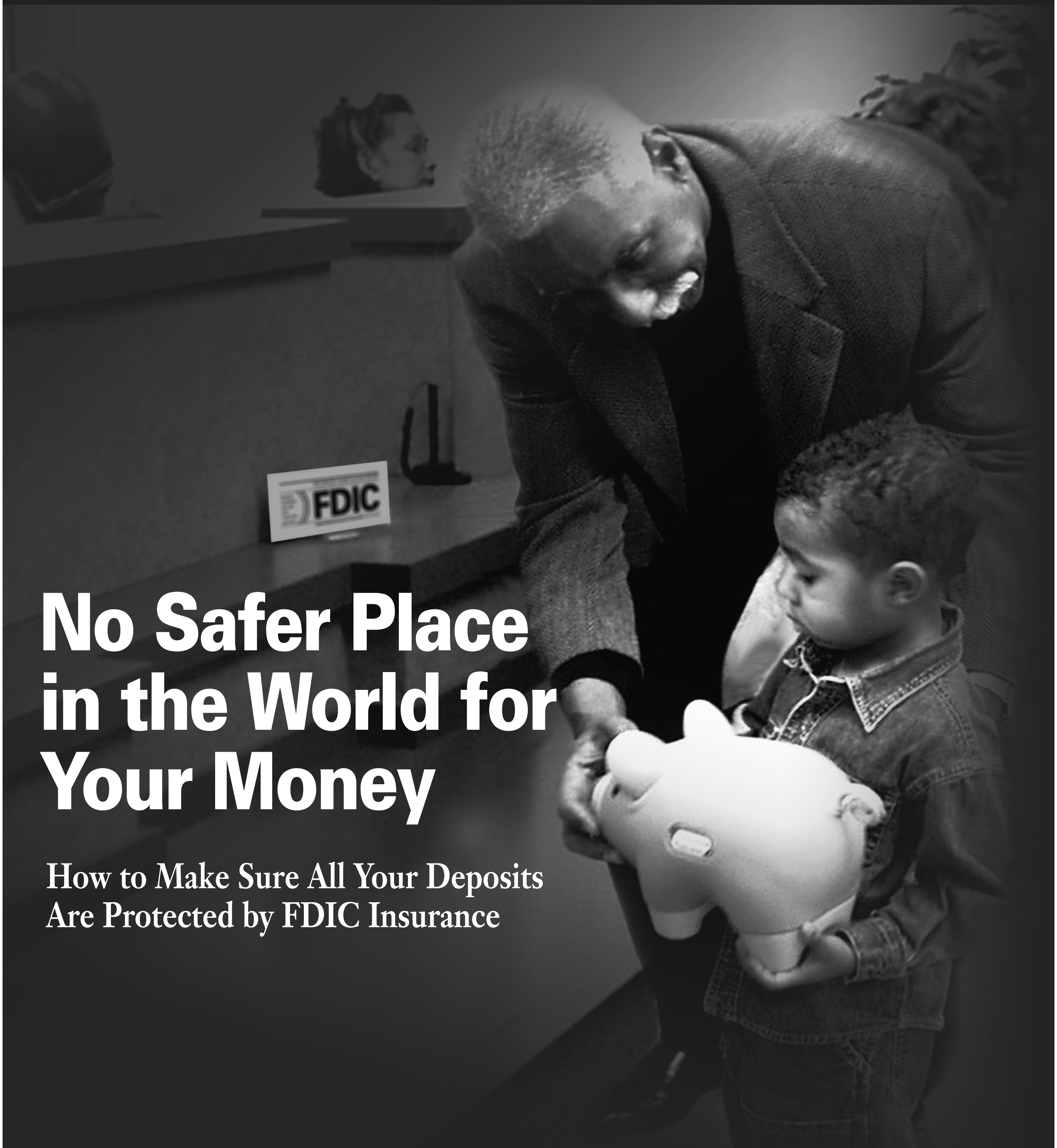
PLUS: Using Debit, Credit and Prepaid Cards • What to Know About Safe Deposit Boxes and Home Safes

FDIC Consumer News

Fall 2009



No Safer Place in the World for Your Money

How to Make Sure All Your Deposits Are Protected by FDIC Insurance

No Safer Place in the World for Your Money

Why the FDIC's guarantee is rock-solid

As bank failures are in the news, the FDIC is reminding consumers that our financial resources run deep and that their insured deposits are fully protected.

