FDIC Consumer News

News and Information On Consumer Issues from the Federal Deposit Insurance Corporation

FALL 1996

INSIDE

Can you find the

HIDDEN ASSETS

in this picture… and in your own financial picture?

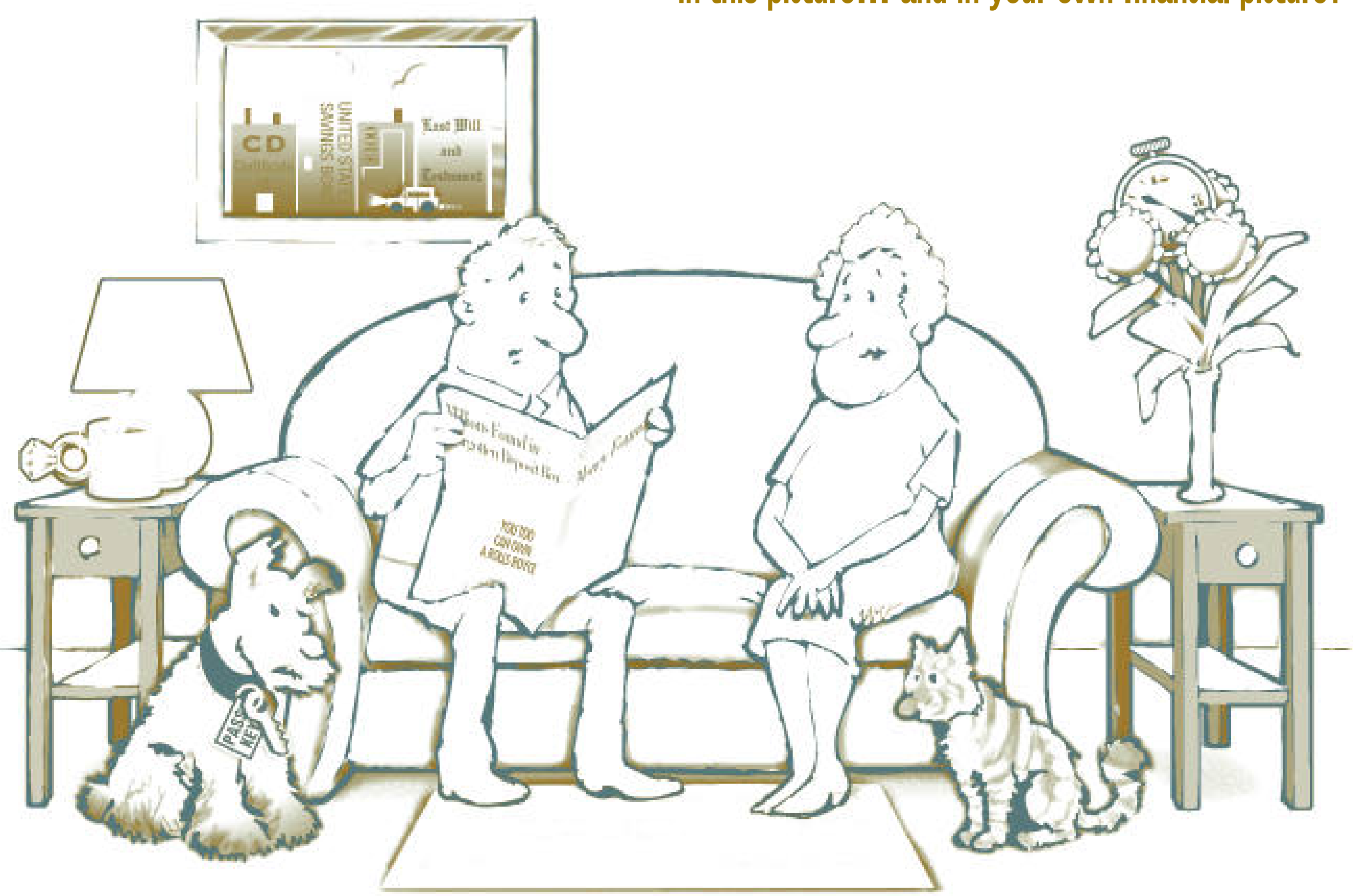


Illustration by T.W.Ballard, FDIC Graphics

A guide to finding your lost or forgotten bank accounts, jewelry and other valuables

Hidden Assets: Out of Sight...Out of Mind...Out of Luck?

Not if you follow our tips for finding some of the billions of dollars in lost or forgotten money that could belong to you

If you're Ann Roman (also known as Ruth Doorman) of Chester, New York, or if you're an heir to her estate, we recommend that you run, not walk, to the nearest telephone to call the New York State Office of Unclaimed Funds. Don't worry if it's a long-distance call; you can afford it. That's because New York has a substantial amount of money (we're prevented from saying just how much) waiting in bank accounts, investments and other assets abandoned by Ms. Roman in the mid-1980s.

Even if you're not Ann Roman or her heir, we suggest you keep reading. This report can help direct you to lost or forgotten property, from a small sum ($100) to a small fortune (like the $900,000 in unclaimed assets New York recently paid to the European heirs of a former New York City resident).

According to published reports, state agencies across America may be holding $8 billion in abandoned bank accounts, investments and other assets, while Federal agencies could have about $18 billion in unclaimed funds. These dollar amounts may even be too low — and they don't include forgotten funds still held at U.S. businesses or the money American citizens have left behind in foreign countries (see our story on Page 6).

