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FDIC Consumer News

Summer 2008

Get a Good Night’s Sleep

Rest Assured, Your Money Is Safe in an FDIC–Insured Account

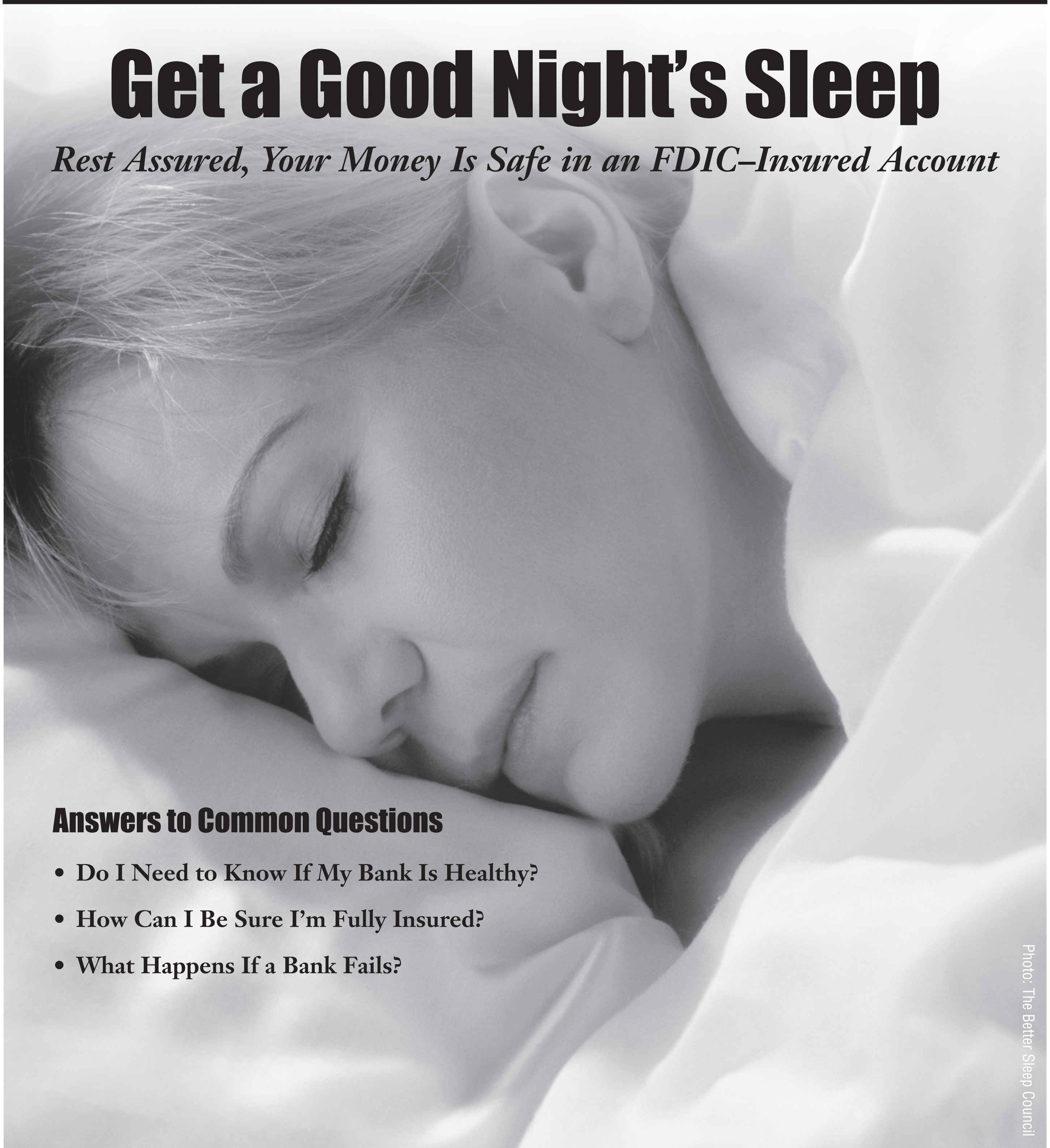

Photo: The Better Sleep Council

Answers to Common Questions

- Do I Need to Know If My Bank Is Healthy?
- How Can I Be Sure I’m Fully Insured?
- What Happens If a Bank Fails?

