



Consumer News

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FEDERAL DEPOSIT INSURANCE
CORPORATION

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Dormant Accounts May Invoke Service Charges

Many bank customers are not aware of their bank's and State's policy toward dormant accounts. There are instances in which depositors, believing they have money in their accounts and not knowing that the bank has declared the accounts dormant, request their money from the bank only to discover the bank has assessed service charges and drained the balance down to zero.

When a customer makes arrangements with the bank to open an account, he or she should understand the bank's policies. The customer's rights and responsibilities as well as those of the bank are contained in a contract and stated on the signature card, contract card, or other written agreement between the customer and the bank. The right to apply a service charge to the customer's account is specified in the contract. For example, the bank's stated policy may be to assess a service charge if the customer doesn't maintain a minimum balance on his or her checking account or if the account becomes inactive or dormant.

If the customer doesn't make any withdrawals or deposits but still keeps in contact with the bank, the account becomes inactive. When the customer doesn't initiate any transaction for a period of time and the bank loses all communication with the depositor (the bank cannot contact the customer by phone or letter), the bank considers the account dormant.

When accounts remain dormant for a considerable period of time, banks often begin assessing service charges periodically. In most states if the account is dormant for several years, State law makes the funds escheat to the State. This means the money in the dormant accounts becomes the property of the State.

Some State statutes deem checking accounts dormant when the consumer has not deposited or withdrawn money, or corresponded with the bank regarding his or her account for more than a year. There are also State statutes that deem time and savings deposits and certificates of deposit dormant when the customer has not deposited or withdrawn money from the accounts for more than five years from the date the deposit first became eligible for withdrawal.

If consumers have allowed their accounts to become dormant, they should check with their bank about their rights and what procedures to follow to retrieve or retain money in their accounts. If the account has been escheated to the State, the consumer may be able to recover it. The consumer should contact the State Bank Supervisor to learn what steps to take, keeping in mind that States don't dictate bank policy.

If you don't know how to contact your State's bank supervisory authority, call FDIC's toll-free consumer hotline 800-454-5488.

What To Do If You Are Denied a Loan

Many people are not aware of the procedures to follow if a financial institution denies them a loan.

When you apply for a loan, you should make sure that you have properly filled out the loan application form. If the bank does not use a written loan form, it is important the loan officer taking your oral application receives factual information about your work history, income, debts and payments.

After you file the application, the bank has thirty days to inform you whether your loan will be granted. If the bank decides not to grant the loan, it must inform you in writing that the loan will not be granted, state the reason why you are not receiving the loan, tell you that you have a right to ask for and receive a statement of the reason, and provide a statement informing you of your rights under the Equal Credit Opportunity Act that includes the name and address of the federal agency that supervises the bank's compliance with this law. The bank must also inform you if the information it obtained from the credit reporting agency or a third party contributed to the denial of credit.

The Equal Credit Opportunity Act prohibits lending institutions from discriminating against a loan applicant on the basis of race, color, religion, national origin, sex, marital status, or age (provided that the applicant is of legal

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Consumers Should Know About Mortgages And Related Costs Before Buying A Home

Part III

This is the final segment of a three part series dealing with mortgage costs and other fees involved in buying a home. The first part in our April issue dealt with interest rates and types of mortgages. The second part in May discussed closing or settlement costs. This last installment addresses insurance and other costs and mortgage application information.

Closing and settlement costs can be surprisingly high. You should try to estimate them early in the homebuying process so you can be sure to have enough money to cover these charges. Following are insurance costs you should inquire about before settlement.

- **Mortgage insurance cost**—a fee you pay to the company or government agency that insures the loan in case you fail to make payments. This insurance often is required in cases where a small down payment (usually 5 to 20 percent) is used.
- **Mortgage life, accident and health insurance**—these optional insurance costs protect a family in case the mortgagor is disabled or dies. In such an event, the insurance company automatically pays off the mortgage. If you become seriously disabled and can't work, payments are made after a specified number of days and stop when you are able to resume working. Either way, your mortgage payment is always paid. This insurance can be very expensive.
- **Title insurance cost**—title insurance is paid for by the homebuyer and usually protects lenders against loss of their interest in property due to legal defects in the title. This insurance only covers the amount of the loan and diminishes as the loan is reduced. A homebuyer can protect his or her interest by purchasing optional separate coverage. The homebuyer's insurance

covers all of the property and the amount of insurance does not decrease.

- **Hazard insurance cost**—most lenders require that you carry hazard insurance on the house at least in the amount of the mortgage. For your own protection, you should seriously look into getting a comprehensive Homeowner's Insurance Policy to cover the house and its contents in the event of major loss. The Homeowner's Policy should include not only insurance against fire, storm damage or wind damage, but also liability insurance (if someone sues you for an injury received while on your property) and insurance against theft and vandalism. Check several insurance companies to locate the best coverage for the least cost. Also, if you are buying a house in an area that could be subject to flooding and the community participates in the National Flood Insurance Program, federal law requires that you get flood insurance.