"Depositors should understand that the chances of their bank failing are low, and even if their bank does fail, depositors have nothing to worry about," said FDIC Chairman Sheila C. Bair. "The FDIC fully guarantees their insured deposits and provides them with seamless access to their money. For the insured depositor, a bank failure is a non-event."

As Chairman Bair also has said, "The American people can rest comfortably knowing that their FDIC-insured deposits are 100 percent safe. In fact, there's no safer place in the world for their checking, savings or retirement money."

Here's why you can trust the ironclad protection of FDIC insurance.

By law, federal deposit insurance is backed by "the full faith and credit of the United States government." This is important. It means that the financial resources of the U.S. government protect federally insured depositors — and you can't do better than that. "In short," said Chairman Bair, "we cannot run out of money."

If needed, the FDIC can quickly borrow money from the U.S. Treasury. The FDIC has immediate access to a $100 billion line of credit at the Treasury that, under federal law, can be expanded to $500 billion. The FDIC also has additional authority to borrow money from the Treasury for various other purposes. However, Chairman Bair has stressed that the FDIC expects to continue to collect premiums from the banking industry to pay for banking industry problems — without borrowing from U.S. taxpayers.

Federal law also requires that all insured deposits be paid "as soon as possible." If a bank fails, the FDIC has always paid every penny of insured deposits, up to the insurance limit, including principal and any accrued interest through the date of the closing.

In most cases, the FDIC provides access to accounts on the next business day by arranging with a healthy institution to assume the insured deposits. The account owners can then decide whether to remain as customers of the other bank or move their money elsewhere.

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

"No insured depositor has ever lost a penny of insured deposits — and none ever will. The FDIC was created specifically for times like these. Our resources are strong. Your insured deposits are absolutely safe."

— FDIC Chairman Sheila C. Bair

With certain types of deposits, such as living trust accounts and deposits placed through brokers, the FDIC may need more time to finalize the insurance payment, but usually no more than a week or two.

According to Chairman Bair, the bottom line for consumers is this: "No insured depositor has ever lost a penny of insured deposits — and none ever will. The FDIC was created specifically for times like these. Our resources are strong. Your insured deposits are absolutely safe."

To learn more about how to be sure all your deposits are under the insurance limits and fully protected by the FDIC, see the article below.

How to Make Sure All Your Deposits Are Protected by FDIC Insurance

If you (or your family) have deposits at one FDIC-insured bank with a combined total balance less than the basic maximum insurance amount under federal law — currently $250,000 through year-end 2013 — all of that money is fully protected. And, as always, you may qualify for much more than the standard maximum insurance amount at the same bank — perhaps millions of dollars of coverage — if you have funds in different "ownership" categories. That's because the FDIC's rules allow for *separate* $250,000 coverage for deposits held in your name alone (single accounts), accounts with one or more other people (joint accounts), accounts that name beneficiaries when you die (testamentary or revocable trust accounts), and certain retirement accounts, such as Individual Retirement Accounts (IRAs).

How can you be sure you're fully protected in the unlikely event of a bank failure?

Use "EDIE," the FDIC's online tool for analyzing your insurance coverage. You can find EDIE — short for "Electronic Deposit Insurance Estimator" — at www.fdic.gov/edie. If you don't have Internet access at home,

Reminder! Congress has extended the standard maximum deposit insurance amount from $100,000 to $250,000 through December 31, 2013.

ask a trusted friend or relative or your banker to help you use EDIE.

"EDIE is ideal for verifying your deposit insurance coverage for existing deposit accounts as well any new accounts you might consider opening at your bank," said James Deveney, Chief of the FDIC's Deposit Insurance Outreach Section.

In general, here's how EDIE works. You'll be asked to provide information about all the accounts you have at one bank, including the balance in each account, the ownership category (see the previous examples), and the names of the owners and any beneficiaries. If it will make you feel more comfortable, you don't have to use real names when you answer the questions, but the other basic information should reflect what is in your account records. Then click on the "calculate" button. EDIE will produce a report that will show if you are fully insured or, if not, where your deposits exceed the limits. EDIE can be used for all but a few deposit categories, such as complex trust deposits.

