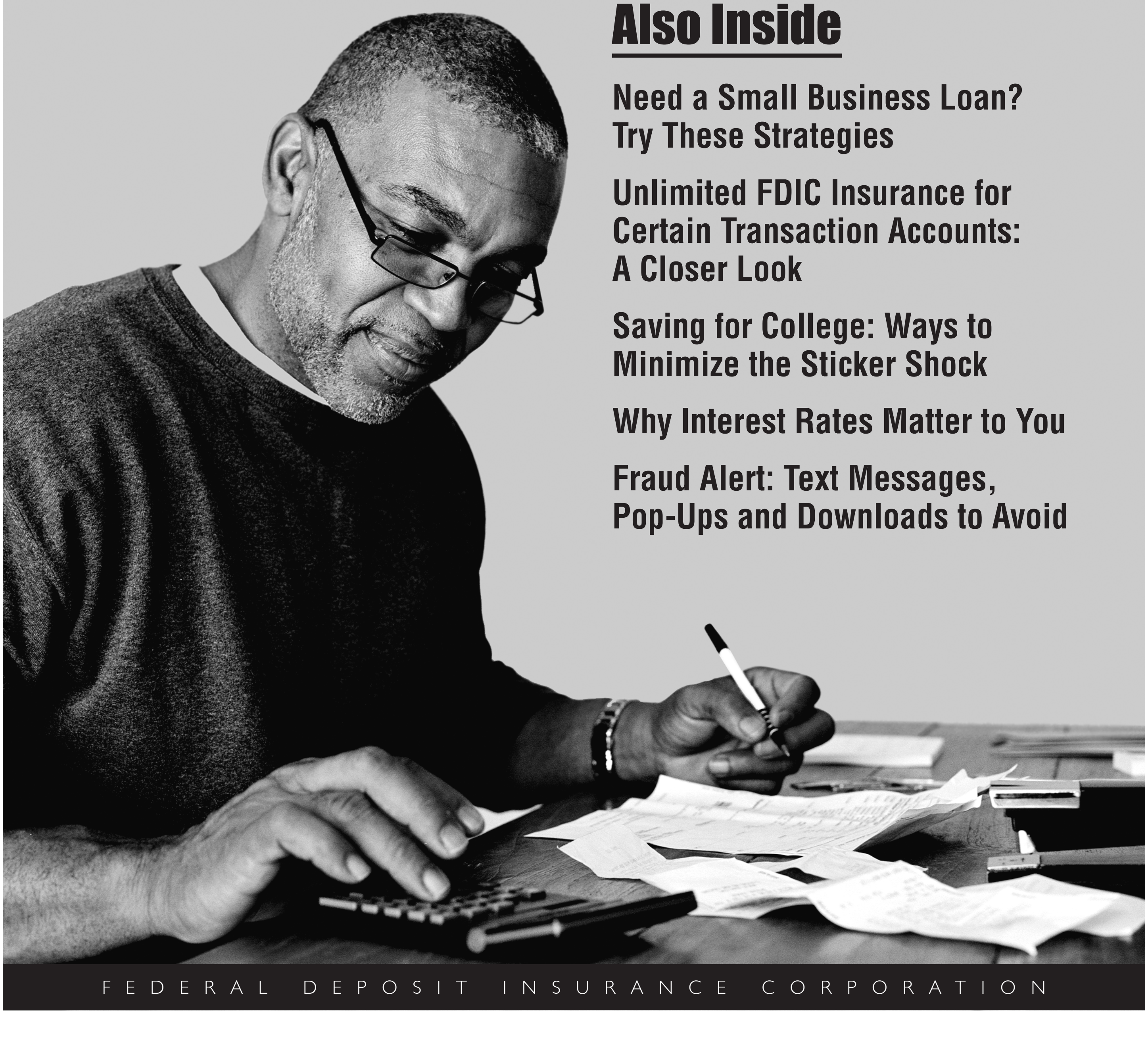
Winter 2010/2011

FDIC Consumer News

You Can Organize and Simplify Your Financial Life: A How-To Guide

Tips to save time, reduce stress and cut costs



Basic Strategies for Simplifying Your Financial Life

Nine ways to eliminate clutter, organize accounts and streamline how you manage your money

There are many reasons to organize and simplify your financial life. Eliminating clutter, saving time and reducing stress are surely among them. And here's another motivating factor: Not keeping tabs on your finances can be costly if it results in fees or interest charges you could have avoided, investment losses, additional taxes or other pitfalls. ***FDIC Consumer News*** offers a checklist of nine basic things you can do to get your money matters in order…and keep them that way. (Also see additional tips in articles that follow.)

1. Use direct deposit. Ask to have your pay, pension or Social Security benefits automatically deposited into your bank account. Direct deposit is safer, easier and more convenient than getting a paper check in the mail and then having to deposit it into your bank account. It may even help you avoid bank fees. Direct deposit also gives you access to your money sooner than with a paper check.

Also be aware that if you receive Social Security and other federal benefit payments, the U.S. Treasury will only issue them electronically beginning in March 2013.

To learn more and "go direct" sooner rather than later, call the Treasury's helpline at 1-800-333-1795 or visit www.GoDirect.org.

2. Automate recurring bills. Many merchants, such as insurance companies or utilities, will allow you to pay recurring bills with an automatic withdrawal from your checking account or through a charge to your credit card. However, be sure to record these transactions in your check register to avoid overdrawing your account. And if you charge the bills to a credit card, pay the balance in full by the due date to avoid interest charges.

