FDIC consumer news

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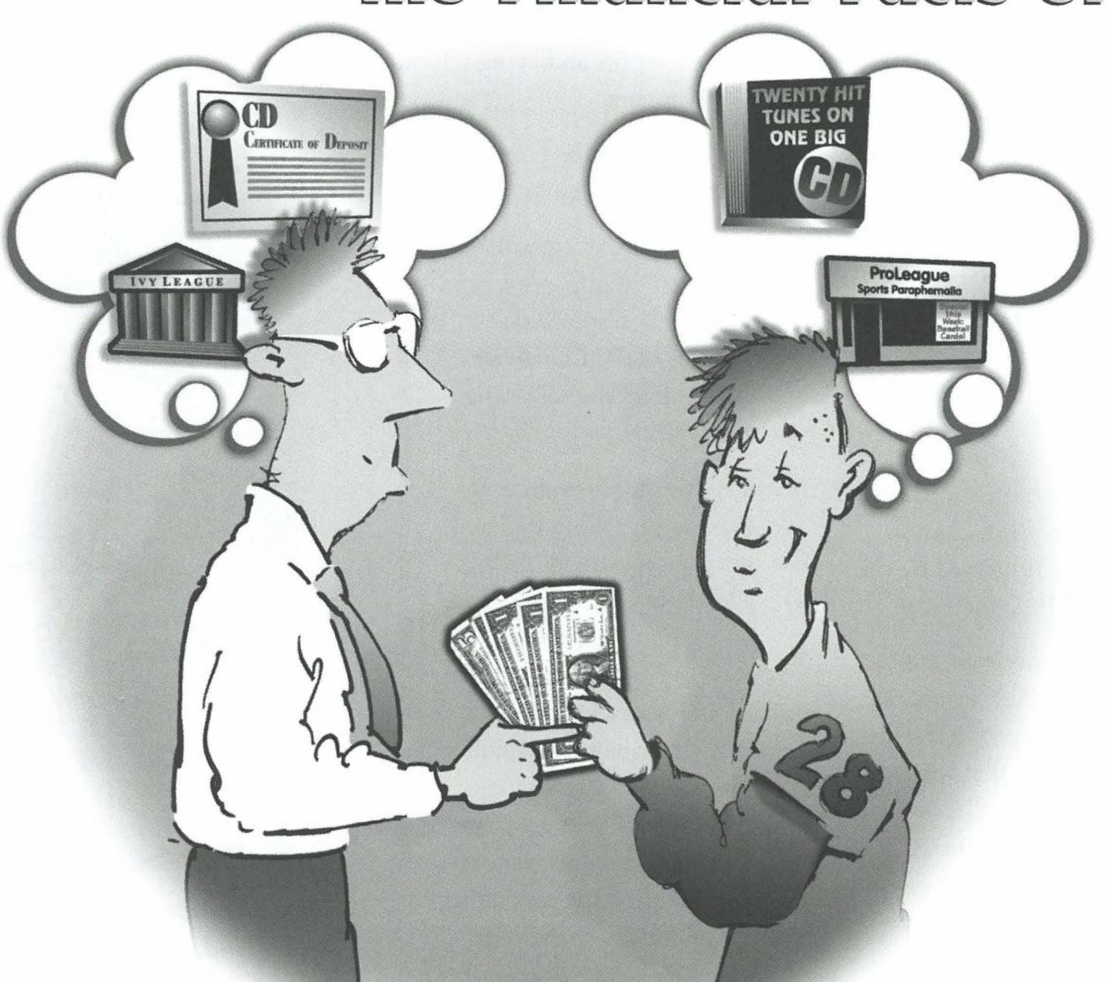
Inside:

Teaching Kids the Financial Facts of Life



Cover Illustration: T.W.Ballard

A guide to raising financially responsible and generous children

Teaching Kids the Financial Facts of Life

A guide to raising financially responsible and generous children

We try to teach our kids to be street-smart, musical, athletic and even computer-literate. But teaching them the value of money can be more difficult than getting them to clean their rooms.

Consider this: 1,509 high school seniors from around the country recently took a 40-minute exam to test their knowledge of basic money management. They answered only 57 percent of the questions correctly — "a failing grade," says the Jump$tart Coalition for Personal Financial Literacy, the Washington-based partnership of federal agencies, universities and non-profit associations that sponsored the exam. More than half of the students, for example, incorrectly said that a bank certificate of deposit is not protected by the federal government against loss. (You, and they, should know that bank CDs are protected by the FDIC up to the $100,000 limit.)