See the FDIC video on the basics of deposit insurance coverage. This 30-minute video, called "Overview on Deposit Insurance Coverage," provides an understanding of your options for insuring funds in multiple ownership categories.

The video is available in both English and Spanish at www.fdic.gov/deposit/deposits. To order the video on DVD or CD-ROM, click on the link to the online order form. The video also can be downloaded for use on a portable audio (MP3) player by clicking on the link to the video and then going to the "resources" tab.

Read the FDIC's two main consumer publications about deposit insurance. One is a brochure called "Deposit Insurance Summary." It's a two-page overview of the information most people want to know about their FDIC coverage. The other is "Your Insured Deposits," a handy guide intended to provide basic information on the rules for the most common account ownership categories. Both publications are available in English, Spanish, Chinese (traditional and simplified), Korean and Vietnamese. You can read them and order free printed copies at www.fdic.gov/deposit/deposits.

When in doubt about the amount of your deposit insurance coverage, call or write the FDIC. Call toll-free 1-877-ASK-FDIC (1-877-275-3342) to speak with an information specialist and request copies of free educational materials. If you'd prefer to ask your questions in writing, you can e-mail the FDIC using our Customer Assistance Form at www2.fdic.gov/starsmail.

Periodically review your coverage if you have close to or more than the standard maximum deposit insurance amount (currently $250,000) at one institution. "Events such as the death of an owner or a beneficiary on a deposit account can result in changes in the calculation of coverage, including possibly reducing the amount of insurance coverage," emphasized Martin Becker, an FDIC Senior Deposit Insurance Specialist.

As an example, if two people own one account at a bank — a joint account with a balance of $400,000 — all of that money would be insured because each person's share (here presumed to be $200,000) would be protected for up to $250,000 in the joint account category. But what if 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 representatives 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 by the end of the grace period, the $400,000 balance will only be insured up to $250,000 as the surviving co-owner's funds in the *single account* category, and the excess amount of $150,000 will be uninsured.

If some of your deposits are over the FDIC insurance limit, consider your options for getting them fully insured. One option is to move excess funds to another FDIC-insured institution. This option works well for people who don't want, or don't qualify for, other ownership categories at their existing bank. If possible, another option is to divide your deposits into accounts in different ownership categories at the same institution, because different categories are separately insured up to $250,000 (or more in some cases). However, this is a change you need to think about carefully because there could be unanticipated consequences.

"For example," Becker explained, "changing a single account *without* beneficiaries to a testamentary account *with* beneficiaries may solve a problem with uninsured funds but may not be consistent with the account owner's estate planning." He added that for estate planning advice, the FDIC recommends contacting a financial advisor or an attorney.

Again, remember that the FDIC has an array of resources — EDIE the online estimator, our insurance video, consumer publications and information specialists available by phone or e-mail — that can answer questions about your coverage.

Insured Deposits Are Safe Regardless of a Bank's Health

Do reports about "problem" banks have you wondering about the health of your bank and the safety of your deposits there? Above all, remember this. If all your deposits at an FDIC-insured bank — both principal and accrued interest — are within the FDIC's insurance limits, your money is entirely safe, regardless of the financial condition of your bank.

To learn more about how to be fully insured, including options for bringing any uninsured accounts within the FDIC's coverage limits, see the article starting on the previous page.

Debit vs. Credit Cards: How They Stack Up

Debit cards, which work like electronic checks, are becoming more widely used as an alternative to credit cards to pay for goods and services. To help you better understand how the two types of cards work and the potential benefits and concerns, we offer this quick guide.

DEBIT CARDS

Consumer Protections

Federal law includes protections against debit card errors and the loss or theft of your card, although consumers are required to promptly report a lost debit card or unauthorized transaction. In addition, industry practices may give you added protection.

"To be fully protected under the law, you must submit specific information about unauthorized debit and ATM card transactions within a short time period," stressed Kirk Daniels, an FDIC Supervisory Consumer Affairs Specialist. "That's also why it's important to review your bank statements and report a problem as soon as possible."