Many banks also offer online bill-paying services that allow you to pay bills quickly and easily. These programs generally allow you to sign up on your bank's Web site to receive bills electronically from companies you do business with. Then you can review the bill and pay it using that same Web site. "That is an entirely paperless transaction, and it can reduce the chance of incurring a late-payment fee," said Luke W. Reynolds, Chief of the FDIC's Community Outreach Section.

3. Explore online banking. This service lets you review deposits and withdrawals, keep track of your balance, and move funds between, say, your checking and savings accounts — at your convenience.

For example, with online banking you can quickly review your account and make sure you didn't forget to record any debit or ATM card transactions in your check register. You can get an update on whether funds from recent deposits are available for withdrawal. You might even be able to receive your bank statements online instead of in the mail.

To learn more about safety precautions when banking and bill paying online, see the Winter 2009/2010 ***FDIC Consumer News*** at www.fdic.gov/consumers/consumer/news/cnwin0910/online_banking.html. For more about what's new in mobile banking by smartphone, see Page 4.

4. Put some savings on autopilot. Arrange with your bank or employer to automatically transfer a certain amount into savings accounts or investments on a regular schedule. "Automatic savings programs can make it easy to build an emergency fund or save for the future," said Joyce Thomas, an FDIC financial educator in the Community Outreach Section. "Also, if you invest in stocks, mutual funds or other non-federally insured assets, it has been documented that making investments on a regular basis can result in a higher return over time than trying to time the market."

5. Consider consolidating accounts. Think about how many different financial institutions you use and how many accounts (savings, checking and investments) and credit cards you have. You may be able to simplify your finances, reduce mail and paperwork, avoid certain fees and even get better deals by consolidating multiple accounts. Consolidating accounts also can make it easier to monitor your entire portfolio and ensure that your money is properly diversified.

If you plan to consolidate your deposits at one institution, though, make sure the combined funds don't exceed the FDIC's deposit insurance limitations. Remember that you can have more than $250,000 in one bank and still be fully insured provided that the money is in different ownership categories — single accounts, joint accounts, retirement accounts and so on. If you need help, visit www.fdic.gov/deposit/deposits or call 1-877-ASK-FDIC (1-877-275-3342).

Also, consider canceling the credit cards you never use, preferably well before you apply for another loan — in case dropping a long-time card temporarily lowers your credit score. "Review your credit reports to make sure you know which accounts are listed as open and active," advised Reynolds.

To obtain your credit report free from the three major credit bureaus, go to www.AnnualCreditReport.com or call 1-877-322-8228.

6. Look into automated money-management tools. Software that you download to your computer or Web services managed by your bank or another third-party can give you an updated snapshot of all your account information from multiple institutions, in one place. The programs also can help you organize your finances, understand how you spend your money, and spot a potential fraud or theft (by providing a regular summary of account balances).

But it's also important to take commonsense precautions. "You need to do your research and choose a known and trusted organization, as most of these services collect account numbers and passwords along with other confidential and personally identifiable information," explained Rob Drozdowski, a Senior Technology Specialist at the FDIC.

7. Update your will and other legal documents, and make sure your family knows where to find them in an emergency. These additional documents can range from bank statements and pension records to directives that govern what happens to your bank accounts, property and other assets if you become incapacitated.

In addition to reviewing your will (and letting loved ones know where to locate the original), check the beneficiaries listed on life insurance policies and retirement accounts and consider having or updating documents (such as a "durable power of attorney") that would enable someone to handle your finances or other personal matters if you lose the ability to do so.

8. Get your other papers under control. Even if you rely on technology, it's difficult to go completely paperless. Start with a central filing system at home for your bank, tax, insurance and other financial records. Also designate one place for gathering your bills.

For guidance on where you can store certain papers or items that could be difficult or impossible to replace, see "5 Things to Know About Safe Deposit Boxes, Home Safes and Your Valuables" in the Fall 2009 ***FDIC Consumer News*** (www.fdic.gov/consumers/consumer/news/cnfall09/five_things.html).

Also get rid of the papers you're sure you don't need. See our article below for guidance on what to toss and when.

9. Don't let a disaster catch you off guard. If an emergency were to occur and you had only few moments to evacuate your home, perhaps for several days or even weeks, would you have access to cash, banking services and the personal identification you need to conduct your day-to-day financial life?

One strategy is to store copies of important documents — such as health insurance cards, your driver's license, bank account numbers and credit card information — on a secure Web site that you can access from anywhere.

To learn more from the federal government about how to plan ahead for a disaster, visit www.ready.gov and our article "Fires, Floods and Other Misfortunes: Are You Prepared Financially?," in the Winter 2006/2007 ***FDIC Consumer News*** (www.fdic.gov/consumers/consumer/news/cnwin0506/misfortunes.html).

The bottom line, according to Reynolds: "By spending a few minutes organizing and simplifying your financial life, you can save many hours and perhaps significant amounts of money."

Want more ideas for fine-tuning your financial life? Just keep reading.

Your Financial Records: What to Toss and When

Bank statements, credit card bills, canceled checks and other documents can be useful for tax purposes, as proof of a transaction or payment, or for other reasons. But how long should you keep them?