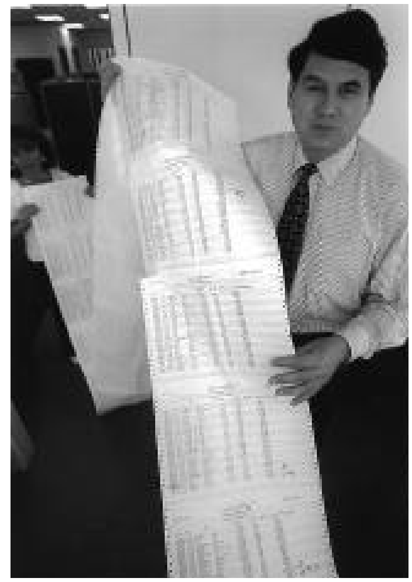
All sorts of property gets abandoned. At banking institutions,

Robert J. Levy/Pennsylvania Treasury

A beaming Verla Read Phillips is about to receive a $26,867 check from Pennsylvania treasurer Catherine Baker Knoll. She first spotted her name on a list of unclaimed property owners in her local newspaper.

the list includes checking and savings accounts as well as jewelry and other valuables in safe deposit boxes. Investments usually involve mutual funds, stocks, bonds (including U.S. Savings Bonds), along with interest and dividend checks. Frequent flyer miles are frequently forgotten, as are paychecks, retirement and disability checks, life insurance policies, gift certificates, money orders, cashier's checks, traveler's checks, and rent and utility deposits.

But how can you "lose" these assets in the first place? It's easier than you think. You could have moved away, never given a forwarding address and forgotten about the money. You could have changed your name and not notified your banks and other companies. You may be unaware of the money



Pat Greenhouse/The Boston Globe

Massachusetts state employees display a printout of the names of owners to whom property recently was returned.

entirely — perhaps because it was given to you as a child or you inherited it — and now the people who have it for you can't track you down. Or you could have lost financial records in a flood, fire or even a spring-cleaning binge.

The rules governing unclaimed bank accounts vary from state to state. But in general, after about two or more years without activity — you've made no deposits or withdrawals, you haven't cashed a check — and after efforts to reach you fail, the property will be considered abandoned and will "escheat" (a fancy legal term for being transferred) to the state of your last known address.

But just because money or property has been turned over to the state that doesn't mean you've lost it forever. "The state becomes the custodian of the property on behalf of the owner," says Bill Slade, president of the New York-based National Abandoned Property Processing Corporation. "Even if the state can't locate you and it sells your property, you still have the right to come forward at any time to claim its value."

FDIC Consumer News has put together the following list of suggestions to help you uncover and recover your forgotten funds.

1. Search old records for information about bank accounts, investments, properties, pensions and other assets. In Denver, a woman was able to cash in 10-years' worth of dividend payments only because she found some old stock certificates inside the well of her baby grand piano. You might not be so lucky. Be prepared to look through old tax returns, loan applications, bank statements, credit reports, checkbooks, pay stubs, wills and other financial records. Consider calling the bankers, insurance agents, stockbrokers, accountants and other professionals you've dealt with to see if they have useful information or even just backup copies of key documents, such as tax returns and statements of earnings reported to the IRS. These records — and their listings of savings, investments and other assets — can significantly improve your chances of discovering lost money and proving your right to ownership.

"Keep in mind that the age of electronic databases is very recent," says John Kotsiras, a consumer affairs specialist with the FDIC's Division of Compliance and Consumer Affairs in Washington. "Government agencies and private companies may have to check paper records, so the more information you can provide to them the faster your claim can be processed."

Although banks and other businesses can be important resources for your search, don't expect them to keep documents indefinitely. "We hear from people wanting a copy of a check they wrote in 1981 or a bank statement from 1969, but banks are only required by state law to maintain customer records for a limited period, on average about seven years," says Lesylee Sullivan, who is in charge of an FDIC office in Atlanta that handles consumer claims against failed institutions.

2. Contact the state unclaimed property office in the states where you or your benefactors have lived or conducted business. By law, the states must attempt to locate the owners of the abandoned bank accounts, investments and other property they've received. They'll try to match Social Security numbers with tax records or driver's license information. They'll try mailings, newspaper ads and postings on the Internet. The states even send employees with laptop computers to shopping malls, county fairs and other busy places, encouraging you to "step right up," conduct a quick, no-cost database search and, if

(Continued on next page)

FDIC Consumer News
is published by the Federal Deposit Insurance Corporation

Ricki Helfer, Chairman

Robert M. Garsson, Jr., Director, Office of Corporate Communications

Elizabeth Ford, Assistant Director, Office of Corporate Communications

Jay Rosenstein, Senior Writer-Editor

Larry A. Webb, Graphic Designer

FDIC Consumer News
is produced by the Office of Corporate Communications, in cooperation with other FDIC Divisions and Offices. It is intended to present information in a nontechnical way and is not intended to be a legal interpretation of FDIC regulations and policies. Mention of a product, service or company does not constitute an endorsement.

This newsletter may be reprinted in whole or in part. Please credit material used to *FDIC Consumer News*.

Comments, suggestions or questions may be sent to:
Jay Rosenstein,
FDIC, 550 17th Street, NW,
Washington, DC 20429.
Internet: editorconsnews@fdic.gov

Subscriptions

Subscriptions to *FDIC Consumer News* are available free of charge. Requests for subscriptions or address changes should be provided to:

FDIC, Public Information Center,
801 17th Street, NW, Room100,
Washington, DC 20434.
Phone: 800-276-6003 or
202-416-6940
Internet: publicinfo@fdic.gov

you're lucky, walk away with a lot more than a kewpie doll.

So why should you contact the state directly? At least three reasons: the state's attempts to contact you don't always succeed; the state won't charge you for a search while a professional search firm would; and a knowledgeable state worker can guide you in your quest for property in other states.

To get the address or phone number for a state's unclaimed property office, check the state government listings in the telephone book. This office often will be part of the state treasurer's department. If you have access to the Internet, you can look up the state agencies on the National Association of Unclaimed Property Administrators' home page (http://www.intersurf.com/~naupa). The NAUPA's Internet site provides other helpful information, including lists of "wanted" owners of unclaimed property in certain states.

3. Contact financial institutions, former employers, landlords, utilities and other people you suspect still owe you money. Companies also are required by law to try to track down owners of unclaimed property before transferring the assets to the state. But some companies are better at this than others, so write or call them just to play it safe.

Don't forget about unclaimed money you may have in the form of an old check you never cashed or deposited. You still have the right to that money. If your banking institution won't accept the check because it's more than six months old— the legal limit before a check is considered "stale"— you can go back to the source and demand that a new check be written.