Unlike the federal protections for credit cards, which cap your liability for unauthorized charges at $50 (see the credit card section starting on the next page), your liability limit for a debit card depends on the situation and your promptness in reporting the lost card or unauthorized transaction. Specifically, the maximum legal liability is $50 if you notify the bank within two business days after discovering an unauthorized transaction. But if you notify your bank after those first two days, under the law you could lose up to $500, or perhaps much more. Some banks may voluntarily waive all liability for unauthorized transactions if the cardholder took reasonable care to avoid fraud or theft, but consumers must still report errors promptly.

In addition, with transaction errors, banks have up to 10 business days (and in some cases 20 business days) to promptly conduct an investigation after receiving notice from the debit cardholder. If more time is needed, typically because of special circumstances, they can take up to 45 days (and in some cases 90 days) to investigate, but they generally have to credit the consumer's account for the amount of the alleged error on a "provisional" (temporary) basis pending the outcome of the review.

"Until the bank provides provisional credit, you could temporarily be out of pocket for the amount in dispute," said Richard Foley, an FDIC attorney who specializes in consumer issues. "This would not typically happen with a credit card because consumers can withhold payment of the amount in dispute."

Also, as discussed on the next page, consumers have better federal protections when they purchase faulty goods with credit cards.

Potential Benefits

Convenience and Speed: As with credit cards, debit cards are a way to pay for purchases quickly, without writing checks or having to make sure you are carrying enough cash.

Limiting Your Costs: As long as you don't overdraw your account (see the fees section below), debit cards are a good way to pay for purchases without borrowing money and paying interest. You also may avoid other costs associated with credit cards, such as annual fees.

Cash Back: You can use a debit card when you make a purchase at stores or to withdraw cash from your bank's ATM (generally at no charge). In contrast, most credit cards charge fees and interest for cash advances.

Safety: You won't need to carry large amounts of cash that can be lost or stolen.

Potential Concerns

Fees: Be especially aware of overdraft fees, which can occur if you don't have

Photo: NCR

enough funds in the account when you swipe your debit card but the transaction is still processed.

"You can avoid overdraft fees, which can be costly, by keeping track of your debit card purchases and other transactions and being aware of your balance," warned Joni Creamean, Chief of the FDIC's Consumer Response Center. If overdrafts are a problem for you, consider keeping a little extra in your account, as a cushion. Or, arrange with your bank to link your checking account to a savings account or line of credit. Even though your bank may charge for those services, normally they cost considerably less than overdraft fees.

New restrictions on overdraft fees also are coming. Under Federal Reserve Board rules that will take effect July 1, 2010, you can generally only be charged a fee for ATM and one-time debit card transactions that overdraw your account if you have opted in (agreed) to an overdraft service from your financial institution. Before you can opt in, your bank must provide you a written notice explaining its overdraft services and fees.

Dealing with Problem Transactions Can Be More Difficult: You do not have the right to withhold payment on damaged or defective merchandise, as you do in some instances with credit cards.

Beware of "Holds" on Funds: At the time of purchase, merchants immediately place a temporary hold or "block" on funds for the transaction as protection against fraud, errors or other losses. If the final purchase price is unknown when the card is swiped, the hold will likely be for more than you actually spend. One common situation involves a hotel putting a hold of perhaps as much as $250 or more for each day of an anticipated stay when you use a debit card (or credit card) to check into a room. Another example is when you use your debit card at the gas pump. The hold will be removed when the final transaction is processed, nearly immediately or perhaps a day or two later, but until then, you won't have access to that amount in your account.

Final Words of Wisdom

Debit cards may be especially useful for small and routine purchases, but they are considered less beneficial than credit cards for major purchases or buying items online because of the more limited protections in cases of unauthorized transactions or disputes.

CREDIT CARDS

Consumer Protections

Federal law limits your losses to a maximum of $50 if your credit card is lost or stolen, although industry practices may further limit your losses. You are also protected against billing errors. In addition, federal law may allow you, under certain circumstances, to withhold payment on defective goods until the problem has been corrected. These protections are a big reason why most experts recommend credit cards — not cash, checks or debit cards — when paying for big ticket items or services that you want to know will work as promised.