FDIC Consumer News can't tell you when it's safe to throw away financial documents. One thing to remember, though, is that federal tax rules require you to have receipts and other records that support items on a return for as long as the IRS can assess you additional tax.

"In very general terms, because the IRS has about six years to assess additional tax if you underreported your income by more than 25 percent, many tax advisors recommend holding all tax records for about seven years, building in extra time for any unforeseen delays in processing your return," said Rick Cywinski, an FDIC tax policy manager. He also noted that the tax period is unlimited if the IRS suspects fraud.

With tax considerations in mind, here are suggestions that may be reasonable for many people.

Credit card and bank account statements: Save those with no tax significance for about a year, but those with tax significance should be saved for seven years.

Canceled checks: Those unrelated to anything you claimed on your income tax form and not needed to show you've paid a bill or debt probably can be destroyed after you've verified that your bank statement is correct. But canceled checks that support your tax returns, such as charitable contributions or tax payments, probably should be held for seven years.

And, you may want to keep indefinitely any canceled checks and related receipts or documents for a home purchase or sale, renovations or other improvements to a property you own. But once a home has been sold and another seven years have passed, checks related to renovations or improvements can be destroyed.

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Of course, many banks no longer send cancelled checks, although they may provide copies of the originals. "You can keep the copies of your tax-related checks if you get them from your bank, but if you don't get copies with your statement, you have some options," said Evelyn Manley, a Senior Consumer Affairs Specialist at the FDIC.

"The most conservative approach is to order copies of important checks soon after your statement arrives," she said. "Another is to keep the information on your bank statement to order copies if you're audited in the future because, in general, banks that do not return original checks to customers are required to keep copies of checks for seven years."

Also, she said, if you keep records electronically, be sure to back up your data. You can store it in various ways (on CDs, flash drives and so on), but as old technology is no longer supported, you will need to transfer your old data to new media. Another option is to research different companies that provide backup storage online, either free or for a small charge.

Deposit, ATM, credit card and debit card receipts: Save them until the transaction appears on your statement and you've verified that the information is accurate. You may make an exception for receipts for expensive items. If they are under warranty or you have to file an insurance claim, the receipt may be helpful.

Finally, before tossing away any document that contains a Social Security number, bank account number or other personal information (especially financial information), shred it to avoid becoming a victim of identity theft.

For additional guidance on what records to toss and when, ask your accountant, attorney or another trusted advisor.

Calling All Smartphone Users: Are You Ready for Mobile Banking?

Nine out of 10 Americans have a cell phone and, according to research by The Nielsen Company, more than half of them will be using a smartphone by the end of 2011. A smartphone is actually a hand-held computer that enables users to access the Internet, run applications and make phone calls. And, for a steadily increasing number of consumers, smartphones can be used for banking.

"Banking over a cell phone isn't fantasy, it's a reality that many banks are offering their customers to check their balance, find the nearest ATM and even pay a bill," said Jeff Kopchik, an FDIC Senior Policy Analyst specializing in technology issues. "It means increased convenience and flexibility, especially for people who do a lot of traveling."

For example, he said, many banks can send alerts to customers' smartphones advising them if they are about to overdraw their account or if the bank has detected suspicious activity.

The Web-based version of mobile banking, in which customers access the bank's Web site using the browser on their smartphone, is the most prevalent option. However, application-based services, in which customers download specific software that runs on their phone, are quickly becoming popular because they are more user friendly.

What should you do if you are interested in mobile banking by smartphone?

Ask your bank if it offers the service and if there's a cost. As with online banking, most banks don't charge customers extra for mobile banking, but don't assume that it's free.

Take security precautions. Make sure that your phone or the mobile-banking application you'd be using is password protected. That way, if you lose your phone, someone else can't access your bank account without having your password.

Also confirm with your bank that account numbers, passwords and other sensitive details are not stored on the phone, where they could be retrieved by a thief. Another thing to remember is that both Web- and application-based mobile banking systems are more secure than those that use text messaging.

"You may also want to consider purchasing anti-virus software to run on your phone, since it's only a matter of time before the viruses that attempt to infect your home computer migrate to smartphones," added Kopchik.

Before you sign up for any mobile banking service, make sure you understand what's at risk if something goes wrong. "Some banks and other companies offer the option to use your smartphone to transfer relatively small amounts of money to friends and family," said Rob Drozdowski, a Senior Technology Specialist at the FDIC. "These are called person-to-person payments or 'P2P' payments, and you should not only ask what fees are associated with them, but you should understand what happens if a payment gets sent to the wrong person."

To learn more about mobile banking, start with your bank's Web site to see what services are offered and how they are provided. Ask your friends and family if they use mobile banking and what they think of it. And, as with any other product or service, make sure you understand how it works so you can make an informed decision about whether mobile banking may be right for you.

Managing Your Mortgage: Good Practices for Homeowners

For many Americans who have a mortgage, their house is their primary investment. And just as a home requires routine inspection and maintenance, so does a home mortgage. Here are ways to manage a mortgage and protect your investment in good times and bad.

For Anyone With a Mortgage

Stick to a system for making your mortgage payments on time. Failing to keep current with your payments can be costly in terms of late fees and lower credit scores, which could translate into higher costs when you go to borrow money or purchase insurance.

The easiest solution may be to set up an automatic payment plan, in which you give your mortgage lender the authority to deduct your monthly payment from your bank account on a specific day of the month. Or, you can use your bank's online bill pay services to automatically forward routine payments to your mortgage lender. Either way, you can rest assured your mortgage payment will be made on time without you having to remember to do something.

