SPECIAL EDITION

Fall 2008

# FDIC Consumer News

## Your New, Higher FDIC Insurance Coverage

*How You Can Be Fully Protected*

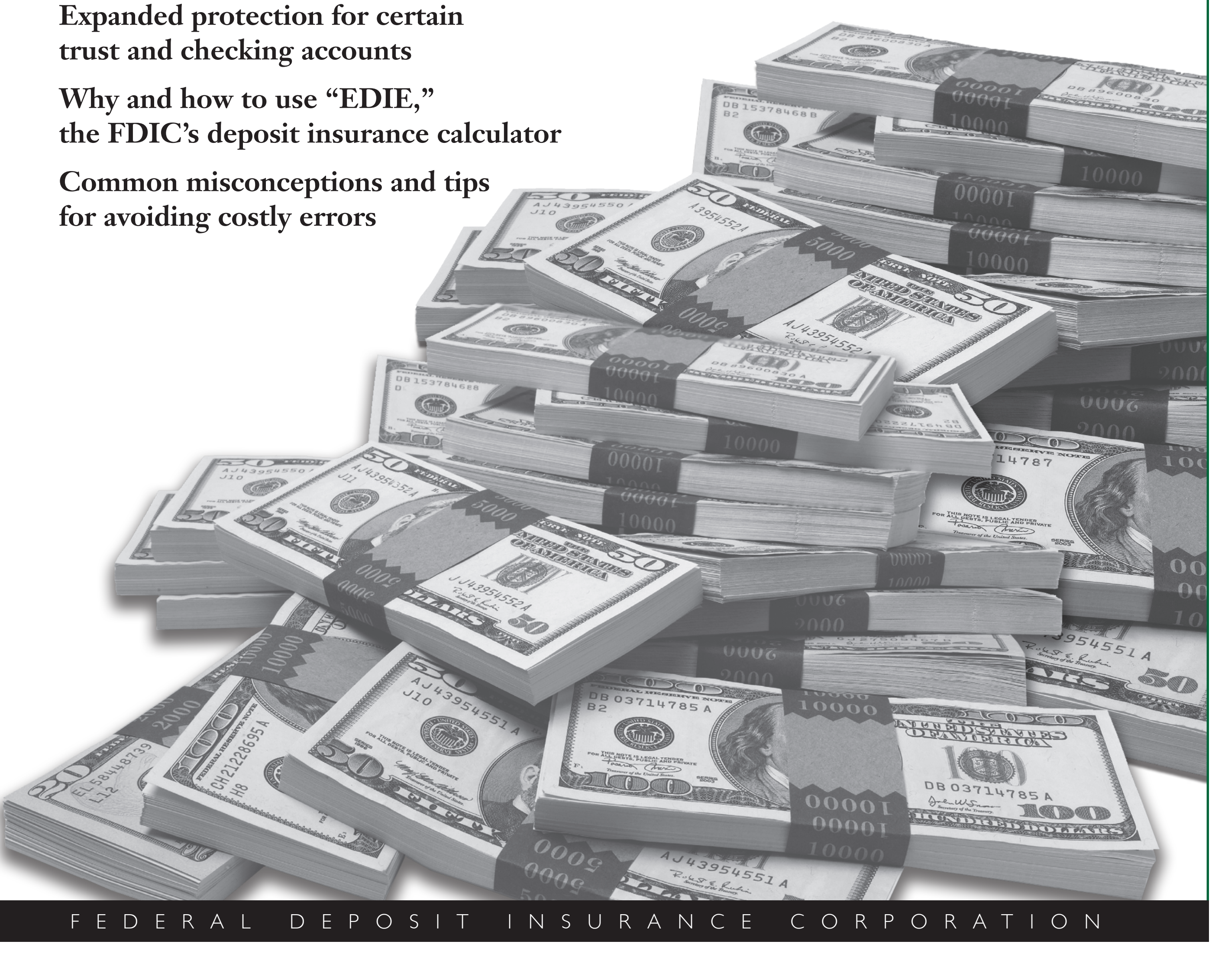
### What to Know About the Temporary Increase to $250,000

**PLUS**

**Expanded protection for certain trust and checking accounts**

**Why and how to use "EDIE," the FDIC's deposit insurance calculator**

**Common misconceptions and tips for avoiding costly errors**



# Basic FDIC Insurance Coverage Temporarily Increased to At Least $250,000 Per Depositor

## Other changes expand the protection of certain trust and checking accounts

With banks and the economy in the news so much lately, many people are thinking more about the safety of their money. The FDIC has some good news — your FDIC deposit insurance coverage has significantly increased.