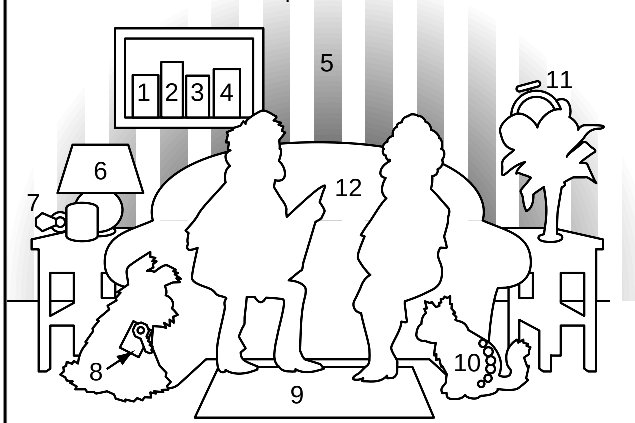
If you can't locate a company on your own, ask a librarian, stockbroker or someone else to check a business directory. If it's a bank you're looking for, the FDIC probably can help. We keep a status report for every FDIC-insured bank going back to 1933. This information will show, for example, if the bank was bought by another bank, changed names or locations, or closed. Write to the FDIC's Office of the Executive Secretary, Record Services Group, 550 17th Street, NW, Washington, DC 20429, or call (202) 898-3814. (For information about "missing" savings associations or credit unions, contact the appropriate regulatory agency listed on Page 15).

4. Be on guard against fraud. Many excellent "tracer" companies, for a fee based on actual recoveries, will help people who don't want to take the time to research unclaimed property or whose cases may be unusually complex. But other companies are scams devoted to separating you from your money, not helping you find it.

A con artist might contact you about "inside information" regarding assets due to you. This person probably will be rather secretive about the situation and demand money up-front for help reclaiming your property. In reality, this person probably only has the same list of unclaimed property available to everyone from state and federal agencies. Don't be suckered in, and don't pay a thing up-front. By following the steps outlined in this report, you can find the property yourself.

We also regret to say that foul play can explain why some money disappears from accounts, especially involving the elderly or minors. "Shenanigans do sometimes occur because of a financial institution employee, a family member or friend," says Ronald Lively of the FDIC's Office of Legislative Affairs in

A Map to the Treasures Hidden on Our Cover



1. Certificate of deposit
2. U.S. Savings Bond
3. U.S. currency
4. Willed inheritance
5. Airline tickets
6. Silverware
7. Diamond ring
8. Key for safe deposit box
9. Uncashed check
10. String of pearls
11. Pocket watch
12. Stock

Washington. "If the pieces of the puzzle don't fit together after you've contacted the usual parties — the institution, the regulatory agency, the state — you might want to consult an attorney or an accountant."

5. Don't forget about unclaimed funds in the Federal government. These assets include billions in uncashed tax refunds, U.S. Savings Bonds and Treasury securities, mortgage insurance refunds from the U.S. Department of Housing and Urban Development, Social Security benefits and veterans' benefits. To file or research a claim, contact the appropriate federal agency. Special rules and limits may apply. For example, IRS spokesman Anthony Burke says that claims for old tax refunds generally must be filed within three years of the date you filed your return.

The FDIC occasionally winds up with temporary possession of deposits and contents of safe deposit boxes left in failed banks and savings institutions. Depending on when the institution failed (the Unclaimed Deposit Amendment Act of 1993 changed the rules significantly), the FDIC may have possession of the asset or it may have transferred the property to an assuming bank or to the state. For information, call or write an FDIC office listed on Page 15 and ask that your questions be directed to the nearest regional office that manages assets acquired from failed institutions.

Tips for Preventing Money from Getting Lost in the First Place

- Keep a list of your deposits, investments, insurance policies, pension benefits, contents of safe deposit boxes and other assets. Update your list annually, especially to note which accounts have been cashed in or transferred elsewhere. Otherwise, some yellowed passbooks, certificates or insurance policies could show up years from now and send a lot of people on a wild goose chase. (Remember: You don't need to turn in an original passbook or certificate to close an account; an affidavit or some other legally binding statement will do.)

- Make sure the people who owe you money have your correct address. When mail continually gets returned or never gets delivered, it's easy for people to lose track of you, and vice versa. So if you change addresses, give your new location and telephone number to your banks, brokers, insurance companies and others who need to know. Do it in writing; don't rely on a phone call. Also fill out a change of address form with the post office. And if you discover that bank statements, dividend checks and other regular mailings stop coming, contact the source immediately.

- Try to understand your rights and responsibilities for preventing losses. Look at any brochures, contracts and other handouts to see what they say about when an asset is considered abandoned. Keep a copy in your files. If you don't understand what they say about your rights and obligations, ask for a clarification.

Final Thoughts

Following our suggestions may not lead to a $900,000 windfall, or even a $90 reward, but we think some worthwhile benefits will come your way. At the very least, you'll probably end up taking better care of your financial affairs and records. But we also think your search could lead you to priceless treasures — old family pictures, letters and other memorabilia that could bring you laughter or tears. Your search may even bring you in contact with relatives you've lost touch with or never knew you had. So get started! Open those old cardboard boxes, snoop around the attic, even look inside the well of your piano. This could be the most important house-cleaning you will ever do.

■■■

Long Ago and Far Away: Old Money in the "Old Country"

Tracking "lost" accounts overseas can be a complex chore. Here's some advice on getting started.

When families emigrate from one country to another, they may leave behind more than memories. Valuable assets — family homes, other property, bank accounts — may be left in the "old country." As time passes, the original owners may lose track of holdings overseas. Parents pass on, leaving property to sons and daughters who may not have complete information about the holdings of a previous generation.

It's never easy tracking lost accounts, and it's especially difficult when the property or the information about it is in some other country. As with unclaimed property in the U.S., the more you know about the account you seek to retrieve, the better. Account numbers, dates, names of original or current account owners and their heirs, and exact account balances are all vital pieces of information that greatly increase your chances of success.

Most banking institutions, whether here in the U.S. or overseas, have some limitation as to when an inactive account is considered abandoned and therefore liable to confiscation by the government under a process called "escheat" (see the box on the right). Depending on the laws of the country controlling the assets, this time period can be lengthy or brief. Likewise, the level of cooperation from a government in retrieving lost funds can be extensive and helpful or limited to the point of being hostile.