FEDERAL DEPOSIT INSURANCE CORPORATION

Get a Good Night's Sleep

Rest Assured, Your Money Is Safe in an FDIC–Insured Account

Here are answers to common questions

Do I Need to Know If My Bank Is Healthy?

The FDIC's guarantee to protect insured deposits is ironclad, regardless of an institution's financial condition

If you've ever wondered about the health of your banking institution, here are answers to some common questions that can help give you peace of mind.

Should I be concerned about the health of an FDIC-insured bank or savings institution where I have deposits?

If your deposits are within the FDIC's insurance limits, as is the case for most bank customers, those deposits are safe regardless of the financial condition of your bank. Here's why.

First, the FDIC's guarantee — that we will protect against the loss of insured deposits if an FDIC-insured bank or savings associations fails — is ironclad. Since the creation of the FDIC 75 years ago, we have handled the failure of more than 2,200 insured depository institutions and "no one has ever lost so much as a penny of FDIC-insured deposits — not a single penny," said FDIC Chairman Sheila C. Bair.

Depositors at a failed bank also get quick access to their insured funds — usually by the next business day after the institution closes (see Page 4).

"The banking system in this country remains on solid footing through the guarantees provided by FDIC insurance," said Chairman Bair. "The overwhelming majority of banks in this country are safe and sound, and the chances that your own bank could fail are remote. However, if that does happen, the FDIC will be there — as always — to protect your insured deposits."

Added Kathleen Nagle, FDIC Associate Director for Consumer Protection, "The bottom line is that bank customers who keep all of their deposits within the federal insurance limits can rest assured with the knowledge that their deposits — principal and interest — are 100 percent safe."

What if some of my deposits are over the FDIC's insurance limits?

Deposits above the FDIC's coverage limits may be at risk if the bank fails. To make sure all your deposits are fully protected, consult with the FDIC or your bank and, if necessary, make adjustments to bring your accounts within the federal insurance limits. See the article the next page for more about your options.

"No one has ever lost so much as a penny of FDIC-insured deposits — not a single penny," said FDIC Chairman Sheila C. Bair.

For information about what depositors can expect if they have uninsured deposits at a failed bank, see Page 4.

If I want information about my bank's health, where can I go?

There are private companies that provide their own ratings and opinions of FDIC-insured banks and savings associations, often for a fee. The FDIC posts information about these private companies on our Web site at www.fdic.gov/bank/individual/bank/index.html as a public service and not as an endorsement or confirmation of the companies or their conclusions.

If you don't have access to the Internet at your home or office, your local library or a friend or relative with Internet access can print out the list for you.

FDIC Insurance: How Can I Be Sure I'm Fully Insured?

To be confident that your deposits at an insured institution are fully protected, it's important to understand how FDIC insurance works and how to get more help or information. Here's an overview.

What is covered by FDIC insurance?

If an insured bank or savings association fails, the FDIC protects deposit accounts — including checking and savings accounts, money market deposit accounts and certificates of deposit (CDs) — against any loss up to the federal limits. For a look at your rights as an FDIC–insured depositor, see Page 5.

What is *not* protected by FDIC insurance?

FDIC insurance doesn't protect against losses on non-deposit products — such as stocks, bonds, mutual funds, life insurance policies, annuities or municipal securities — even if they were offered by insured banks.

For more information about what is and is not covered by FDIC insurance, go to www.fdic.gov/deposit/investments/index.html or contact the FDIC (see Page 5).

How much coverage does the FDIC provide?

The basic insurance coverage is $100,000 per depositor per insured institution, but 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, your deposits in:

• *Single accounts* (in one name only) are insured up to $100,000;

• *Joint accounts* (for two or more people) are protected to $100,000 per owner;

• *IRAs and certain other retirement accounts* are covered up to $250,000; and

• *Trust accounts* can be protected up to $100,000 for each named beneficiary provided that FDIC requirements are met. For example, if a mother has a $300,000 deposit account in connection with a living trust (a legal document for distributing her assets upon her death), and she is leaving all the deposits equally to her three children, that account would be insured in full up to $300,000 ($100,000 for each child).