"Clearly, the good news for consumers, small businesses and other depositors is the increased likelihood that they can have more of their deposits — or possibly all of their deposits — fully insured at their bank," said Kathleen Nagle, FDIC Associate Director for Consumer Protection.

Here is an overview of what you need to know about your new FDIC insurance coverage.

**The basic limit on federal deposit insurance coverage has been temporarily increased from at least $100,000 to at least $250,000 per depositor.** That's the result of a new law passed by Congress in October 2008. It means that if you (or your family) have $250,000 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 insured.

As always, you may qualify for more than the basic insurance coverage at one insured bank. That's because the FDIC provides separate insurance coverage for deposits held in different "ownership categories." For example, under current rules, your deposits in:

• Single accounts (in one name only) are insured up to $250,000;

• Joint accounts (for two or more people) are protected up to $250,000 per owner;

• Certain retirement accounts, including IRAs, are covered up to $250,000; and

• Revocable trust accounts (deposits intended to pass along to named beneficiaries when the account owner dies) can be protected up to $250,000 *for each named beneficiary*, subject to specific limitations and requirements.

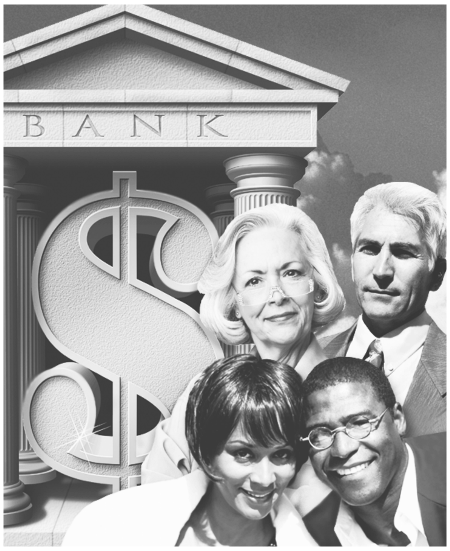
**The basic FDIC insurance limit is scheduled to return to $100,000 on January 1, 2010.** Let's suppose you purchase two CDs (certificates of deposit) that will mature in 2010 or later, and they total $105,000. Under current law, those CDs would be fully insured through year-end 2009. But starting on January 1, 2010 — when insurance coverage is scheduled to return to $100,000 — $5,000 plus accrued interest would be uninsured.

However, not all deposit accounts would revert back to $100,000 of insurance coverage in 2010. Certain retirement accounts will continue to be protected up to $250,000 because that is the permanent level previously set by Congress.

**The FDIC has eased the rule governing the insurance coverage of revocable trust accounts.** The most common example of a revocable trust account is a payable-on-death (POD) account that can be set up at a bank with a simple, written declaration from the depositor (usually on the "signature card" in the bank's records) that the funds in a savings or checking account will belong to one or more named beneficiaries upon this person's death.

Another common example of a revocable trust account is a "living trust" account deposited in connection with a formal, legal document typically called a living trust or a family trust drafted by an attorney.

What's new is that the FDIC no longer considers only the account owner's spouse, child, grandchild, parent or sibling as "qualifying beneficiaries" for additional insurance coverage. Under the new rule, effective September 26,




2008, an account owner can name almost any beneficiary — including a niece, nephew, cousin, in-law, friend, charity or a nonprofit organization — and the owner will qualify for deposit insurance coverage for each beneficiary ($250,000 if there is one beneficiary, $500,000 if there are two, and so on).

"The new rule is, in part, intended to be fair to depositors who were unable to obtain insurance coverage under the previous rules because they had no qualifying beneficiaries," explained FDIC attorney Joe DiNuzzo.

Be aware that revocable trust accounts are subject to specific requirements that can affect the total insurance coverage, especially if an account owner names six or more beneficiaries and they all aren't being given an equal share of the account.

In addition, FDIC officials cautioned bank customers against adding beneficiaries to a trust account just to increase their insurance coverage.