Fortunately, there are U.S. government agencies that can help Americans deal with the wide variety of circumstances that can arise in recovering funds from overseas.

"At one time or another, we've just about seen it all," said Carmen DiPlacido, an attorney with the U.S. State Department's Overseas Citizen Services, in an interview with *FDIC Consumer News.* "We've had to deal with American citizens who die overseas, without an heir, leaving extensive holdings in various accounts. We've worked with Americans who invested heavily in a country that encouraged foreigners to open accounts and then saw a change in government that led to foreign accounts being frozen. We've helped people with new accounts and all the account information, as well as people two or three generations removed from the original account holder and who knew next to nothing about the account, where it was or how much was in it — only that Grandpa once told them there was one."

DiPlacido explained that every case is different, depending largely on the country and whether the person needing help is an American citizen, a current or former citizen of the country in question, or someone holding dual citizenship. "Because of all these

Es-WHAT???

escheat: Pronounced ess-CHEET. From the Latin *ex* (out) and *cadere* (to fall). It's an unusual word but one that you're likely to encounter in connection with unclaimed property laws and protections in the U. S. and abroad.

Most dictionaries trace the origin of this word to the days when land and other property was returned to the lord of the manor (in feudal law) or to the crown (in England) when there were no legal heirs. In the U.S., the concept generally applies to unclaimed property transferred to the state government after a "dormancy" period set by state law. But unlike property transferred to the king, property escheated to the state in the U.S. will be returned to the rightful owner.

differences," he said, "we can't do everything for everybody, but we can usually do something to help some people."

Overseas Citizen Services can help locate legal assistance (it maintains a list of attorneys who specialize in taking on these cases for Americans) and can put people in touch with the appropriate embassy staff (either our embassy in the overseas country or the foreign embassy in the U.S.).

Many lost property cases date back to Europe in the 1930s, '40s, and '50s — most notably Holocaust victims whose property was confiscated by the Nazis and emigres from Central and Eastern Europe whose property was taken by the former Communist governments of the region. These and similar situations continue to fill today's headlines. For example, there has been renewed activity in recent months to search for and return Swiss bank accounts belonging to Holocaust victims or their heirs. Also, a new law called the Helms-Burton Act eventually could allow U.S. citizens to bring lawsuits for property confiscated by Cuba.

"Dealing with overseas property and accounts, especially after many years, can be very confusing and often frustrating," said DiPlacido. "It probably seems to some people as though there is a different set of rules for every country, and often that's not far from the truth. Sometimes people just don't know where to start."

If you're in that category, check out our listing of the U.S. government offices in the box on the right.

■■■

Even Without the Iron Curtain, Obstacles Remain

To understand the challenges to recovering property in foreign countries, consider the status of the national laws affecting the return of property seized by the Nazis or Communist regimes. The following information, which may change as nations review and revise their laws, is based on a *New York Times* report (May 26, 1996) and other sources.

Albania: Albanian and Albanian / American citizens who had property confiscated by the Communists can get some property back or receive vouchers for compensation.

Bulgaria: A 1992 decree mandates property be returned. No citizenship or residency requirements, but foreigners must sell property after three years.

Czech Republic: Only a citizen can file property claims. Unclear if U.S. citizens may make dual-citizenship claims.

Poland: No national law yet but some courts have recognized property claims and granted restitution.

Romania: Claims for seized property may be made. Claimants must become Romanian citizens by January. Some previously approved claims may be reconsidered.

Sources of Foreign Aid

Call or write the following U.S. government offices if you need help recovering property overseas and you don't know where to start. Depending on the circumstances, assistance may be available for little or no cost.

- Overseas Citizen Services, U. S. State Department, Room 4817, 2201 "C" St. NW, Washington, DC 20520 (phone 202-647-3666). It serves as a clearinghouse for many types of cases. If this office can't help directly, it probably will be able to point you to the right government agency or private attorneys and associations involved with property claims.

- Foreign Claims Settlement Commission, U.S. Justice Department, 600 "E" St. N.W., Room 6002, Washington, DC 20579 (phone 202-616-6975). The Commission deals with "expropriations" — property owned by U.S. citizens and corporations that was seized by a foreign government. It also administers a limited program of compensation for Albanian / American citizens who lost property to the Communists and one for American citizens who were in Nazi concentration camps.

Big Help for Small Business

Today's growing financial marketplace gives small business owners an edge in getting the financing — and other products and services — they need

If you are thinking of starting your own business — or if you already own a small business — finding the right mix of financial services for your company is a top priority. Fortunately, in today's financial marketplace, you have more choices than ever when it comes to financing your business, getting financial advice and managing your accounts.

FDIC Consumer News has gathered basic information on some of the services available to you. We've also included some tips. Whether you own a business, or are thinking about starting one, we hope this article will help.

1. Watch your deposit accounts. If your business is a sole proprietorship — a company owned by one person — don't make the mistake of assuming that your business deposits at a bank or thrift institution are insured separately from your personal accounts. Under FDIC deposit insurance rules, sole proprietorship accounts are added to any other business or personal accounts (excluding Individual Retirement Accounts) the owner may have in his or her name at the same institution, and the total is insured to $100,000.

Also, if your company has separate accounts for different purposes, such as a general business account, a payroll account and a tax account, don't make the mistake of thinking that each account is separately insured. All accounts owned by the same business (except for funds put into employee retirement accounts) are considered accounts of the same entity and are insured under the same $100,000 ceiling.

If your accounts do exceed the $100,000 ceiling, you may want to consider such options as opening different types of accounts or restructuring existing accounts to ensure full coverage under the rules. It's usually best to check with your institution to see what adjustments can be made.

If you are unsure about your deposit insurance coverage, contact the FDIC's Division of Compliance and Consumer Affairs. (See the box on Page 11 for the address and phone number.)

2. Prepare carefully before applying for a loan. If you're starting a new business, remember that most lenders place you in the high-risk category. Because about half of new small businesses dissolve within the first four years, often for voluntary reasons, any financial institution or lender will look very closely before approving a loan. The burden is on you to make your case convincingly, thoroughly, and in language that lenders understand.