Because of the separate insurance coverage for deposits in different categories, a family of four could have well over $1 million in deposit insurance coverage in one FDIC-insured institution. To learn how, see the FDIC publication "Your Insured Deposits," which is online at www.fdic.gov/deposit/deposits/insured.

How can I know that all my deposits are within the FDIC's insurance limits?

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 be concerned about the safety of your money. That's because the basic insurance limit is $100,000 per depositor per insured bank, plus an additional $250,000 per depositor for certain retirement accounts.

If you have questions about your insurance coverage, visit www.fdic.gov/deposit/deposits, which features our Electronic Deposit Insurance Estimator (EDIE), an interactive Web site that can be used to calculate your deposit insurance. You can also call FDIC deposit insurance specialists toll-free at 1-877-ASK-FDIC (1-877-275-3342).

What if some of my deposits are over the insurance limit? How can I get them fully insured?

In general, you have two options. One is to divide the funds among various ownership categories at the same institution. But this is an option 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. Your second option is to move funds over the insurance limit 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.

For more help or information, contact the FDIC (see Page 5) or your bank.

FDIC Advertising, Education Campaign Reminds Consumers About Deposit Insurance Limits

On June 16th, exactly 75 years after President Franklin Delano Roosevelt signed legislation creating the FDIC in 1933, Chairman Sheila C. Bair announced a public education campaign designed to raise consumer awareness about deposit insurance coverage limits.

"We at the FDIC are very proud to say that no depositor has ever lost a penny of insured funds at an FDIC-insured institution," she said. "As bank customers age and accumulate wealth in savings and retirement accounts, now more than ever, it's important for people to know their deposit insurance limits."

The education campaign includes national advertising in major newspapers and magazines, and a series of meetings around the country to bring FDIC officials and community leaders together to discuss deposit insurance coverage and other consumer protections, in areas such as mortgage lending.

For more information about the FDIC's 75 years of service and the public education campaign, visit www.fdic.gov/anniversary.

What Happens If a Bank Fails?

How the FDIC protects depositors, including providing quick access to insured funds

Here's important information about what the FDIC pays and when if an FDIC-insured bank or savings institution is closed by its federal or state government regulator.

How soon after a bank fails can I expect to have access to my insured money?

Federal law requires the FDIC to make payments of insured deposits — all the money determined by the FDIC to be within the federal insurance limits — "as soon as possible" after the failure of an insured institution. In most cases, the FDIC makes insured funds available to depositors quickly, *usually on the first business day after the bank is closed*.

"The FDIC works very hard before a bank is closed, all very quietly and behind the scenes, to evaluate data and identify the amounts due to insured depositors," said Michael Spaid, who manages an FDIC section that develops policies for handling deposit insurance claims. "It's that advance preparation, followed by long hours of work after the closing, that enables the FDIC to provide insured depositors access to their funds so quickly."

The preferred way to pay insurance on deposits — and the most common one — involves finding a healthy bank to quickly buy the rights to assume the insured deposits and other business of the failed bank. Depositors automatically become customers of the assuming bank, and offices of the failed bank reopen under the name of the acquiring institution — usually by the next business day. Depositors will have full access to their insured funds at branch offices or by check, automated teller machine and debit card.

"The depositors would barely be affected," explained Spaid. "Their insured funds would be preserved and they could continue banking as usual or they could open a new account elsewhere."

If the FDIC cannot find another institution to buy the failed bank's insured deposits, one of two things can happen. The FDIC can transfer the insured deposits to a newly created bank that would be operated by the FDIC. This new bank, referred to as a "bridge bank" or "conservatorship," enables depositors to access their insured funds by the next business day and to maintain other banking services until the FDIC can find a buyer for the new bank. The other alternative is for the FDIC to issue checks directly 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.

