



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC BOARD CONSIDERS PROPOSALS TO PERMIT ADDITIONAL CUSTOMER SERVICES

The Board of Directors of the Federal Deposit Insurance Corporation today proposed to permit banks to offer two customer services currently restricted by FDIC regulations.

The Board is soliciting public comments on proposals to permit banks:

- (1) to issue so-called "check guarantee" cards, and
- (2) to sponsor their customers for credit cards issued by a correspondent bank and assume responsibility in case of default by a cardholder.

Comments on the recommendations must be submitted within 60 days from the date the proposals are published in the Federal Register.

A check guarantee card assures merchants that a customer has sufficient funds on deposit with the issuing bank to cover checks up to a specified limit. Such programs also may be tied to an overdraft feature or to automatic teller services.

Under the credit card program, the sponsoring bank lends its credit rating to its customers while the correspondent bank does the billing and receives the interest. As proposed, a sponsoring bank would have to perform a credit check on each applicant for a card and merchants would be required to verify credit purchases at the point of sale.

The FDIC noted that both practices already are in limited use throughout the country. Permitting them while setting appropriate safety and soundness standards, the FDIC said, would enhance competition and improve service to bank customers.

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The Board also asked for public comment on the question of whether the existing prohibitions on certain practices declared by FDIC regulations to be inconsistent with the purposes of the Federal Deposit Insurance Act should be retained. These prohibited practices are the conduct of a surety business, insuring the fidelity of others, engaging in insuring, guaranteeing or certifying titles to real estate, and guaranteeing or becoming surety upon the obligations of others.

A copy of the proposals is attached.

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Distribution: Insures State Nonmember Banks (Commercial and Mutual)