Approaching your banker or other lending official for a loan is always easier if you have already established a solid credit record. If you have a start-up, spend time educating that person about your business. If you've got an ongoing enterprise, invite the lender to your company for a tour. Give that person a chance to become interested in your business and your prospects.

Know your bottom line. Know how much you need to finance, why you need it, and for how long. Know what sources of income you will use to repay the loan. Also, be prepared to show that you can put some of your own capital into your business as equity.

Have a good idea of the type of loan you need. Short-term loans are generally repaid in one to three years and include contractor and vendor lines of credit and business vehicle loans. Intermediate-term financing is typically paid back in five to seven years and can include loans for machinery and equipment, furniture and fixtures, and renovations and business expansion. Long-term financing can have maturities of up to 20 years or more and can include commercial mortgages for buildings, major equipment purchases, and site improvements.

Prepare a business plan that includes an overview of your company, an explanation of its products or services, an explanation of your operations, a marketing plan and the reasons your company or concept differs from the competition. If you've already been in business for a while, attach accurate financial statements, including a balance sheet, an income statement and a cash-flow statement. Make sure your business plan is professional, detailed, accurate and attractive.

Highlight your managerial experience. Lenders want to be reassured that you don't just have a great idea, but know how to execute it. If you don't have management experience, consider finding a partner or employee who does.

Make sure your personal finances are in good order. Many banks are paying more attention to an applicant's personal finances as an indicator of whether a small business loan will be repaid promptly, so your history of managing your personal finances is important. Be ready to hand over copies of your income tax returns and other supporting documents.

3. Consider an SBA loan guarantee. One of the best options to help secure a loan is to obtain a loan guarantee from the Small Business Administration (SBA). If you're unable to get a loan through a bank or another financial institution, ask your lender about SBA's 7(a) Loan Guaranty Program. This program guarantees large portions of loans to small businesses that are not able to find financing on reasonable terms. Your banker requests the loan guarantee from the SBA and, if it is granted, approves and services your loan. The SBA can guarantee 75 percent of the loan amount up to $750,000. For loans of $100,000 or less, the guarantee is 80 percent.

The SBA also offers a wide range of other assistance, including the Low Documentation Program. Many consumers and banks like this program because it cuts paperwork (the application is only one page) and it's quick (the SBA typically approves applications within three days). To contact the SBA, see the box on Page 11.

4. Consider alternatives. Many other potential sources of lending are available to entrepreneurs. Here are just a few:

• *Microenterprise lenders.* If you're looking for a short-term loan from $100 to $10,000, a microenterprise lender may be the way to go. Microenterprise programs — which provide loans, technical assistance and advice to small firms — are growing in the U.S., with more than 200 such programs in the country now. Most microlenders are nonprofit organizations that act as intermediaries between banks and small business borrowers. The SBA's new 7(m) MicroLoan program also offers short-term loans from under $100 to $25,000 for inventory, supplies and working capital.

• *Venture capital firms.* If you are a start-up company seeking a fairly large amount of capital — $200,000 or more — and you're willing to allow part ownership in your company, a venture capitalist may be a good choice for you. Venture capitalists are individual investors, partnerships and investment companies that invest in fast-growing small businesses and start-ups with strong growth potential. They provide funding to businesses in exchange for part ownership. One way to shop around for a venture capital firm is to participate in a venture fair, where venture capitalists and other investors meet to learn about new companies. Also, check with the SBA for a list of SBA-licensed and funded small business investment companies.

• *Business incubators.* Business incubators are organizations sponsored by several sources, including universities and local governments, that often lend money to start-up businesses and sometimes provide them with physical facilities and support services to launch their operations.

• *Loan pools.* In many parts of the country, banks are joining forces to create loan pools for small businesses. Banks benefit from this approach because it reduces risk. Ask your local bank or Chamber of Commerce about loan pools in your area.

• *State and local governments.* Most state and local governments have small business investment programs. Contact your state's department of economic development or local Chamber of Commerce for information.

• *Credit cards.* Many start-ups have financed their companies using credit cards. While credit cards may be a popular financing choice, you should be aware of the liabilities. Interest rates on credit

(Continued on next page)

cards are usually much higher than on business loans, and keeping track of the payments, especially if you use more than one credit card, requires careful monitoring.

- *Vendor credit.* Don't forget your suppliers, manufacturers and distributors when you need to raise cash. They may be willing to offer you attractive interest rates or flexible repayment terms.

5. Recognize that there are more bank services available than just deposits and loans. Increasingly, banks and other financial institutions are providing innovative services that benefit small businesses, such as personal computer-based cash management, which allows you to gain on-line access to your account balances, examine transactions, transfer funds between accounts and make loan payments. Some credit card issuers also have begun to offer business credit cards that can be used to make purchases, track employee spending, and help manage cash flow.

Another product that is growing in popularity is the "sweep account." Offered by many banks and brokerage firms, sweep accounts are corporate checking accounts that "sweep" excess funds each day into an interest-bearing account, such as a money market mutual fund account, thereby helping to ensure that your money is being put to good use.

Intent on gaining a larger share of the small business market, many financial institutions are also offering more "people" services to customers, such as providing financial advice, helping you expand your business, and teaching you how to gain electronic access to your accounts. Just ask your institution if it can provide you with these services.

6. Be selective in choosing a financial institution. Once you've determined what you really need from a bank or other financial institution, shop carefully. Ask if the institution has a track record of catering to small businesses and how many small firms currently make up its customer list. Find out if it has a special unit dedicated exclusively to small business needs. Ask yourself if the representative who meets with you seems genuinely interested in your business and the market you serve. Ask other small business owners about institutions they recommend. You may also want to order a copy of "Small Business Lending in the U.S.," an SBA publication that lists the top lenders in each state.

7. Discover programs for minorities and women. If you are a minority or woman small business owner, the SBA allows you to prequalify for an SBA loan guaranty before you approach a lender. These programs focus on your character, credit, experience and reliability rather than your collateral when reviewing your application. Because they are pilot programs offered in limited locations, check with your local SBA office for details on programs in your area.