"A trust account is the equivalent of a contract specifying who is legally entitled to your money when you die," said Martin Becker, a Senior Consumer

*continued on the back page*

# How to Be Sure You're Fully Protected by the FDIC

## The more you know, the safer your money

In 75 years, no one has lost a penny of FDIC-insured deposits. You don't need to worry about the safety of your money if you (or your family) have deposits at one bank totaling less than the basic FDIC coverage limit, which is currently $250,000 but is scheduled to go back to $100,000 on January 1, 2010. But if your deposits exceed the coverage limit, or if you're just not sure about how much of your money is protected, consider these steps.

**Use "EDIE," the FDIC's online deposit insurance estimator.** EDIE will help you understand if you have funds over the insurance limits. Find it at www.FDIC.gov/EDIE. And if you don't have Internet access at home, ask a trusted friend or relative or your banker to help you use EDIE. For more about why and how to use EDIE, see the next page.

**When in doubt, contact the FDIC for additional assistance.** You can call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342). Information specialists are available 8:00 a.m. to 8:00 p.m., Eastern Time, Monday through Friday. We also have deposit insurance brochures and other materials on the FDIC Web site at www.fdic.gov/deposit/deposits. This is help you can rely on from the #1 authority on FDIC insurance — the FDIC!

**If some of your deposits are over the FDIC insurance limit, consider your options for getting them fully insured.**

One possibility is to divide the funds among the various ownership categories (single accounts, joint accounts, retirement accounts, and so on) at the same institution because deposits in separate insurance categories are separately insured up to the FDIC's limit.

But changing the ownership of an account is something you need to think about carefully because, for example, moving some money from a single account into a joint account with someone else means that you are giving that other person legal ownership of the money. Before finalizing your plans, consider discussing them with your attorney, accountant or another trusted advisor.

A second option for insuring funds that are over the FDIC's limit is to move some funds to accounts at other insured institutions. This option works well for people who don't want, or don't qualify for, other ownership categories at their existing bank.

**Periodically review your insurance coverage if you have close to or more than the basic insurance limit (currently $250,000) at one institution.** Here are suggestions for when to take a closer look:

• *Before you open a new account.* Think about all the accounts your family owns at an institution, the types of accounts and the names of the beneficiaries. Make a list if you have to, because you'll need this information to get an accurate calculation of your insurance coverage.

• *After the death of a loved one.* If two people own a joint account and one of them dies, the FDIC will insure the deceased person's share as if he or she were still alive for another six months. This grace period is intended to give executors or other authorized people time to make changes to the account, if necessary, without having to worry about a drop in FDIC coverage. But if the joint account is not restructured within that six-month period, it will automatically be insured as the surviving co-owner's single account at the bank, and sometimes that results in funds becoming uninsured.

For example, suppose two people have one account at a bank — a $200,000 joint account — and one of them passes away. If the survivor makes no change in the account within the six-month grace period, it would be reclassified as his or her own (single) account. Under current rules, that $200,000 account would be fully insured through December 31, 2009, because single accounts are covered up to $250,000. But thereafter, the coverage will revert to $100,000, leaving the remaining $100,000 in the account, plus accrued interest, at risk of loss.

• *If a large windfall comes your way.* Suppose you sell your house or receive a large payment from a trust, a pension, a lawsuit or an insurance claim. Make sure any deposits, especially those made on your behalf by third parties, won't put you over the FDIC's limits.

• *If you own accounts at two institutions that merge and the combined funds exceed the insurance limit.* Accounts at the two institutions before the merger continue to be separately insured for a grace period of six months after the merger, and longer for certificates of deposit (CDs), but you have to review the accounts within that grace period to avoid a potential problem with uninsured funds. In addition, keep in mind that the $250,000 coverage is scheduled to revert back to $100,000 on January 1, 2010.

The FDIC Call Center • 1-877-ASK-FDIC

Photo by: FDIC Graphic Design Unit

# "EDIE" Makes It Easy: FDIC Internet Site Analyzes Your Insurance Coverage

If your money is in an FDIC-insured bank and you stay within coverage limits, your funds are 100 percent safe. Under current rules in effect through December 31, 2009, if you (or your family) have $250,000 or less in all your accounts combined at the same bank, you're fully protected. But what if your accounts total more than $250,000 and you want to make sure all your money is fully insured by the FDIC? One of the best things you can do is consult EDIE — our online "Electronic Deposit Insurance Estimator" — at www.FDIC.gov/EDIE.