You also should take these steps:

- Ask the lender about the taxes and insurance payments collected in advance and held in an escrow account. An escrow account is money collected monthly by the lender and held for the payment of taxes and insurance when they are due.
- Ask the lender whether you will have to pay a penalty if you decide to pay off or refinance your mortgage before the due date.

REMEMBER: Closing costs differ from state to state.

When filling out the mortgage application form, the lender may ask you the following information:

- information about the house (price, age, location, etc.)

- personal data: name(s) of applicant(s), address, marital status, number of dependents, age, etc.
- employment and income history
- amount of your assets (car, savings account, etc.)
- debts you have now (credit cards, current loans and installment payments, etc.)
- credit references (banks, major credit cards, etc.)

It is important for you to have a good credit history. You will not have any difficulty obtaining a loan if your credit rating shows that you pay your debts on time and have no outstanding liens on your car or other property. A lender may deny you a mortgage loan if you have a poor credit history, or too many other debts.

It is best to know ahead of time what lenders will find when they get your credit report. If you don't know, check with your local credit bureaus. If the information in your credit record is wrong, you can clear up any mistakes before you apply for a mortgage loan. This will save you time and trouble later.

If you wish to be placed on the FDIC Consumer Newsletter mailing list please fill out the form below and mail to:

Josie Downey, Editor
Federal Deposit Insurance Corp.
550 17th St., N.W.
Room 5134G
Washington, D.C. 20429

Name: _____

Address: _____

Apt. _____ City _____

State _____ Zip _____

Antes De Comprar Una Vivienda Los Consumidores Deben Estar Informados Acerca De Los Prestamos Hipotecarios Y Los Costos Correspondientes.

Tercera Parte

Esta es la última parte de un artículo de tres partes que provee información acerca de los costos hipotecarios y otros costos envueltos cuando usted compra una vivienda. La primera parte de este artículo fue publicada en la edición de abril y brindó información acerca de las tasas de interés y diferentes tipos de préstamos hipotecarios. La segunda parte ofreció una explicación acerca de los costos de cierre o liquidación. Esta última parte informará acerca de seguro, demás costos e información acerca de la solicitud del préstamo hipotecario.

Los costos de cierre y liquidación pueden ser sorprendentemente altos. En el proceso de comprar la vivienda usted debe tratar de estimar estos costos a tiempo, para asegurarse que tenga suficiente dinero para cubrir estos gastos. Antes de la liquidación usted debe indagar acerca de los siguientes costos de seguro:

- **Costo de seguro hipotecario:** Usted paga este cargo a la compañía o agencia gubernamental que asegura el préstamo en caso de que usted no cumpla con sus pagos. Este seguro usualmente se requiere cuando se hace un pronto de pago bajo (usualmente de 5 a 20 por ciento).
- **Seguro de línea hipotecaria, accidente y salud:** El costo de este seguro opcional protege a la familia en caso que el deudor hipotecario muera o se incapacite. Si el deudor hipotecario muere, la compañía de seguros automáticamente amortiza el préstamo hipotecario. Si usted está seriamente incapacitado y no puede trabajar, los pagos hacia el préstamo hipotecario se efectúan después de un número de días específicos y se descontinúan cuando usted regrese a su trabajo. De cualquier forma, su pago hipotecario siempre se paga. Este seguro puede ser muy caro.

- **Costo de seguro de título:** El seguro de título es pagado por el propietario y usualmente protege a los prestamistas en caso de una pérdida de su interés en la propiedad, debido a fallos legales del título. Este seguro sólo cubre la cantidad del préstamo y aminora según se reduce el préstamo. Un propietario puede proteger su interés al comprar por separado protección opcional. El seguro del propietario cubre toda la propiedad y la cantidad del seguro no aminora.

- **Costo de Seguro de Riesgo:** Muchos prestamistas requieren que usted tenga seguro de riesgo de la vivienda, por lo menos por la cantidad del préstamo hipotecario. Para su protección propia, usted debe considerar tener una póliza de propiedad de gran extensión que cubra la vivienda y sus contenidos en caso de una pérdida mayor. Esta póliza de propiedad debe incluir no sólo seguro en caso de fuego, daños de tormenta o de viento, pero también, seguro en el que usted asume responsabilidad (si alguien lo demanda por lesión recibida en su propiedad) y seguro en caso de robo y vandalismo. Verifique con ciertas compañías de seguro hasta encontrar la mejor póliza por el menor costo. También si usted compra una vivienda en un área que está expuesta a inundaciones y la comunidad participa en el Programa Nacional de Seguro de Inundaciones, la ley federal requiere que usted tenga seguro de inundaciones.

Usted también debe seguir los siguientes pasos:

- Pregúntele al prestamista acerca de los pagos de contribuciones y pagos de seguro recaudados en adelantado que se retienen en su cuenta de plica. Una cuenta de plica contiene el dinero recaudado mensualmente por el

prestamista y retenido para el pago de contribuciones y seguro cuando se deban.

- Pregúntele al prestamista si usted va a tener que pagar una multa si decide amortizar o refinanzar su préstamo hipotecario antes de la fecha de vencimiento.

RECUERDE: Los costos de cierre difieren de estado a estado.