Save receipts, save money on taxes. You may qualify for tax deductions for certain home improvements, such as energy-efficient windows and appliances, or various costs associated with a home sale, a mortgage refinancing or converting a primary home into an investment property. For additional guidance on managing your paperwork at home, see Page 3.

Build a rainy-day fund. The idea is to have savings you can tap, if necessary, to make as many as six mortgage payments, plus your property tax payments, when times are tough.

If You're Struggling to Pay Your Mortgage

At the first sign of trouble, ask your lender for help. "If you find yourself about to fall behind on your mortgage payment, perhaps the most important thing you can do is to talk to your lender, when there's still time to turn things around with your lender's help," stressed Glenn Gimble, an FDIC Senior Policy Analyst. "Your mortgage lender has as much interest as you do in finding an early solution because a troubled loan presents significant regulatory and financial concerns for the lender."

In addition to arranging for debt counseling to help get you back on course, your lender may offer one of several solutions to support a payment recovery plan. They include: temporarily reducing your monthly payments to cover only interest; deferring payments altogether and adding the unpaid amounts to the loan balance; increasing the length of the loan to lower the amount of the monthly payment; reducing the loan's interest rate; and perhaps even reducing the balance owed on the loan.

For information on refinancing through the government's "Making Home Affordable" program, see the Fall 2010 ***FDIC Consumer News*** (www.fdic.gov/consumers/consumer/news/cnfall10/mortgage.html).

Also be on guard against loan modification scams. For guidance, see the FDIC's foreclosure prevention toolkit at www.fdic.gov/consumers/loans/prevention/toolkit.html. In addition, NeighborWorks America, at the request of Congress and with support from the FDIC and other partners, has launched a public education campaign at www.loanscamalert.org.

If Paying Your Mortgage Hasn't Been a Problem

Consider paying off your loan faster. While you may be able to lower your total borrowing cost by refinancing your mortgage at a lower interest rate or switching to a shorter term (for example, from a 30-year to a 15-year mortgage), refinancing can be tougher

to do in a "down" real estate market. However, you have other ways to save money on your *existing* mortgage, without refinancing.

"Ask your lender about simple ways to pay off your mortgage faster," said Luke Brown, the FDIC's Associate Director for policy involving bank compliance with consumer regulations. "By adding a little more money to your monthly payment or sending all or part of your payment in sooner than you're scheduled to, you can repay your loan faster and cut your total interest costs by thousands of dollars over the life of the loan."

Voluntary options for gradually accelerating the payoff of your loan may include increasing your payment each month or sending an additional (13th) mortgage payment each year instead of 12. "Be sure to note that the extra payment is to be applied toward principal," added Gimble. "And, if you're willing to commit to a faster payoff, you can even ask your lender if it offers a bi-weekly or other payment program that would accelerate repayment of your loan, preferably with no fee."

For more tips from the federal government, visit www.mymoney.gov and click on "Dealing with Mortgages."

Your Wallet: A Loser's Manual

How to protect your money, your credit record — and your sanity — if you become a victim

Consider this: Your wallet is stolen. You immediately call your bank and credit card company to report the problem, close old accounts and open new ones. You even remember to call the Social Security Administration to notify them that you had your Social Security card in your wallet. At the end of the day, you feel fairly confident that the incident is behind you.

But weeks later you receive past-due notices on bills for merchandise you never purchased, and a few months later your application for an auto loan gets rejected because someone has used your name and Social Security number to open new accounts and run up thousands of dollars in debt. The good news: Your actual liability for these unauthorized purchases is limited by law or industry standards. The bad news: It's likely that you'll spend many frustrating hours trying to clear your name and straighten out your credit history.

Here are safety tips from ***FDIC Consumer News*** that can greatly reduce the chances of becoming a victim.

Limit the amount of confidential information in your wallet. Only carry the identification, checks, credit cards or debit/ATM cards you really need. The rest, including bank account numbers, personal identification numbers (PINs), passwords, and most importantly, Social Security cards, are best kept elsewhere in a safe place. Likewise, don't pre-print your Social Security number or driver's license number on your checks, because either one could help a thief apply for a loan, credit card or bank account in your name.

Keep good backup information about your bank and credit card accounts, just in case your wallet is lost or stolen. You'll want account numbers and phone numbers that can be used to report your losses or request new cards. "Some people make copies of the front and back of all the cards or important notes in their wallet to help jog their memory," said FDIC Regional Ombudsman Janet Kincaid.

Review your credit card bills and your checking account statements as soon as they arrive. Make sure that no fraudulent activity is taking place.

Periodically request your credit reports. Look for signs that someone may have obtained loans or tried to commit other fraud in your name. By federal law, you are entitled to one free copy of your credit report every 12 months from each of the three nationwide credit bureaus — Equifax, Experian and TransUnion. Go to www.AnnualCreditReport.com or call toll-free 1-877-322-8228 to order your free credit reports.

Experts often suggest that, to maximize your monitoring capability, you spread out your requests and receive a report from each of the three credit reporting agencies at separate times rather than all at once.

If you've already been victimized, take steps to limit your liability. Immediately call your bank (to report a lost debit/ATM card) and your credit card companies. And if you spot an unauthorized charge on your credit card, you must follow up on any phone calls to your card issuer with a letter disputing the transaction.