EDIE can calculate your deposit insurance coverage for each FDIC-insured bank where you have deposit accounts — any time and anywhere you have access to the Internet.

EDIE also will provide you with a printable report for each bank that shows whether your deposits are within or exceed coverage limits. "EDIE's ability to provide insurance information about your accounts makes it much more useful than a brochure," said Kate Spears, an FDIC Senior Consumer Affairs Specialist.

EDIE also has been updated recently to make it easier to use and to reflect the new FDIC insurance rules (see Page 2).

In general, here's how EDIE works. You'll be asked to provide information about each account, including the name of the owner, the ownership type (such as single, joint, trust, retirement account or business), the balance, and the names of any beneficiaries. (You can type in substitute information if that would make you more comfortable.) Then click on the "calculate" button and EDIE will produce a report that says if you are fully insured or, if not, it shows where your deposits exceed the limits.

"With this information, you can talk to your banker about what you need to do to have your deposits fully insured," added Spears.

We believe that anyone who wants to check up on their FDIC insurance coverage should consider going to EDIE because:

**You don't have to know the deposit insurance rules to calculate your insurance coverage using the EDIE system.** EDIE is designed specifically so that even people who don't know the FDIC insurance rules can quickly and easily generate an accurate deposit insurance coverage report.

EDIE also provides a glossary of banking terms and answers to frequently asked questions about the FDIC's insurance rules.

**You don't need a lot of computer skills.** EDIE provides a set of tutorials with examples and step-by-step instructions.

**You don't have to worry about protecting your privacy.** First, the new EDIE is a secure site. More importantly, you will not be entering any personal information on a computer — EDIE doesn't ask for account numbers or Social Security numbers.

You also don't have to enter the real names of account owners and beneficiaries; you can instead type in first names only or even an alias. (John or Jane Doe, Husband or Wife, Child #1 or a similar description will work just fine.) To provide an accurate analysis, however, all account information entered, such as the type of account and the dollar amount, must be consistent with your bank account records, and the same substitute names must always be used for the same person.

Also, don't be concerned about the information you *do* enter because EDIE doesn't store any of the account details you key in and no information is sent over the Internet.

When entering business accounts, though, EDIE *does* ask you for an EIN — an Employer Identification Number — for each account. EINs are, however, public information.

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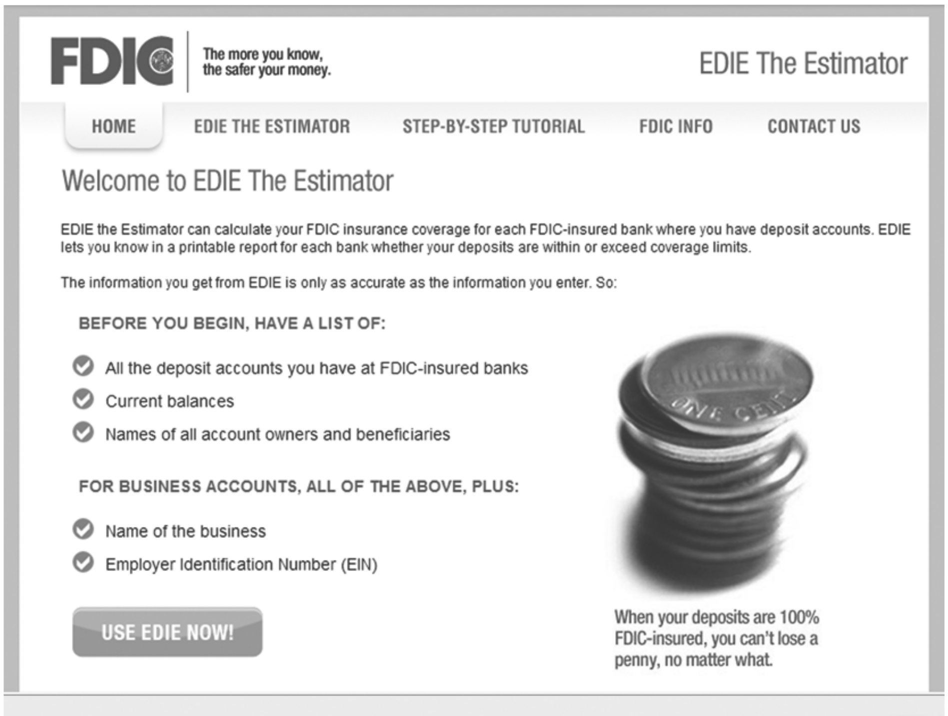