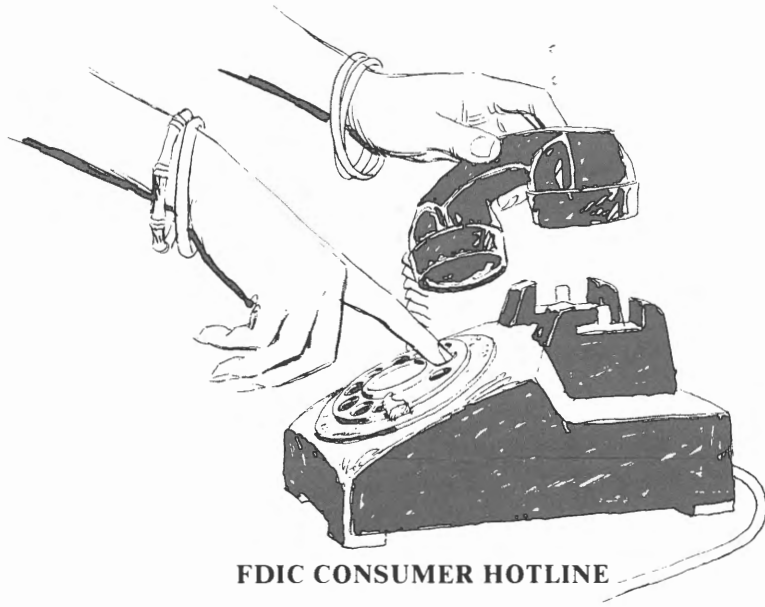
Cuando usted llene el formulario de solicitud del préstamo hipotecario, el prestamista puede preguntarle la siguiente información:

- información acerca de la vivienda (precio, edad, localización, etc.)
- datos personales: nombre(s) de solicitante(s), dirección, estado civil, número de dependientes, edad, etc.
- historial de empleo e ingreso
- cantidad en activo (automóvil, cuenta de ahorros, etc.)
- deudas que usted ha contraído (tarjetas de crédito, préstamos corrientes y pagos a plazos, etc.)
- referencias de crédito (bancos, tarjetas de crédito etc.)

Es importante que usted tenga un historial de crédito favorable. Usted no tendrá dificultad en obtener un préstamo si la evaluación de crédito muestra que usted paga sus deudas a su debido tiempo y no tiene gravamen sobresaliente en su automóvil u otra propiedad. Un prestamista puede negarle un préstamo hipotecario si tiene un historial de crédito negativo o tiene muchas deudas.

Es mejor conocer en adelantado lo que los prestamistas encontrarán cuando verifiquen su expediente de crédito. Si usted no conoce esta información, verifique con su agencia de información de crédito local. Si la información que contiene su expediente de crédito es incorrecta, usted puede aclarar cualquier error antes de solicitar para un préstamo hipotecario. En el futuro esto puede ahorrarle tiempo y problemas.

Questions From Bank Customers



FDIC CONSUMER HOTLINE

— 800-424-5488 —

- Q: Can the bank charge a penalty if a consumer pays off his loan early?
- A: This depends on the loan contract between the bank and the consumer. Also, individual state law may limit the prepayment penalty that a bank may assess. The Truth in Lending Act requires specific disclosures of prepayment penalties for consumer loans.
- Q: Is there a limit on the service charge a bank can assess for an overdrawn checking account?
- A: No. This is a matter of bank policy and is determined by the management of the individual bank.
- Q: Can a bank require the social security number of a person depositing funds into a corporation account?
- A: According to Treasury Department instructions, if the person has a financial interest in the account, he will have to provide his social security number to the bank. Normally, a corporation has an IRS employer identification number which is provided to financial institutions.
- Q: What are mutual savings banks and who regulates them?
- A: Mutual savings banks are called "thrifts" and are very similar to savings and loans. They are owned by their depositors and are located mostly in New England, New Jersey and New York; 323 of them are regulated and insured by FDIC.

What To Do If You Are Denied a Loan (Cont. from page 1.)

age to contract for debt), or because all or part of the applicant's income derives from any public assistance program, or that the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

If you believe that the bank, in denying your credit request, has discriminated against you, you may file a complaint with the federal agency listed on the written notice of credit denial.

If you decide to submit a complaint, send a copy of the written notice of the credit denial, a copy of the loan application (if available), and a short letter explaining why you believe the lender may have discriminated against

you. Be sure to include the name of the loan officer that was involved in processing your application.

When the supervisory agency receives your complaint, it will conduct an investigation. This investigation may include requesting documentation from the bank and/or an on-site investigation to determine the bank's lending practices. After completing the investigation, the agency will send you its conclusions including a statement as to whether in the agency's opinion, the bank has violated any federal law, rule or regulation. If the agency fails to find sufficient evidence of discrimination, you may still initiate civil action

through the courts by contacting an attorney, if you still believe you have been discriminated against by that financial institution.

Before you initiate court action keep in mind that the federal supervisory agencies do not dictate bank policy. If the bank denies you a loan for valid reasons; i.e., poor credit history, unstable employment (changing jobs too often), or an insufficient down payment to be applied to a loan, the bank is only following its policy. If you still believe you are being discriminated against, pursue the matter with your attorney.

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