The Minority Business Development Agency (MBDA) within the U.S. Department of Commerce coordinates federal and private programs and resources to promote and encourage minority business ownership. The MBDA does not provide direct loans or legal services, but it does identify public and private sources of funding for minority-owned firms and assists with loan applications.

Many states also sponsor programs designed to assist minority and women-owned businesses. Check with your state's economic development office for information about what's available in your area.

Also, remember that the Equal Credit Opportunity Act (ECOA) prohibits creditors from discriminating on the basis of race, color, religion, national origin, sex, marital status, age, the fact that all or part of the applicant's income is derived from public assistance, or the fact that an applicant has in good faith exercised any right under the Consumer Credit Protection Act (such as delaying a credit card payment until a billing dispute is resolved).

8. Avoid scams. If you want to start your own business, beware of bogus "business opportunities" made by fraudulent companies. Often these offers appear in the classified advertisement sections of newspapers, with appeals such as, "be your own boss," or "make huge profits." Many would-be entrepreneurs have lost their retirement accounts, life savings and other assets by responding to these fraudulent offers.

Also, watch out for phony debt collectors, telemarketing scams, and "fax scams" in which phony investors send you a fax offering to transfer huge sums of money into your bank account if you'll give them your account number. Small business owners and aspiring entrepreneurs are prime targets for many con artists — so be on your guard.

Let's face it, starting your own business — or keeping it profitable — is never easy. Many small businesses fail, but many also survive those difficult first years to become thriving enterprises. While it's impossible to predict which businesses will succeed and which will fail, it's a pretty safe bet that your business will do better with sound financial management and the wise use of financial services.

That's why it's so important to do research and make careful selections. When making those decisions, don't let yourself get boxed in. As a small business owner, you have any number of resources to turn to — and lots of information at your disposal. If you want to learn more about what's available, spend a little time at your local library. Also contact some of the organizations listed in the box below. Never assume that you have to go it alone.

We hope this article provided you with a start. Who knows, years from now, your Ma and Pa operation may become M&P Global Enterprises, Inc.!

■■■

Please Write!

Is there an issue you'd like addressed or a question you'd like answered in *FDIC Consumer News*? Please send your thoughts and suggestions to:

Jay Rosenstein, Editor, FDIC Office of Corporate Communications,
550 17th Street, NW,
Washington, DC 20429
Fax: 202-898-3725
Internet: editorconsnews@fdic.gov

Business "Partners" for Small Firms

To find out more about the various programs we've mentioned, check out these organizations.

The Federal Deposit Insurance Corporation. For information on the Equal Credit Opportunity Act, special programs for minorities and small businesses, and deposit insurance, contact the FDIC's Division of Compliance and Consumer Affairs, 550 17th Street, NW, Washington, DC 20429. Phone: (800) 934-3342 or (202) 942-3100.
Fax: (202) 942-3427 or (202) 942-3098. Internet: consumer@fdic.gov.

The Small Business Administration. To learn more about SBA programs or to get one of its helpful brochures, contact your local SBA office or the SBA Answer Desk at (800) 8-ASK-SBA. The SBA's Web site on the Internet can be reached at http://www.sba.gov/.

The Federal Reserve Bank of New York. For a copy of "The Credit Process: A Guide for Small Business Owners," contact the Federal Reserve Bank of New York's Public Information Department, 33 Liberty Street, New York, New York 10045. Phone: (212) 720-6134.

National Business Incubation Association. To obtain information on 550 business incubators in the U.S., contact this association at 20 E. Circle Drive, Suite 190, Athens, Ohio 45701, or call (614) 593-4331.

Association for Enterprise Opportunities. For information on microlenders in your area, write to this association at 70 E. Lake Street, Suite 620, Chicago, Illinois 60601-5907, or call (312) 357-0177.

National Venture Capital Association. If you want to find out more about venture capital firms in your area, contact this association at 1655 North Ft. Myer Drive, Suite 700, Arlington, Virginia 22209, or phone (703) 351-5269.

Minority Business Development Agency. This newly formed agency within the Department of Commerce can be reached at 14th and Constitution Avenues, N.W., Room 6707, Washington, DC 20230, or call (202) 482-4547.

New Law to Help Consumers Preserve, Protect and Defend their Credit Records

Wide range of other consumer issues also addressed in new statute

Consumers will have more assurances about the accuracy and privacy of their personal credit histories under a law enacted September 30. Here's a quick rundown of these and other key provisions of the Economic Growth and Regulatory Paperwork Reduction Act of 1996, which will become effective at various dates:

■ Credit reports. These files, compiled by companies called credit bureaus, are used by lenders, employers and others who have a legitimate need to know about someone's credit history and reliability. The typical credit report describes how quickly a person pays back money borrowed on credit cards and other loans, and whether that individual filed for bankruptcy within the last 10 years. Unfortunately, mistakes in credit reports can result in loan applications being rejected, job opportunities being lost, and other problems. While consumers already have the right to review their credit reports and request corrections, the process can be time-consuming, frustrating and costly.

To address these concerns, the law amends the Fair Credit Reporting Act of 1970 by setting new procedures and timetables for credit bureaus to investigate consumer complaints and correct mistakes. It also puts limits on how much, if anything, a credit bureau can charge for copies of reports or other documents. For example, the most you can be charged for a copy of your report is $8 (a fee to be adjusted each year based on inflation). As under the old law, you're entitled to a free copy if you've been turned down for a loan because of information in your credit report, but now you'll have 60 days to ask for it, not 30 days.

Also, privacy protections were added to prevent the unauthorized release of information. You can have your name and address excluded from lists that credit bureaus sell to banks and insurance companies for marketing purposes, such as offers of credit cards. Credit bureaus and similar firms also can't release your records to an employer without your written authorization, and they can't disclose medical information to insurers and other people without your consent.

■ Credit repair scams. Consumers who have trouble getting loans because of problems they've had in the past can be easy targets for unscrupulous credit repair outfits that promise easy credit or the chance to erase a bad credit history. Often these credit repair "clinics" and credit "doctors" charge big, up-front fees for services they can't or don't deliver, or that consumers can perform on their own.