# Fact vs. Fiction: Common Misconceptions About FDIC Deposit Insurance

## How to avoid potentially costly errors

When a bank fails, insured deposits are completely safe. However, depositors often have misconceptions about how FDIC insurance works, some of which can inadvertently result in a portion of their money being over the federal limit and at risk of loss. To help you avoid repeating the mistakes of others, ***FDIC Consumer News*** has asked FDIC deposit insurance specialists about some of the most common misunderstandings — and tips for avoiding mistakes. (Our guidance also reflects the new, temporary increase in the basic FDIC insurance limit from at least $100,000 to at least $250,000, in effect through December 31, 2009, and described in our article starting on Page 2.)

**Fact: You may be able to qualify for more than $250,000 in FDIC insurance coverage — $250,000 is NOT the maximum for one person.**

Deposit insurance coverage is based on how much money you have in different "ownership categories" (single, joint, revocable trust, certain retirement accounts and so on) that are separately insured from each other at the same insured institution. And, under current law, each category is covered up to the basic limit of $250,000. So, if you have deposits in three different ownership categories at the same bank, you can qualify for up to $750,000 of insurance coverage — and sometimes more. Also, your deposit insurance coverage is separate from another depositor's insurance coverage, even if an account is jointly owned.

*Example:* Phil has $575,000 on deposit in a variety of accounts at one bank — $200,000 in various savings accounts (other than retirement accounts) in his name alone, several retirement accounts totaling $225,000, and $150,000 in joint accounts totaling $300,000 with his wife. (Each person's share of each joint account is considered equal unless otherwise stated in the bank's records.) Under current rules, with each category insured up to $250,000, all $575,000 would be fully insured. That coverage also would be separate from any deposits at another insured institution.

**Fact: FDIC insurance coverage is based on the deposits a person holds in one bank — NOT how many accounts there are or the number of branches used.**

Contrary to some misconceptions, dividing money into multiple accounts or taking it to different branches will not increase your insurance coverage beyond what each owner is entitled to in each category.

*Example:* John and Mary together have three certificates of deposit (CDs) at their bank totaling $520,000. They purchased one CD for $220,000 at a branch near where they live. They signed up for another CD with $200,000 at the bank's main office near where Mary works. The third CD, for $100,000, was obtained at a branch near where John works. Under the FDIC's rules, each person's shares of all joint accounts at the same bank are added together and the total is insured up to $250,000. In this case, John and Mary each own $260,000 in the joint account category, putting a total of $20,000 ($10,000 for each owner) over the insurance limit. The fact that they have three different accounts at three different branches does not increase their insurance coverage.

**Fact: If a bank fails, the FDIC quickly provides depositors access to all of their insured money — we usually do NOT take longer than one business day after the bank is closed to pay depositors the full amount of their insured funds.**

Contrary to misinformation that appears to be spread by some financial advisors and sales people, when an institution fails, federal law requires the FDIC to pay deposit insurance "as soon as possible." In most cases, the FDIC makes insured funds available to depositors on the first business day after the bank is closed, and often by finding a healthy bank to quickly assume the insured deposits of the failed bank. "With certain types of deposits, such as living trust accounts and deposits placed through brokers, the FDIC may need more time to gather important information and finalize the insurance payment," noted Martin Becker, a Senior Consumer Affairs Specialist at the FDIC.

Federal law also requires the FDIC to pay 100 percent of the insured deposits up to the federal limit — including principal and interest. If you have deposits over the limit, you'll immediately receive a "claim" against the closed bank for the remaining money that is not FDIC-insured.

The amount you recover on your uninsured deposits will depend on how much the FDIC recovers by selling the bank's assets. While that process can take several years, in some cases the FDIC is able to make an initial payment on the uninsured portion of deposits within a few days or weeks of the closing. Additional payments may be made over the course of a year or two after the bank failure.

*Example:* Joe has $280,000 in a savings account at a bank that fails. Joe will quickly be paid $250,000 through FDIC insurance. As for the remaining $30,000 that is uninsured, Joe's future recoveries will be based on the sale of the failed bank's assets. The sales process may take a year or two, but uninsured depositors may receive periodic payments.