"Under the Fair Credit Billing Act, you must dispute unauthorized charges appearing on your credit card statement *in writing* within 60 days after it was sent to you," noted Joni Creamean, Chief of the FDIC's Consumer Response Center. "The letter also must be sent to the bank's designated address for billing inquiries, not to where you'd mail your payments."

To learn more about avoiding identity theft, including steps you can take if your wallet has been lost or stolen, visit www.ftc.gov/idtheft.

Yes, our recommendations may be time consuming. But as the FDIC's Kincaid put it, "Being proactive is far preferable to the many hours you would spend trying to erase a criminal's fingerprints from your credit record."

For More Information on Organizing and Simplifying Your Finances

The FDIC has staff and other resources that can answer questions about deposit insurance and banking. Start at www.fdic.gov/quicklinks/consumers.html or call toll-free 1-877-ASK-FDIC (1-877-275-3342). FDIC publications, including our quarterly ***FDIC Consumer News***, are available at that same Web site and upon request (by calling the telephone number above and selecting the option for "FDIC publications"). You can also e-mail us using the Customer Assistance Form at www2.fdic.gov/starsmail or send a letter to the FDIC, Division of Depositor and Consumer Protection, 550 17th Street, NW, Washington, DC 20429-9990.

Other federal, state and local government agencies also publish consumer information and have staff, Web sites and other resources that can help answer questions on financial matters. Start at www.mymoney.gov, the federal government's central Web site about managing your money. For additional information from the U.S. government on money management, go to www.usa.gov/Citizen/Topics/Money_Taxes.shtml or call toll-free 1-800-FEDINFO (1-800-333-4636).

Financial institutions, consumer organizations and the news media also publish personal finance tips you can find by searching the Internet.

Unlimited FDIC Insurance for Certain Transaction Accounts: A Closer Look

Answers to common questions about which deposits qualify under the new, temporary program

Readers of ***FDIC Consumer News*** know that under the Dodd-Frank financial reform law enacted last July, certain checking accounts that pay no interest will benefit from full deposit insurance coverage — regardless of the dollar amount — during the two years from December 31, 2010, through December 31, 2012. Because the FDIC continues to get questions about this new program, we are highlighting important information.

Which accounts qualify for this temporary, unlimited deposit insurance coverage?

The only accounts eligible for the full insurance coverage are those in a new deposit insurance category called "noninterest-bearing transaction accounts," which are checking accounts that cannot pay interest.

"Please remember that the unlimited coverage program does not apply to just any checking account that does not pay interest," stressed Martin Becker, an FDIC Senior Deposit Insurance Specialist. For example, if you have a money market deposit account that does not pay interest, it would *not* be eligible for unlimited coverage because it does not fit the technical definition of a noninterest-bearing transaction account. Also, if you have a deposit that is currently not paying interest but the deposit agreement allows for interest, this account would not qualify for unlimited coverage.

Who may benefit the most from the new program?

While these transaction accounts are primarily used by businesses with large balances in their checking accounts, any depositor qualifies. The new full-insurance category will be especially helpful for consumers who have a very large sum of money they want to safely park in a bank account for a brief period — perhaps from an inheritance, a home sale, or a big payment from a pension or insurance claim — until the funds can be invested elsewhere.

Do I have to do anything extra to obtain the unlimited coverage?

No. "All FDIC-insured banks are automatically covered under this new regulation, and all accounts that meet the statutory definition of a noninterest-bearing transaction account are automatically covered," Becker explained. "So, if your account meets that definition, you do not have to apply for this unlimited coverage."

How is my FDIC insurance coverage calculated if I have both noninterest-bearing transaction accounts and other accounts at the same bank?

The temporary unlimited coverage for noninterest-bearing transaction accounts is separate from, and in addition to, the coverage provided to depositors' other deposit accounts at the same bank. As an example, if you have a certificate of deposit for $250,000 and a noninterest-bearing transaction account for $300,000, both of these accounts would be fully insured.

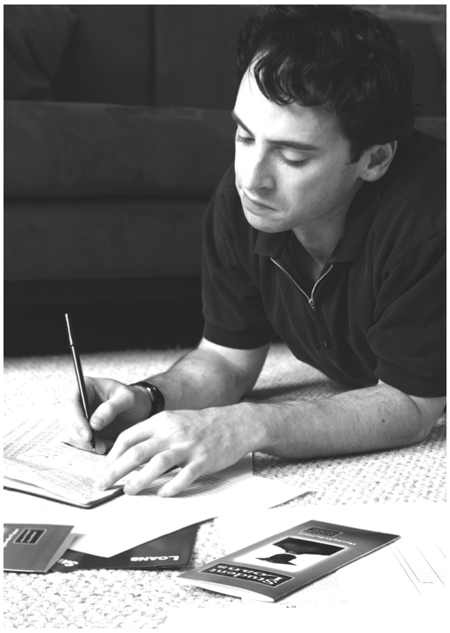
How does the new coverage differ from the FDIC's Transaction Account Guarantee Program that ended on December 31, 2010?

According to FDIC Supervisory Counsel Joe DiNuzzo, "Perhaps the most important difference to remember is that the new account category does not include unlimited coverage for Negotiable Order of Withdrawal or "NOW" accounts, which are interest-paying checking accounts available only to consumers, charities and public entities. Congress did not include NOW accounts in the definition of noninterest-bearing transaction accounts."