The new law includes penalties for false or misleading practices, prohibits credit repair firms from receiving payment before a service is provided, and gives consumers three days to cancel a contract with a credit repair firm. (As we reported in the spring 1996 issue of *FDIC Consumer News,* there are many respected organizations that counsel debtors at little or no cost. For a free copy of our story about how to climb safely out of debt, contact the FDIC Public Information Center at the address on Page 3.)

■ Mortgage forms. Existing laws require lenders, attorneys and others involved with a mortgage loan to provide consumers with disclosures about the nature and costs of the services to be provided. The idea is to help people be fully informed when they shop for loans and related services, and to understand their rights to be treated fairly. But a common complaint from consumers is that existing disclosures are too complicated and confusing. The new law requires the Federal Reserve Board and the U.S. Department of Housing and Urban Development (HUD) to work together to simplify these disclosures.

■ Phony financial instruments. Fake checks, money orders and other documents cheat financial institutions and consumers out of an estimated $10 million worldwide every day. Unfortunately, law enforcement authorities in the U.S. have been unable to prosecute many of the people behind these scams. For example, under existing anti-counterfeiting laws, the FBI and other authorities couldn't arrest someone for passing a fictitious financial instrument that was produced from scratch on a personal computer — because the document technically was not a copy of anything. (The government instead had to catch these con artists for mail or wire fraud.) The new law closes the existing loopholes by prohibiting the production, sale, transportation or possession of fake financial instruments.

■ Deposit insurance. While this aspect of the new law may not affect your pocketbook, FDIC Chairman Ricki Helfer said it "assures Americans that their deposits are safe." At issue was the Savings Association Insurance Fund (SAIF), a deposit insurance fund primarily for savings and loan associations that has been in need of a significant injection of money to be fully capitalized. The new law imposes a special one-time fee on the thrift industry to immediately bring the fund up to the desired level, and it requires banks to help pay the costs of bonds that were issued in the 1980s as part of the thrift industry cleanup.

■■■

News Briefs

Auto Leases

Consumers considering leasing a car instead of buying one soon will have more meaningful information on which to base their decision, thanks to the first major overhaul of federal disclosure rules in 20 years. The Federal Reserve Board in September issued new rules to address concerns that consumers often are confused or misled by the contracts and disclosures currently provided by leasing companies. For example, many consumers aren't aware of other charges on top of monthly payments that can make leasing more expensive than buying. Under the new rules, consumers must be given new details about the total cost of a lease, how scheduled payments were calculated (including the "value" of the car at the start and end of the lease), penalties for terminating the lease early, and other facts that can help consumers comparison-shop and decide whether to buy or lease. The new rules don't go into effect until October 1, 1997, but many auto dealers, financial institutions and other leasing companies are expected to begin complying sooner. For information, contact the Federal Reserve (see Page 15) or check out the Fed's Internet site (http://www.bog.frb.fed.us).

Electronic Banking Update

The FDIC has issued a legal opinion concluding that, in most cases, the funds underlying most "stored-value cards" are not deposits and therefore are not protected by deposit insurance. (These are cards, currently only issued by a few institutions, that look like credit or debit cards but are bought and used like cash to pay for meals and other small purchases.) However, the FDIC also outlined the circumstances under which banking institutions could design stored-value cards that would be insured. The FDIC also has asked the public for comments on developments in electronic banking, including the need for new consumer protections in areas such as stored-value cards and banking over the Internet.

Free Publications

The U.S. Office of Consumer Affairs has released its 1997 "Consumer's Resource Handbook," an outstanding collection of tips and places to contact if you have a question or complaint. Call 1-800-664-4435 or write to the USOCA at 750 17th Street, NW, 6th Floor, Washington, DC 20006...The FDIC has updated two brochures on the Equal Credit Opportunity Act — one for senior citizens, the other for women. Contact the FDIC's Division of Compliance and Consumer Affairs (see Page 15)...The Federal Trade Commission has published "Wealth-Building Scams," a brochure about frauds promoting "easy money" from investments and business opportunities. The FTC also has produced two new brochures about dealing with credit problems. Contact the FTC, Public Reference Branch, Washington, DC 20580 (Phone 202-326-2222). You also can access the FTC's publications on the Internet (http://www.ftc.gov).

■■■

How Much Do You Know Before You Invest?

The FDIC wants to be sure you're told investment products at banks and thrifts aren't insured

Any consumer considering an investment needs to know as much as possible before putting down money. That's why the FDIC did some research to find out what consumers may or may not be told when they go into banks and savings associations to buy such things as mutual funds and annuities. The industry refers to these as "nondeposit investment products," because they are not deposit accounts protected against loss by the FDIC. These products also are subject to investment risk, including possible loss of principal.

We hired a firm that used trained "mystery shoppers" — researchers posing as consumers — who made 7,800 "contacts" in person and by phone at almost 1,200 FDIC-insured institutions.

Although the FDIC and other regulators in 1994 required certain disclosures about nondeposit investments, our survey showed that, while most banks and thrifts were making most disclosures most of the time, there was a need for improvement.

"Twenty-eight percent of the customers in our survey were not told that mutual funds lack deposit insurance. In 30 percent of the cases, institutions failed to disclose that the products are not obligations of the bank," FDIC Chairman Ricki Helfer said in announcing the survey results. "Those results need to be improved."

We are working with the bank and thrift industries to ensure that customers are aware of the risks when purchasing stocks, bonds, mutual funds, annuities and other nondeposit investment products.The FDIC also is taking the following steps to improve disclosure and sales practices:

■ The FDIC is planning to provide training for bank employees — ranging from investment representatives to tellers — focusing on the required disclosures.

■ The FDIC and other federal banking agencies are reviewing the existing requirements to clarify when disclosures are required.

■ The FDIC is working with other regulators to require that all bank employees selling nondeposit investment products meet the securities industry's basic qualifications, testing, reporting and continuing education requirements.

■ The FDIC is increasing its training for bank examiners who check institutions for compliance with the disclosure requirements.

■ The FDIC will continue to coordinate with other banking and securities regulators to insure that the rules and guidance governing sales of nondeposit investment products at banks and thrifts are applied consistently.