For more about what happens when a bank fails, see the FDIC brochure "When a Bank Fails" at www.fdic.gov/consumers/banking/facts/index.html. Or, call the FDIC at 1-877-ASK-FDIC (1-877-275-3342).

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**Fact: Deposit insurance for joint accounts is based on the names listed as owners — changing the order of names or Social Security numbers will NOT increase the coverage.**

Many depositors mistakenly believe that by changing the order of Social Security numbers, rearranging the names listed on joint accounts, changing the style of the names or substituting "and" for "or" in account titles they can increase their insurance coverage.

"Consumers need to know that these variations will not help to increase the total amount of deposit insurance coverage they receive if their bank fails," said James Williams, an FDIC Senior Consumer Affairs Specialist. "The FDIC simply adds each person's share of all the joint accounts at the same institution and insures the total up to $250,000."

*Example:* A husband and wife have two joint accounts at the same bank totaling $600,000. One account is titled "Katherine Smith and Joseph Smith." The other is titled "Joe Smith and Kathy Smith." It doesn't matter that they restyled or rearranged their names in the account title. If their bank fails, the FDIC would insure each one's share of the joint accounts up to $250,000 — $500,000 in total — leaving $100,000 uninsured. (Each person's share is presumed to be equal unless stated otherwise in the records.)

**Fact: Adding beneficiaries can increase the deposit insurance coverage for revocable trust accounts — but NOT for retirement accounts.**

Under the FDIC's rules, a person's Individual Retirement Accounts (IRAs) at one bank are insured up to $250,000, regardless of whether there are beneficiaries named on the account. But a common misconception is that adding beneficiaries to a retirement account will increase a depositor's insurance coverage. That's because many people confuse the insurance rules for IRAs with those for a different category of accounts called revocable trust accounts — typically payable-on-death (POD) and living trust accounts — for which the number of beneficiaries *can* increase the deposit insurance coverage.

With revocable trust accounts, a depositor naming multiple beneficiaries can, depending on the circumstances, receive up to $250,000 in FDIC insurance coverage *for each beneficiary*. For example, a revocable trust account with one owner would be insured to $1 million if there are four beneficiaries. "The account owner by himself or herself is not entitled to an additional $250,000 — that's another common misconception," explained Chante Freeman, an FDIC Consumer Affairs Specialist.

*Example:* Betty has two accounts at her local bank. One is a payable-on-death account totaling $475,000 and naming her two grandchildren as beneficiaries. Her other account is an IRA totaling $300,000 and naming the same two grandchildren as beneficiaries. Because Betty named two beneficiaries to her POD account, which is insured under the revocable trust category, she would qualify for $500,000 in insurance coverage ($250,000 for each beneficiary named), so the full $475,000 would be protected if the bank fails.

Even though Betty named the same two grandchildren as beneficiaries on her IRA, that account is insured up to only $250,000 because the beneficiaries have no effect on the deposit insurance coverage. That means the $50,000 in her IRA account that is over the insurance limit would be at risk of loss if the bank fails.

Note: Unlike the other deposit insurance categories, certain retirement accounts will remain covered up to $250,000 after December 31, 2009.

***For more help or information from the FDIC regarding your insurance coverage***, see the resources listed on the back page.

## "EDIE" Internet Site Analyzes Your FDIC Insurance Coverage

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The EIN is needed because "if you have deposits at a bank for more than one business, each business qualifies for its own FDIC insurance coverage up to $250,000, but only if it is separately incorporated from the other businesses, which is indicated by having a different EIN," explained Spears.

**You don't even need to have direct access to the Internet from your home or office.** You may be able to use EDIE at your bank (just ask a customer service representative), your local library (many let the public surf the Web for free), or the computer of a friend or relative.

Here's what one consumer wrote to us recently about how he used EDIE to make sure all his deposits were insured: "I found the EDIE calculator to be extremely useful — far more so than chart-based examples. In minutes I was able to enter everything and verify my coverage or exposure. Based on the EDIE report, which I printed and took to my bank, I was able to check and correct account titling errors and make adjustments to certain account balances."

So to be sure your hard-earned savings are protected no matter what, visit EDIE the Estimator. "If you're already familiar with how quick and easy EDIE is to use, tell your family and friends about it," added Spears, "so they can get what everybody needs most right now — peace of mind."