How can I get more help or information regarding this temporary program and my FDIC insurance coverage in general?

Call the FDIC toll-free 1-877 ASK-FDIC (1-877-275-3342) or visit www.fdic.gov/deposit/deposits.

Saving for College: Ways to Minimize the Sticker Shock



There's no doubt that a college education can be costly, but according to U.S. Census Bureau data, someone with a college degree can earn, on average, 60 percent more than a person with only a high school diploma. In our Fall 2010 issue, we looked at ways to borrow money for college. Now, as states tighten their belts and higher-education budgets are squeezed, we follow up with tips on saving for college.

Start planning and saving for college as early as possible. "Small, steady savings — ideally starting as soon as possible after a child is born — can help parents manage the sticker shock of a college education,"

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said Luke W. Reynolds, Chief of the FDIC's Community Outreach Section.

Estimate how much you need to save to meet college expenses. Several online calculators can help, including one from the U.S. Department of Education (go to www.studentaid.ed.gov and click on "College Savings Calculator").

Research your savings options. Some come with substantial tax benefits or other incentives. In each case, carefully consider the potential risks, costs and limitations before investing any money. Examples include:

• *Section 529 college savings plans.* These programs, which are mostly offered by individual state governments, carry many of the same federal tax benefits as Roth Individual Retirement Accounts (IRAs).

There are two basic kinds of 529 plans: pre-paid tuition programs that allow savers to lock in today's prices for future tuition payments at designated universities, and traditional savings plans that allow families to contribute money into investments or FDIC-insured deposit accounts.

Under the FDIC's rules, in most cases, deposits that a 529-plan administrator places at a bank on behalf of different individuals are federally insured up to $250,000 for each participant.

• *U.S. Savings Bonds.* "One of the great things about Savings Bonds is that parents can purchase them through regular, recurring deductions from their salary or a bank account," said Elna Johns, an FDIC financial educator. Savings bonds are backed by the government, but one tradeoff for the safety is a moderate rate of return. For qualifying taxpayers, the interest earned is exempt from state or local income tax, and the bonds may be exempt from federal income tax when they are used for education expenses. Learn more at www.treasurydirect.gov/indiv/indiv.htm.

• *Credit card rebates and incentives.* Some programs allow parents to receive rebates and other incentives for purchases made with a credit card or for shopping at particular merchants, with the rewards deposited into a college savings account. Be careful, though, not to let these relatively small rewards induce you to make purchases outside of your budget. For guidance on how to maximize the benefits and minimize the problems with bank rewards programs in general, see the Summer 2009 ***FDIC Consumer News*** (www.fdic.gov/consumers/consumer/news/cnsum09/bank_rewards.html).

• *Special savings programs that may be offered in your area.* For example, an increasing number of state and local government programs, often with assistance from nonprofit and philanthropic organizations, are providing incentives to help low-income families save for college. These initiatives typically involve grants or matching funds that go into a child's college savings account. "Children's savings accounts can be a way of encouraging early saving habits while accumulating needed financing for education," said Sherrie Rhine, a Senior Economist at the FDIC who specializes in consumer finance issues.

For more information about saving and paying for college from the FDIC, the Department of Education and other government agencies, start at www.mymoney.gov/category/topic1/going-college.html.

Why Interest Rates Matter to You

Position your finances for a changing environment

Wondering how long interest rates will stay low? The Federal Reserve has kept short-term borrowing rates near zero since late 2008 to stimulate lending and help the economy recover. Rates will head up as the economy gains steam, but exactly when is still uncertain. Now is a good time to assess how changes in interest rates may affect your savings and borrowing plans.

> *Interest rates will head up as the economy gains steam, but exactly when is still uncertain. In this changing environment, keep your savings goals on track with products that fit your needs and lock in low borrowing costs wherever possible.*

Keep your savings goals on track. While today's low interest rates on deposits may dampen your desire to save, it's essential to stay focused on your goals. "Savings are the best way to protect yourself against unexpected expenses and build your wealth," said Richard A. Brown, the FDIC's Chief Economist. "The power of compound interest, which lets you earn interest on interest, will help your savings grow even faster."

Choose savings products that fit your needs. Various financial publications and Web sites can help you shop for the best deposit rates on CDs (certificates of deposit) and other savings accounts. But be sure you are comfortable with all the terms before you invest. "Although choosing the highest CD rate can be tempting, paying a penalty to withdraw your money early could be costly," said Philip Shively, Chief of FDIC's Economic Analysis Section.

A CD laddering approach — in which your savings are divided into several CDs with differing maturities — is a good way to combine the higher rates of a long-term CD with the access to funds provided by a shorter-term CD. Laddering can also help you navigate a changing rate environment.

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Fraud Alert: Text Messages, Pop-Ups and Downloads to Avoid

Be on guard against "urgent" requests and unsolicited "deals" on the Internet

FDIC Consumer News has reported how criminals masquerading as legitimate businesses or government agencies have tricked consumers into divulging valuable personal information over the computer, phone or fax in order to drain bank accounts. Here are our latest tips for protecting against new schemes using electronic devices.

Think twice before responding to "urgent" text messages. One recent scam involved a text message sent to cell phones and smartphones (a hand-held device to access the Internet and make calls) warning bank customers that their debit or credit card had been blocked for security reasons. The message urged users to call a hotline to unblock their card, but instead they reached an automated response system asking for their card number, personal identification number (PIN) and other information.