Also, the Credit Card Accountability Responsibility and Disclosure Act of 2009 is intended to help shield consumers from abusive fees, penalties and interest rate increases. Some provisions of this law took effect August 20, 2009, but most start next year. For example, starting February 22, 2010, a card issuer can't allow you to go over your credit limit and then charge a penalty fee for having done so unless you explicitly agree to this practice in writing. In contrast, most debit card issuers will assess a fee for making a purchase or other transaction that exceeds your account balance.

Potential Benefits

A Fast, Unsecured Loan: Credit cards enable you to buy goods or services now and — unlike debit cards — pay later. Your payment won't be due for at least 21 days after your monthly credit card bill is mailed or delivered.

Options to Avoid Interest: If your card has an interest-free grace period and you pay the balance off each month, you won't be assessed finance charges.

Building a Good Credit Record: If you're careful about how you manage your credit card, especially by paying your bill on time, your credit score will go up and you may qualify for lower interest rates on loans and credit cards.

Potential Concerns

Interest Charges: If you don't pay your card balance in full each month or your card doesn't have an interest-free grace period, you will pay interest. This can be costly, especially if you only pay at or near the minimum amount due each month. You also may be subject to interest rate increases. However, as of August 20, 2009, you must be told at least 45 days before any rate increases or other significant change in account terms takes effect. If you don't agree with the new terms, you generally can cancel the card, pay off the balance over time at the original rate and terms, and avoid the new terms.

Overspending: "High credit limits and the ability to earn rewards for using a credit card can make it easy for some people to spend beyond their means," cautioned Janet Kincaid, a Regional Ombudsman at the FDIC. "Don't get caught in the cycle of buying things you don't need or can't afford just to get points for future travel or other rewards. Without even realizing it, you may end up paying more in interest than you're earning in rewards."

Fees: Credit card fees are likely to include those for paying late and going over the credit limit. Some cards also have annual fees.

Final Words of Wisdom

Credit cards may be especially useful if you want to pay for things when your bank account balance is low or to take advantage of a no-interest grace period.

There's also a different type of credit card, a "charge card," that must be paid in full each month. "A charge card may be a good option for people who are not planning to carry a balance and want to avoid interest charges," said Creamean. "However, if you use your charge card and then have a financial setback, you still need to pay in full each month, whereas with a credit card, you could carry a balance forward until your situation is better."

Prepaid Cards: Another Way to Pay, But Understand the Downsides

Many can be used anywhere, but consider any fees, limitations

It's hard to visit a retail store today without finding a sales display for products broadly known as stored value cards or, more commonly, prepaid cards. These cards, which generally allow consumers to spend only the money deposited onto them, have evolved in recent years from gift cards sold by individual retailers to multi-purpose, "reloadable" cards (money can be added, sometimes

continued on next page

through direct deposit) that can be used to pay for purchases and access cash at ATMs around the world.

Most prepaid cards are branded with the logo of one of the major card companies (such as American Express, Discover, MasterCard or Visa) and can generally be used at any merchant or ATM that accepts those cards. But unlike a credit card, a prepaid card generally will not allow you to build a credit history because no money is being borrowed. Also, some prepaid cards can only be used at one store or service provider.

Some prepaid cards come with a set value, while others require you to load money after obtaining the card. Other cards are used only to receive government benefits (such as the Direct Express® debit card for Social Security payments) or wages deposited by employers (payroll cards).

Prepaid cards are also marketed as alternatives to traveler's checks, especially for international travel, and as a way for parents to give an allowance to their children. They also are being promoted to consumers who are unwilling or unable to open a bank account.

While prepaid cards have potential benefits, they also come with potential costs and limitations. "Consumers should not look at prepaid cards as permanent substitutes for bank accounts," said Luke W. Reynolds, Chief of the FDIC's Community Outreach Section. "People who are able to open a traditional bank account and manage it properly can pay less in fees, earn interest, write checks to merchants who don't accept plastic, more easily save for future expenses, and perhaps benefit from more federal protections than with certain prepaid cards. Ultimately, you need to be fully informed and shop around to get the best deal."

How can a consumer wisely choose or use a prepaid card?