No matter how the FDIC resolves a failed bank, some types of deposits present special challenges that mean it may take the FDIC longer to obtain documentation that is needed to finalize the insurance payments. Examples include accounts linked to a formal written trust agreement, deposits placed by an administrator of an employee benefit plan, and bank certificates of deposit (CDs) sold to the public by deposit brokers. In the case of the latter, the bank's records often only note the name of the broker, not the individuals who made deposits, and it can take more time for the FDIC to gather documentation from the broker and make an accurate insurance determination.

What happens to my money that is over the FDIC's insurance limits?

Let's say you alone have one deposit account at a bank with a balance of $105,000, including interest earned. If your bank fails, you'll immediately be paid $100,000 covered by FDIC insurance and you'll receive a "claim" against the closed bank for the remaining $5,000 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, most payments to uninsured depositors are made within a year or two of the bank failure. In some cases, the FDIC is able to make an advance payment to uninsured depositors.

What about other bank services such as safe deposit boxes, loans, credit cards and securities held by the trust department?

Access to the contents of safe deposit boxes typically will be available the next business day after the bank closing.

A loan or credit card you have at the failed bank will either be sold to a healthy bank or retained temporarily by the FDIC, and you'll receive written instructions on where to send future payments. Either way, your use of these loans and your obligation to pay will continue until you are instructed otherwise, in writing, by the acquiring bank and the FDIC.

Securities and other assets held in trust, fiduciary or custodial accounts at a bank are not assets of the failed bank and are not subject to claims by the failed bank's creditors. These assets will either be returned to you or arrangements will be made for another institution to become the new custodian or trustee of your accounts.

How can I get more information about what happens if a bank fails?

You can find useful information, including the FDIC brochure "When a Bank Fails," at www.fdic.gov/bank/individual/failed. Or, call or write the FDIC (see the next page).

An FDIC-Insured Depositor's Bill of Rights

1. You have the right to automatic deposit insurance coverage when you open a deposit account at an FDIC-insured bank, with no additional cost or action on your part.

2. You have the right to separate FDIC insurance coverage for deposits held at different FDIC-insured banks.

3. You have the right to confirm that a bank is insured by using the FDIC's Bank Find service at www2.fdic.gov/idasp/main_bankfind.asp or by calling the FDIC toll-free at 1-877-275-3342.

4. You have the right to deposit insurance coverage of $100,000 for your deposits at an FDIC-insured bank — up to $250,000 for your IRA deposits.

5. You have the right to deposit insurance coverage of more than $100,000 at a single bank when deposits are held in different "ownership categories," such as single, joint and trust accounts.

6. You have the right to confirm that your deposits are within the insurance limits by using the FDIC's Electronic Deposit Insurance Estimator and other online resources at www.fdic.gov/deposit/deposits or by calling the FDIC at 1-877-275-3342.

7. You have the right to be informed when a financial product offered by your bank is not covered by FDIC insurance.

8. You have a right, if your bank fails, to prompt access to your insured deposits.

9. You have the right, if you are an uninsured depositor, to receive distributions from the receivership as the sale of assets permits.

10. You have the right to sleep well, knowing that since the creation of the FDIC 75 years ago, no depositor has ever lost one penny of insured deposits.

Insuring deposits up to

without anyone losing a

For More Help or Information from the FDIC about Deposit Insurance

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

Read or print consumer information online 24 hours a day, seven days a week, at www.fdic.gov. For brochures, videos and other information on FDIC insurance, go directly to www.fdic.gov/deposit/deposits. There you'll also find our interactive Electronic Deposit Insurance Estimator (EDIE), which you can use to calculate the insurance coverage of your accounts and generate a printable report that clearly states if your deposits are fully insured or not.

E-mail questions to the FDIC using our Customer Assistance Form at www2.fdic.gov/starsmail.

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

Tips for Trying to Fix a Clogged or "Frozen" Home Equity Line

For years, homeowners have turned to home equity lines of credit (HELOCs) as a way to borrow against their home's value to pay for college tuition, home improvements, medical bills and other major expenses. (A home's equity is the market value minus what is owed on the mortgage. If you owe $100,000 on your mortgage but your home is worth $250,000, your equity is $150,000.)