"Unfortunately, this was enough information for thieves to create counterfeit cards and commit fraud," said Michael Benardo, Chief of the FDIC's Cyber-Fraud and Financial Crimes Section.

Why are smartphone users now being targeted by scammers? "Smartphone users almost always have their phone handy and tend to respond to calls and e-mails quickly, so the expectation is that many of them may not realize that a message is fake until it's too late," Benardo explained. "Not only that, but fake Web sites are also harder to spot on a small screen."

Be on guard against unexpected pop-up windows on Web sites, including your bank's. If after you're logged onto your bank's Web site — or on any Web site, for that matter — and you get an unexpected pop-up window asking for your name, account numbers and other personal information, that is likely a sign that a hacker has infected your PC with spyware and is trolling for enough

information to commit identity theft and gain access to your bank account.

"It's normal for your bank to ask for your login ID and password when you first log in and to ask you to answer a 'challenge question' if you want to reset your password or start using a new computer," advised David M. Nelson, an FDIC fraud specialist. "But your bank will *not* ask you — through a pop-up window — to type your name and information such as your date of birth, mother's maiden name, bank account and cell phone numbers. Banks only need that type of detailed personal information when the account is initially opened."

Be suspicious of unsolicited offers to download games, programs and other attractive "apps" (applications) onto your smartphone. Those "deals" could contain malicious software that directs you to fraudulent Web sites or steals personal information that can lead to identity theft. "You should consider using anti-virus software specifically designed for smartphones and other mobile devices," added Nelson.

What are your best defenses against a variety of high-tech scams?

- Be aware that cyber criminals always look for ways to use new technology such as smartphones to try to commit fraud;
- Stop and think before giving personal information in response to an unsolicited request, especially one marked as urgent, no matter who the source supposedly is;
- Only communicate with your bank using phone numbers or e-mail addresses you are certain about — such as the customer service number on your bank statement or the back of your card — and add these important numbers to your phone's contact list; and
- Only install programs that you know are from legitimate Web sites, such as your Internet service provider, financial institution, wireless phone company or trusted app vendors.

For additional tips on avoiding Internet fraud, visit www.onguardonline.gov.

Social Networking Sites Attract Online Criminals

Social networking sites are popular among consumers who keep in touch with friends and relatives by chatting online and sharing pictures, Web pages, video clips and other information. But computer hackers also visit social networking sites to install malicious software on network members' computers, smartphones and other devices.

"By clicking on a link from a supposed friend who says 'check out this awesome video,' you may end up with spyware on your PC that can be used to access your online bank account," said David M. Nelson, an FDIC fraud specialist.

To avoid problems, be careful about information you disclose on social networking sites, learn how to limit access to your personal information with your privacy settings, and use caution when clicking on videos, pictures and links.

For more tips, see recommendations from the Internet Crime Complaint Center at www.ic3.gov/media/2009/091001.aspx.

Need a Small Business Loan? Try These Strategies

Small businesses — from people who merely "work for themselves" to entities that employ others — are critical to the American economy. And for small companies to survive and generate new jobs, they need credit on affordable terms.

While many small businesses have had difficulties obtaining credit in recent years, conditions are getting better. "A combination of factors has created issues and challenges for small businesses, but it is turning in terms of credit availability. I think it is going to get better, and we're working to facilitate that," FDIC Chairman Sheila C. Bair said when the FDIC held a forum on January 13, 2011, to discuss new approaches to overcoming obstacles to small business lending.

FDIC Consumer News has written before about how small business owners can improve their chances of getting a good loan. Here is our latest collection of tips.

Prepare or update a business plan. This summary of the company's goals, needs and financial projections will be crucial to your success, whether you're just starting out or you've been in business for years. "Small businesses need a well-prepared business plan when they apply for a loan," said Suzy Gardner, Assistant to the FDIC Chairman. "A poorly prepared plan could lead to more money being borrowed than the business can realistically repay or the loan being denied just when the small business needs that money the most."

The U.S. Small Business Administration (SBA) offers tips for writing a solid business plan. Among them:

• Begin with a statement of purpose. You should be able to explain your business in 25 words or less.

• Illustrate how your business will work and why it will be successful. List the owners.

• Describe the company's products or services, the customers, the market and the competition. List the managers and their credentials.

• Supply three years of projected financial statements. Include income, loss and cash-flow projections.

• Provide supporting documents, such as references from creditors and potential clients and suppliers, and evidence of insurance.

Understand the risks and costs of different kinds of loans. Your best option may be a bank loan guaranteed by the SBA. Under this program, the SBA backs a certain portion of the loan — as much as 90 percent — which enables a small business owner to qualify for attractive interest rates and financing.

"SBA loan guarantees can mean the difference between getting a bank loan and being entirely shut out," said Mary Bass, an FDIC Senior Community Affairs Specialist. She noted, though, that "with an SBA loan or any other loan, expect to show that your business has sufficient cash flow to repay what you want to borrow."

Credit cards may appear to be an easy source of money, but they can be an expensive way to finance a small business. Don't make the mistake of using high-cost credit, such as personal loans or credit cards, to fund business operations when you can get a better rate on a business loan from your bank.

Home equity lines of credit also may be a source of funding, but you may not want to risk your family home to launch your business venture. Before going this route, carefully consider the risks involved.