Look into the fees, which can add up if you're not careful. Read all the information that comes with the card so that you understand which fees are mandatory and which ones you can avoid. Possible fees include those to activate (start using) the card, add money onto the card, make purchases, withdraw cash, inquire about your balance at an ATM (that's in addition to any fee charged by the company that operates the ATM you use), receive a statement in the mail or speak with a customer service representative. But some card issuers also will waive certain fees — for example, if you regularly receive funds by direct deposit onto the card.

Also look carefully for any differences in transaction fees if you choose to sign for a purchase (by pushing "credit" at the card reader) instead of entering your personal identification number or PIN (as a "debit" transaction).

Some cards may also assess a fee if you try to spend more money than is on the card. "Don't assume there can't be overdraft fees with a prepaid card," said Reynolds. "Just as you would with a checking account, track your balance, perhaps with a check register, to avoid the risk of overdraft fees."

Under a new federal law, effective August 22, 2010, inactivity fees on prepaid cards can be imposed only when a transaction has not occurred for at least 12 months. Also, prepaid cards cannot expire for at least five years after the card was issued or money was last loaded onto the card.

Understand your consumer protections, which may vary depending on the card you use. For example, payroll cards are subject to federal disclosure requirements and a limitation on your liability for errors or unauthorized transactions. But some prepaid cards may not provide the full range of federal protections afforded to other cards, including debit cards associated with your bank account (see Page 4). Be aware, though, that Congress has directed the Federal Reserve Board to consider new rules clarifying the consumer protections for the different types of prepaid cards.

In addition, cards branded as part of a network may come with their own protections against errors or fraud. For details, review the materials you receive with the card to understand any steps you must take to receive the card issuer's protections.

The FDIC also has announced that if an employer, government agency or other organization places money with an insured institution to hold for peoples' use with prepaid cards, and the bank holding the money fails, the funds will be considered deposits of the cardholders (as opposed to deposits of the organization) if the cardholder is named in the bank's records or certain other documentation. Deposits at failed banks are insured up to the federal limit. For more information, see our article in the Spring 2009 issue of ***FDIC Consumer News*** at www.fdic.gov/consumers/consumer/news/cnspr09/prepaid_cards.html or call the FDIC at 1-877-ASK-FDIC (1-877-275-3342).

Take additional precautions to protect yourself from fraud or theft. Experts suggest that consumers be wary of any offer to sell them a prepaid card for less than its face value, because it may have been stolen or otherwise obtained improperly. When you first get a card, inspect it for indications that any of the protective stickers have been tampered with. It's also always important to promptly review your monthly statement (online or on paper) to check for errors or fraud.

For Help and Information on Debit, Credit and Prepaid Cards

For guidance from the FDIC and other federal government agencies, visit www.mymoney.gov and search by topic.

FDIC-insured banks, other financial institutions and professional associations, consumer organizations and the news media also publish personal finance tips on topics such as payment cards. You can find a number of excellent sites by searching the Internet.

News Briefs

New FDIC Web Site Features Foreclosure Prevention Resources

In September, the FDIC launched a Web page featuring resources that will help mortgage borrowers avoid unnecessary foreclosures and steer clear of scams that falsely promise to "rescue" consumers at risk of losing their homes.

The tool kit at www.FDIC.gov/foreclosureprevention includes information to help borrowers know who to contact and what documents they need to apply for a loan modification that could save their home from foreclosure. The material also describes the warning signs of potential scams and how to report a problem.

Fraudulent Communications Using the FDIC Name

The FDIC is reminding consumers and businesses to be on guard against letters, e-mails and faxes from con artists who misuse the agency's name and logo to trick recipients into sending money or divulging valuable personal information. Among the recent examples are letters falsely claiming to offer FDIC protection against investment losses in exchange for an up-front payment, and e-mails falsely saying that a consumer's bank has failed and asking the person to download a form (which could result in identity theft).

"The scammers are doing anything to make their mailings look authentic, even including fake signatures of FDIC officials," said Matthew Alessandrino, the FDIC's Assistant Inspector General for Investigations.

For guidance on how to protect yourself from these and other financial scams, see our article in the Winter 2008/2009 ***FDIC Consumer News*** at www.fdic.gov/consumers/consumer/news/cnwin0809/scams.html.

New Portable Audio Version of FDIC Financial Education Program

The FDIC now offers a version of its award-winning Money Smart financial education program for use on portable audio (MP3) players for people who want to learn about money management "on the go."