While these efforts are intended to insure that bank employees and bank examiners are doing their jobs, the FDIC is taking steps to help customers know what they can do if they have a complaint involving an investment product. These steps include:

■ Revisions to our consumer brochure on investment products to provide more information on the disclosures that banks and thrifts should make, as well as information on how to submit a complaint to the FDIC or another regulator.

■ Customers can call the FDIC's toll–free consumer hotline listed on Page 15.

■ Complaints that are registered with the FDIC will be tracked to see whether the customer's problems have been resolved.

■ Even if the FDIC is not involved, we will refer complaints about persons selling nondeposit investment products to the appropriate self-regulatory organization, and we'll refer complaints about a financial institution to the proper federal regulator. Complaints about annuities will be forwarded to state insurance commissioners.

The FDIC, as a federal deposit insurer, has a special interest in making sure that consumers do not confuse FDIC-insured deposits with nondeposit investment products being sold at banks and savings associations. Our goal is to insure that banks and thrifts provide their customers with the information they need before they invest.

■■■

For More Help

For questions about consumer or civil rights laws, or complaints involving a specific institution: First attempt to resolve the matter with the institution. If you still need assistance, write to the institution's primary regulator listed on this page. Although the FDIC insures nearly all banks and savings associations in the United States, the FDIC may not be the primary regulator of a particular institution. The regulators enforce consumer protection and civil rights laws, including prohibitions against discriminatory lending practices; initiatives to prevent unfair or deceptive practices in deposit–taking or lending; and rules that encourage institutions to meet local credit needs.

For questions about deposit insurance coverage: The FDIC offers protection to consumers by insuring deposits up to $100,000 at federally insured banks and savings associations. For more information, contact the FDIC's Division of Compliance and Consumer Affairs as listed below. The National Credit Union Administration insures deposits up to $100,000 at federally insured credit unions and can be contacted at the address below.

Federal Deposit Insurance Corporation

Federal Deposit Insurance Corporation
Supervises state-chartered banks that are not members of the Federal Reserve System. Insures deposits at banks and savings associations.

For information about consumer protections, including deposit insurance:

FDIC Division of Compliance and Consumer Affairs
550 17th Street, NW
Washington, DC 20429
Phone 800-934-3342 or 202-942-3100
Internet: consumer@fdic.gov
Fax:202-942-3427 or 202-942-3098

For questions, concerns or complaints about the Federal Deposit Insurance Corporation:

FDIC Office of the Ombudsman
550 17th Street, NW
Washington, DC 20429
Phone 800-250-9286 or 202-942-3500
Internet: ombudsman@fdic.gov
Fax: 202-942-3040 or 202-942-3041

Other Key Regulators

Office of the Comptroller of the Currency
Charters and supervises national banks. (The word “National” appears in the name of a national bank, or the initials “N. A.” follow its name.)

Customer Assistance Unit
Mail Stop 3–9
Washington, DC 20219
Phone 800-613-6743
Internet:consumer.complaint@occ.treas.gov

Federal Reserve System
Supervises state-chartered banks that are members of the Federal Reserve System.

Division of Consumer and Community Affairs
20th St. and Constitution Avenue, NW
Washington, DC 20551
Phone 202-452-3693

Some banking matters may involve state laws. For assistance, contact the appropriate state financial institution regulatory agency or state Attorney General listed in your telephone book and other directories.

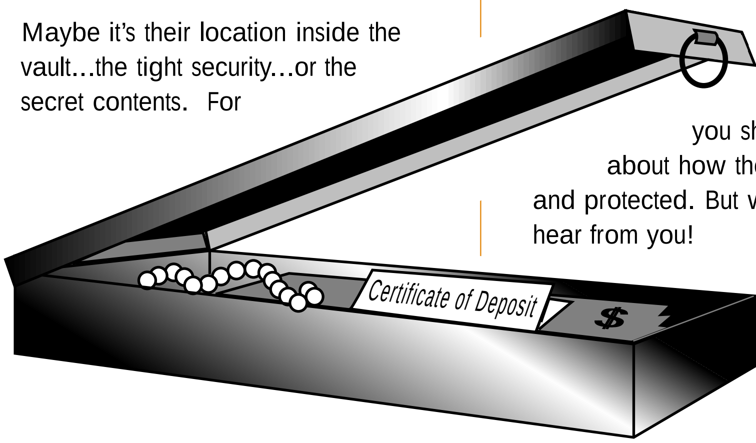
Office of Thrift Supervision
Supervises federally and state-chartered savings associations plus federally chartered savings banks. (The names generally identify them as savings and loan associations, savings associations or savings banks. Federally chartered savings associations have the word “Federal” or the initials “FSB” or “FA” in their names.)

Consumer Affairs Office
1700 G Street, NW
Washington, DC 20552
Phone 800-842-6929 or 202-906-6237

National Credit Union Administration
Charters and supervises federal credit unions. Insures deposits at federal credit unions and many state credit unions.

Office of Public and Congressional Affairs
1775 Duke Street
Alexandria, VA 22314
Phone 703-518-6330
Internet:http://www.ncua.gov

We Want You to Open Up...About Safe Deposit Boxes!



Maybe it's their location inside the vault...the tight security...or the secret contents. For whatever reason, there's an uncommon mystery to the common safe deposit box. That's why in an upcoming issue of *FDIC Consumer News* we're going to take some of the mystery out of safe deposit boxes — including what you should know about how they're regulated and protected. But we also want to hear from you!

Do you have questions, suggestions or concerns about safe deposit boxes? Do you have horror stories or tips you'd like to pass along? How about a funny story or other interesting anecdote?

Please send them to: Jay Rosenstein, Editor, *FDIC Consumer News,* 550 17th Street, NW, Washington, DC 20429. Fax: 202-898-3725. Internet: editorconsnews@fdic.gov. The deadline is December 20. Please also include your name, address and phone number. No names will appear in print without your permission.

▪▪▪

FDIC

Federal Deposit Insurance Corporation
Washington, DC 20429-9990

OFFICIAL BUSINESS
Penalty for Private Use, $300