.

**Stay informed about finances**. "Being an educated consumer of financial services is analogous to staying on top of the latest in technology; even if you think you know the basics, things are changing all the time," said Luke W. Reynolds, Chief of the FDIC's Community Affairs Outreach Section. "With so many new options for saving and borrowing money, and so many potential pitfalls to avoid, not keeping up with the changes can adversely affect your pocketbook."

Start with low-cost or no-cost educational services from reliable sources, including the FDIC. Our Web site at www.fdic.gov/quicklinks/consumers.html features consumer brochures, a self-paced online financial education program called "Money Smart," and back issues of ***FDIC Consumer News***. You can also call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342) to get answers to questions about your rights and responsibilities as a bank customer.

Other resources include: the federal government's central Web site for financial education resources at www.mymoney.gov; Web sites from FDIC-insured financial institutions, industry associations, consumer groups, and the news media; and local classes or seminars on personal finance offered by schools, state and local government agencies, and nonprofit organizations.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**For More Information from the FDIC**

Go to www.fdic.gov or call toll-free 1-877-ASK-FDIC—that's 1-877-275-3342 — Monday through Friday 8:00 a.m. to 8:00 p.m., Eastern Time.

## Help for Mortgage Borrowers: An Update

In our Fall 2007 issue, we reported that the FDIC and other government agencies were encouraging mortgage lenders and their loan servicing companies to modify the terms of unaffordable loans to keep people from defaulting and losing their homes when interest rates reset significantly higher. Now here's an update.

On December 6, 2007, the U.S. Treasury Department announced that a number of lenders and loan servicers had agreed to freeze interest rates for five years for certain homeowners who could lose their homes if their payments reset to a higher interest rate. FDIC Chairman Sheila C. Bair has publicly supported this plan, which will streamline the loan-modification process and free up resources to help other troubled borrowers.

Homeowners having difficulty paying their mortgage should contact their loan servicer to find out if they qualify for loan modification. Those who do not qualify may want to ask about other plans or options for revising or renegotiating their loans.

Borrowers may first wish to seek help from a trained homeownership counselor. To find a reputable counselor, contact the Homeowner's HOPE Hotline at the Homeownership Preservation Foundation (1-888-995-4673 or www.995hope.org) or the U.S. Department of Housing and Urban Development for a referral to a HUD-approved homeownership counseling agency (1-800-569-4287 or www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm).

If you are having difficulty reaching your servicer, you can call the FDIC Call Center at 1-877-ASK-FDIC (1-877-275-3342). Although you will need to discuss your particular situation with your servicer, the FDIC can help you contact your servicer or the appropriate state or federal regulator.