But now, with home values dropping, the collateral securing individual HELOCs is worth significantly less, and many lenders are responding by reducing the amount that can be borrowed or by "freezing" (suspending) access to these loans entirely, even for people who have been making their loan payments on time.

"Reducing or freezing credit lines may be a prudent response for lenders managing their risks," said Mindy West, Chief of Policy and Program and Development in the FDIC's Division of Supervision and Consumer Protection. "But for consumers who use home equity lines to pay for major purchases or to pay off higher-priced credit, having their source of funding reduced can result in significant financial hardship."

What can you do if your home equity line has been reduced or frozen?

Contact your lender if you're facing a major cash shortage as a result of its decision. The FDIC has urged the banks we supervise to work with customers who may experience financial hardship or significant inconvenience as a result of a reduction or suspension of their credit limits. For example, a borrower relying on a line of credit to fund a home renovation or make a college tuition payment may need some quick assistance finding an alternate source of financing.

"We have told banks that, depending on a borrower's creditworthiness and overall financial circumstances, it may be possible to offer alternative types of credit or other arrangements that can minimize the negative effects of credit-line reductions or suspensions," added Luke Brown, FDIC Associate Director for Compliance Policy.

Ask the bank to reconsider if your home's value has declined less than other properties in your area. If, for example, the lender's decision relied heavily on information about property sales for your city, but your home's value has held up better than the average — and you can back that up, perhaps by paying for a new, independent appraisal of your home — you may be able to get the lender to reconsider. Be aware, however, that your appeal might not be successful.

Make sure your home equity lender knows if you have significantly reduced the balance on your first mortgage. If you made larger-than-usual payments on your first mortgage, you may be a lower risk to your home equity lender, who may not be aware of that development.

Shop around for a new line of credit, but be prepared for a challenge. You may find a lender willing to provide an attractive HELOC based on your credit rating and the equity you've built up in your home, but that could take longer than in the past, especially with mortgage foreclosures rising and real estate values falling in many areas.

Remember that home equity borrowers have rights under federal laws and rules. In particular, the Truth in Lending Act permits a lender to reduce or suspend a consumer's credit limit if there's been a significant decline in property value or a material change in the borrower's financial circumstances (such as a significant decrease in income). However, the law also requires the lender to provide written notice to each borrower not later than three business days after the action is taken and to include specific

reasons for the action. The letter should also provide information on how to appeal.

In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating on the basis of race, gender or other specified factors. And the Federal Trade Commission Act prohibits banks from engaging in unfair or deceptive practices in all aspects of a loan transaction, including servicing and collections.

If you think you're being treated unfairly and you can't resolve a problem directly with the institution, consider contacting its government regulator. The FDIC and other banking regulators may be able to help by providing information about your consumer rights or by contacting an institution that doesn't appear to be responding to your complaint. In addition, a regulator also can seek corrective action if an institution is in violation of a federal law or regulation.

While the FDIC insures deposits in nearly all banking institutions in the United States, we may not be the primary regulator of a particular institution. To find out who regulates an institution, you can call the FDIC toll-free at 1-877-ASK-FDIC (that's 1-877-275-3342) or check the FDIC's Bank Find directory at www2.fdic.gov/idasp/main_bankfind.asp.

Dialing for (Your) Dollars

Beware of fraud originating in phone messages and faxes

FDIC Consumer News has warned before about crooks who call or e-mail consumers and pretend to be legitimate companies or government agencies wanting people to "verify" or "resubmit" (divulge) confidential information such as bank account or credit card numbers as well as Social Security numbers, passwords and personal identification numbers. Here are variations to know about.

One involves pre-recorded phone messages, supposedly from a financial institution or a government agency, describing some "urgent" matter involving your bank account. If you return the call, you'll be instructed to answer a series of questions about yourself and your bank account using the touch-tone keypad on your telephone. Unfortunately, it's possible the sensitive information you provide can be used to gain unauthorized access to your bank account or commit identity theft.