For more information, or to listen online or download the program to your MP3 player, visit www.fdic.gov/consumers/consumer/moneysmart/audio.

Online Calculator Helps Explain the Costs of Credit Card Debt

Carrying a credit card balance is costly, especially if you make only the minimum monthly payment. A new online calculator developed by the Federal Reserve Board can help you estimate how long it will take to pay your card bills under different payment scenarios. The calculator can also help you develop a plan for paying off your balance sooner.

Find it at www.federalreserve.gov/creditcardcalculator. A Spanish version is available at www.federalreserve.gov/creditcardcalculator_espanol.

New Option for Direct Deposit of Tax Refunds: Buying a Savings Bond

Since 2007, taxpayers wanting to receive their federal income tax refund by direct deposit have had the option to split their refund among up to three different accounts and three different U.S. financial institutions. But starting in early 2010, the Internal Revenue Service will give taxpayers an additional savings option — the ability to use their refunds to purchase a U.S. Savings Bond on their tax return, without having to open an account at the U.S. Treasury Department or take other action.

The change will give taxpayers another easy way to save their tax refunds and benefit from the speed and safety of direct deposit. For more information, visit www.irs.gov/pub/irs-tege/ibond_questions_answers.pdf.

FDIC
Consumer News

Published by the Federal Deposit Insurance Corporation

Sheila C. Bair, *Chairman*

Andrew Gray, *Director, Office of Public Affairs (OPA)*

Elizabeth Ford, *Assistant Director, OPA*

Jay Rosenstein, *Senior Writer-Editor, OPA*

Mitchell Crawley, *Graphic Design*

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Send your story ideas, comments, and other suggestions or questions to: Jay Rosenstein, Editor, ***FDIC Consumer News***, 550 17th Street, NW, Washington, DC 20429 jrosenstein@fdic.gov.

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Go to www.fdic.gov or call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342)

5 Things to Know About Safe Deposit Boxes, Home Safes and Your Valuables

1. Think about what should or should not be kept in a bank's safe deposit box. Good candidates include originals of key documents, such as birth certificates, property deeds, car titles, and U.S. Savings Bonds that haven't been converted into electronic securities. Other possibilities include family keepsakes, valuable collections, pictures or videos of your home's contents for insurance purposes, and negatives for irreplaceable photos. (Another option may be to store digital images of important documents and photos on a secure Web site that you can access from anywhere over the Internet.)

You probably wouldn't want to use your bank safe deposit box to store anything you might need to access quickly, perhaps on a night, weekend or holiday. That could include passports and originals of your "powers of attorney" that authorize others to transact business or make decisions about medical care on your behalf. For guidance on where to store your original will, check with an attorney about what is required or recommended based on state law.

2. You're better off stashing your cash in a bank deposit account, like a savings account or certificate of deposit, than in a home safe or a safe deposit box. "Unlike money in a savings account, money in a home safe or safe deposit box cannot earn interest, so the purchasing power of your cash will decrease,"said Luke W. Reynolds, Chief of the FDIC's Community Outreach Section. "Plus, cash that's not in a deposit account isn't protected by FDIC insurance." (See #5 for more about the potential risks.)

3. A home safe isn't a true replacement for a bank's safe deposit box. A home safe may be good for replaceable items you may need immediate access to — such as a passport — but home safes are not as secure as safe deposit boxes. "A burglar could more easily break into your home, force you to open the safe or haul off the entire safe and access the contents than get inside your safe deposit box," said Reynolds.

4. If the bank fails, you'll still have quick access to your safe deposit box. In general, the full contents of your box should be available the first business day after the bank closes.

5. No safe deposit box or home safe is completely protected from theft, fire, flood or other loss or damage. Consider taking precautions, such as protecting against water damage by placing items in plastic containers or zip-lock bags. And, don't keep identifying information on or near your safe deposit box key, such as the box number and the bank's name, in case of loss or theft. Remember that, by law, FDIC insurance covers only deposit accounts. Also, don't expect the bank to reimburse you for theft of or damage to the contents of your safe deposit box. If you want protection for the valuables in your safe deposit box or home safe, talk to your insurance agent.