# FDIC Launches New Campaign Promoting Deposit Insurance

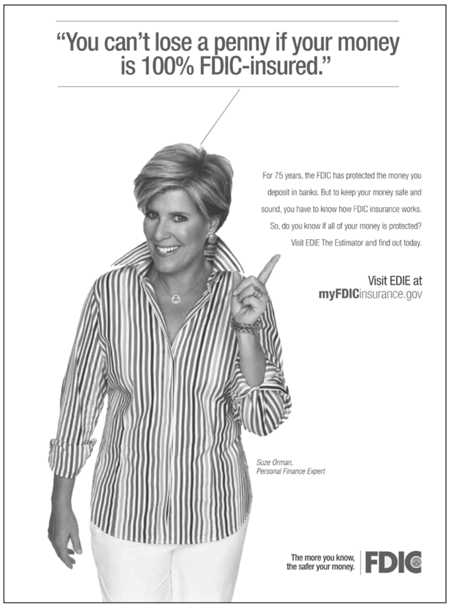
**Personal finance expert Suze Orman featured in TV, other announcements**

The FDIC has teamed up with personal finance expert Suze Orman in a national public-awareness campaign to help consumers learn about the benefits and limitations of deposit insurance.

In September, the agency unveiled a series of public service announcements (PSAs) for television stations featuring Orman and FDIC Chairman Sheila C. Bair. Orman also appears in FDIC announcements for radio stations and in an advertisement for newspapers, magazines and billboards.

The promotions discuss the importance of keeping funds in insured accounts and knowing how FDIC insurance works. They also encourage Americans to visit myFDICinsurance.gov, a new FDIC Web site where you can watch the TV spots and use "EDIE the Estimator," our online deposit insurance calculator (see Page 4).

"While awareness of the FDIC is high, understanding of deposit insurance is not," said Chairman Bair in announcing the new campaign. "We want to encourage people to learn the basics and provide reassurance that, if they are within the coverage limits, their money is 100 percent safe."




Orman noted that she donated her time to the FDIC campaign "because I want everyone to go to EDIE the Estimator and follow the simple steps to make sure their money is 100 percent FDIC protected." Orman also appeared on major television shows to promote the benefits of federal deposit insurance and EDIE.

Also, in November, the FDIC began a Spanish-language campaign that highlights the safety of insured deposits and how to get more help and information from the agency.

## This FDIC Special Edition May Be Reprinted

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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.**

## Basic Insurance Coverage Temporarily Increased

*continued from Page 2*

Affairs Specialist at the FDIC. "That's why naming beneficiaries shouldn't be simply an attempt to get the maximum FDIC insurance coverage — it's a serious decision about who will inherit your money."

**Through year-end 2009, certain checking accounts at participating institutions will be fully insured by the FDIC, no matter how much money is in them.** This special coverage applies only to no-interest checking accounts and certain other low-interest transaction accounts. While the rule is primarily for businesses with large balances in their checking accounts, consumers also can benefit.

For example, let's say you and your spouse sell your home in early 2009 and you'll be using the proceeds — $800,000 — to buy another house a week later. If you deposit $800,000 jointly into an eligible checking account at a participating bank — and the bank fails — all the money would be fully protected by FDIC insurance. Otherwise, if the money is not in an eligible checking account at a participating institution, it would only be covered to $500,000 (assuming you have no other joint accounts at the same bank), leaving $300,000 at risk of loss if the bank fails and the funds are still in the account.

**For more information about the rule changes,** visit www.fdic.gov/deposit/deposits/changes.html. And if you have questions or concerns about your deposit insurance coverage in general, you can always go to our Web site or call the FDIC; learn how to contact us in the box on the right.

### For More Help from the FDIC About Deposit Insurance and Other Topics

**Read or print consumer information online** by starting at www.fdic.gov. We can help answer questions about deposit insurance and other consumer protections. For information on FDIC insurance and what happens when a bank fails, go directly to www.fdic.gov/deposit/deposits. There you'll also find our interactive Electronic Deposit Insurance Estimator (EDIE), which allows users to calculate the insurance coverage of accounts and generate a printable report (see Page 4).

**Call the FDIC toll-free** at 1-877-ASK-FDIC (1-877-275-3342) from Monday through Friday, 8:00 a.m. to 8:00 p.m., Eastern Time. You can speak with FDIC information specialists. For the hearing-impaired, the number is 1-800-925-4618.