"The incoming call and the recorded message may look and sound very legitimate, right down to the phone number appearing on your caller-ID screen," explained Michael Benardo, manager of the FDIC's Financial Crimes Section. "We're especially concerned that some people who think they're less vulnerable to fraud because they rarely or never use the Internet will let their guard down against phone fraud, especially when they hear convincing messages about some 'emergency' and that they must respond to right way."

Another fraud to beware of involves faxes. Recently, for example, the FDIC uncovered a scam in which fake FDIC notices were faxed to businesses and consumers in an attempt to collect confidential information.

What can you do to protect yourself?

Don't give out personal identification information over the phone unless you initiate the contact with the other party and you know it's reputable. "Scammers may even pose as government agencies such as the Social Security Administration, the Internal Revenue Service or the FDIC," said Jeff Kopchik, an FDIC Senior Policy Analyst for technology issues. "For the average consumer, there is no way to know for sure who is the actual caller or sender of a fax."

Remember that your bank, credit card company and the FDIC would never contact you asking for personal information. Assume any such unsolicited request — by phone, fax or e-mail — is fraudulent.

Don't rely on a phone number provided in an unsolicited call, e-mail or fax. Any time you want to call your bank, credit card company, a government agency or other organization regarding matters involving personal or financial information, use the phone number provided in the phone book or another resource you trust, not the number listed in a voice-mail message, e-mail or fax.

Reminder: Beware of Mortgage Rescue Frauds

Thieves posing as lenders or housing counselors continue to offer to "help" people at risk of losing their homes to foreclosure. Beware of anyone who charges a large upfront fee and "guarantees" (falsely) to save your home from foreclosure. Instead, seek help from a reputable housing counselor certified by the U.S. Department of Housing and Urban Development (HUD). Find one by contacting the nonprofit Homeowner's HOPE Hotline (1-888-995-4673 or www.995hope.org) or get a referral directly from HUD (1-800-569-4287 or www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm).

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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.

“Green” Banking: Saving the Environment as You Save and Borrow Money

You’re probably already recycling paper, glass and plastic. But did you know you also may be able to help save the environment as you do your banking? Here are options that may be available from your bank.

Paperless statements. Receiving monthly bank statements and credit card bills electronically instead of in the mail can save a lot of trees, “particularly when inserts and envelopes are factored in,” said Luke W. Reynolds, Chief of the FDIC’s Community Affairs Outreach Section. But because old statements may prove helpful during tax time or help substantiate a previous transaction, find out how long electronic statements will be available online to view and perhaps download to your computer. Also ask about the fees you’d pay if you need a paper copy of an old statement.

Electronic banking and bill payments. This includes conducting transactions over the Internet, via a debit or credit card, or using your telephone or cell phone instead of writing and mailing checks. But make sure you know what fees may be assessed for using these options. Also be careful to record electronic withdrawals in your checkbook, so you don’t inadvertently overdraw your account.

Automatic withdrawals and deposits. You may be able to pay utility bills and other routine, recurring transactions by having the funds automatically withdrawn from your checking account or charged to your credit card before the due date. Be sure, though, to review the bill each month for errors and record the transactions in your checkbook or personal finance software. Another option is to have your payroll or Social Security checks deposited directly into your bank account, which reduces paper and saves gas by cutting down on car rides to the bank or ATM.

Special financing. Some banks will offer a lower interest rate on a loan for energy-efficient cars or home improvements that will save energy. Why? “If the energy efficiencies can significantly lower a borrower’s monthly expenses, the lender may see the loan as less risky,” said Reynolds. “But don’t let an offer of ‘green’ financing stop you from shopping for the best rate.”

Buy less, save more. For example, consider new ways to reuse or borrow items instead of buying new ones. “You’ll help the environment by consuming less,” Reynolds explained. “But in addition, you can save more money that can go into a savings account for more important use.” Added Janet Kincaid, Chief of the FDIC’s Consumer Response Center, “Going green can help you save your green, silver and copper.”