Likewise, think carefully before co-signing or guaranteeing a business loan for a friend or relative. "Remember, you are making a promise to repay the loan if the borrower doesn't," warned Luke W. Reynolds, Chief of the FDIC's Community Outreach Section. "If the primary borrower defaults on the loan, you will have to repay it — plus interest and fees — and if you fail to do so, your personal credit record will be damaged."

Shop around for the best deal. Most commercial banks offer SBA loans. Start by asking the bank where you have your personal accounts and follow up with a few banks that market themselves as lenders to businesses of all sizes. Accountants, attorneys, insurance agents, trade associations, vendors and business peers also may be able to provide referrals to lenders.

Regarding business loans, in general there are three types: short-term loans to be repaid within approximately three years (including lines of credit used to help finance ongoing expenses), intermediate-term loans typically paid back in five to seven years (often used to purchase machinery, furniture or fixtures or to finance renovations and expansion), and long-term financing that can be available for 20 years or more (typically for commercial mortgages for buildings or major equipment purchases).

And don't overlook state, county and city governments when you're looking for financing. Many economic development offices have lending programs for qualified small firms that may offer special terms.

Learn from other professionals. The SBA provides education and counseling through a variety of programs and partners. "It's not enough to give small businesses the money," SBA Administrator Karen G. Mills said in her remarks at the FDIC forum. "They need to do the business plan. They need help. They need mentoring. They need advice to succeed." She noted that the SBA has "a network of over 14,000 counselors" who can assist small businesses. To learn more about the SBA's programs, see the box below.

Whether or not you borrow from a bank, you also should establish a working relationship with a financial institution that offers deposit accounts or other services you may need. Your banker also may be able to provide advice on how to expand your business or refer you to other local sources of assistance.

Also, if you have a question or a concern about getting a loan, the FDIC has resources that can help. See the box below for details.

"Every small business started with a dream," Reynolds said. "You can nurture and grow your dream with a few common-sense strategies, starting with a good business plan and then consulting with your bank about what deposit and credit services it offers to help you along the way."

For More Help or Information for Small Businesses

The Small Business Administration (SBA) provides loan guarantees, referrals to local free or low-cost counseling and training, tips on how to write a business plan, and other support for small businesses. For more information, call the SBA toll-free at 1-800-827-5722, go to www.sba.gov or contact the SBA District Office in your area.

The Federal Deposit Insurance Corporation has two new resources for small businesses. One is a toll-free hotline (1-855-FDIC-BIZ, which is 1-855-334-2249) to respond to questions or concerns about credit availability for small businesses. The other is a Web site at www.fdic.gov/smallbusiness with useful information (including a video of the FDIC's January 2011 forum on overcoming obstacles to small business lending) and an online form to ask the FDIC a question or register a concern.

Also see "Ideas for Growing a Small Business" in the Winter 2009/2010 ***FDIC Consumer News*** (www.fdic.gov/consumers/consumer/news/cnwin0910/small_business.html), with tips on topics ranging from getting loans to understanding FDIC insurance coverage for business deposits.

Your state, county or city government may offer assistance to small businesses ranging from its own financial aid packages to referrals to other local sources of assistance.

Your bank and other financial institutions in your area may offer a variety of loan and deposit services geared for small businesses, and employees there can be good sources of information and referrals.

FDIC
Consumer News

Published by the Federal Deposit Insurance Corporation

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For example, suppose interest rates are expected to rise. Using a laddering strategy, the CD with the shortest remaining maturity will reinvest into a new, long-term CD at the new, higher interest rate. By contrast, if you deposited all your funds in one long-term CD, you could be locked in at the current rate even if rates rise (unless you choose to pay an early withdrawal penalty).

For additional guidance on buying a CD, see the Spring 2009 ***FDIC Consumer News*** (www.fdic.gov/consumers/consumer/news/cnspr09/shopping.html).

Lower your borrowing costs. Take advantage of today's historically low rates to tackle high-interest debt on your credit card, mortgage or any other loans. One of the first areas to target is credit cards. "If you must carry a balance from month to month, try requesting a lower rate from your credit card company," said Christopher Newbury, Associate Director of FDIC's Risk Analysis Branch.

If you are thinking about buying a home, consider locking in a fixed-rate mortgage at today's low rates. Doing so will protect you from future increases in interest rates. For more information, see "Looking for the Best Mortgage," a free consumer brochure published by the FDIC and other federal government agencies (www.fdic.gov/consumers/looking/index.html).

And if you already have a mortgage, this could be an opportunity to refinance at lower rates, especially if you have an adjustable rate mortgage. "Make sure you compare the savings with the costs to refinance," Newbury advised, "to make sure it will save you money."

New Rules, Notices About Credit Decisions

New rules, effective January 1, 2011, from the Federal Reserve Board and the Federal Trade Commission require lenders to provide new information to credit-seeking consumers under certain conditions.

For consumers who are offered credit on terms less favorable than those offered to other consumers, lenders would provide a "risk-based pricing notice." This may occur because of negative information in a consumer's credit report. Consumers can then request a free credit report from the credit bureau identified in the notice to evaluate its accuracy.

Some lenders will provide "credit score notices" to all credit applicants with their credit scores and information about how their scores compare to those of other consumers. Not all lenders provide a credit score notice.

To learn more about the new rules, including guidance on how to dispute credit report errors, see a new online publication from the Federal Reserve at www.federalreserve.gov/consumerinfo/wyntk_notices.htm.