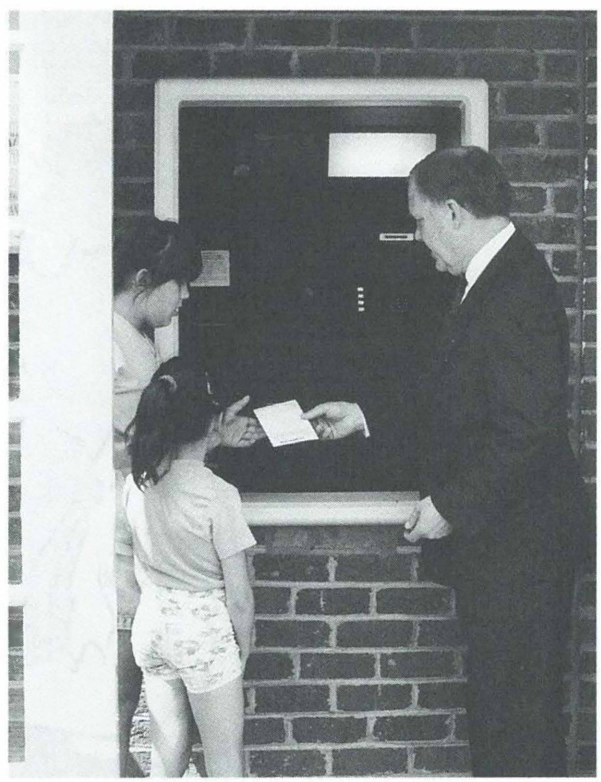
Given that adult Americans are saving too little of their paychecks and declaring bankruptcy in record numbers, it's essential that the next generation of consumers be better prepared to face their financial future. You know the importance of teaching kids "the three Rs" — reading, 'riting and 'rithmetic. But experts who specialize in money matters for children generally agree on the need to teach them "the three Ss:"

- **Saving**. Putting some of their money aside so it's there to protect them in the future.
- **Spending wisely**. Living within their means and being educated consumers.
- **Sharing**. Being generous and charitable.

To help parents, guardians and even grandparents raise financially responsible people, ***FDIC Consumer News*** offers the following suggestions:

1. Give an allowance. If used as a teaching tool and not a giveaway, an allowance can be one of the best ways to teach kids, even as young as five or six, about money, taking pride in their management skills, and becoming more charitable. There are many different ways to structure an allowance and, of course, each family has to decide what's right for them (in terms of how much allowance to give, what kinds of things the child should start paying for, and so on). Here's one possibility, based on the advice of experts:

First, consider basing the amount of the allowance on the child's age — perhaps $1 per week for every year. Give the allowance money each week in small bills or coins that can be



Collicchio/Crawley, FDIC

Children are more impressed when they can see and hear what you're doing at the bank to manage your money.

apportioned into three clearly marked envelopes or containers — one for each of the three Ss. Decide in advance that a set amount, perhaps 50 percent, should go into savings for almost any reasonable purpose. This reinforces the concept of "paying yourself first," which means automatically saving some money before being tempted to spend it. Maybe another 25 percent of the allowance would go in the spending pile, for use as "pocket money" throughout the week. The remaining 25 percent would be for sharing — for charity and other forms of generosity, including birthday or holiday gifts for loved ones. The parent still is responsible for the basic necessities, such as food and clothing, but the child now starts paying for various "luxury" items, whether they're $1 candy bars or $100 sneakers.

This kind of arrangement encourages children to become educated savers and consumers and to learn from their mistakes. "If kids have to come up with $50 or more for a pair of shoes that will be out-grown or out of style in six months, they'll think twice about buying the next pair," says author and Kiplinger's Personal Finance Magazine senior editor Janet Bodnar, who advises parents about kids and money.

Teach the "three Ss": Saving, Spending wisely, and Sharing...

2. Help your child start a savings or investment account. The old piggy bank still can be a fun way to introduce little ones to the concepts of saving and managing money. But at around age eight, your child may want to open a small savings account and begin learning what banking's all about, from filling out deposit slips to reviewing statements. At this age or a little older, a kid may even be ready to buy a few shares in a mutual fund or individual stock (although remember that these are investments that carry risks, including the possible loss of principal). You may also want to consider rewarding your child for sticking to a savings plan by matching or adding to the child's contributions. The idea here isn't for your child to make an immediate fortune (although that'd be nice). Instead, you're trying to provide a hands-on education in making financial decisions and monitoring the results (especially the mailings that bring news of interest payments and dividends). If this works, pretty soon your child may be reading the business section of the paper and not just the comics and sports.

How to get started? Consider one of the many savings programs for kids offered by banks and other financial institutions, although almost any no-frills, low-dollar deposit account will do. Think about helping your child invest a small amount in the stock of a company he or she knows and likes — perhaps a fast-food chain, a clothing manufacturer or an entertainment firm. Also check out mutual funds that cater to young investors by permitting small investments and focusing on kid-friendly companies. And if you're uncomfortable having your child make investment decisions with real money, consider picking stocks you can track using play-money and then working up to the real thing.

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FDIC Consumer News

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3. Encourage the right kinds of "child labor." Jobs can teach kids to be responsible and to enjoy earning and saving money. One way is to pay a child for extra work around the house — the kind you might hire someone else to do. This could mean cleaning the garage or babysitting a sibling on a Saturday night. Author and family finance expert Neale S. Godfrey encourages parents to maintain a list of non-urgent jobs a child can do. "Then when your offspring asks you for a second pair of designer sneakers or money to go ice skating with friends," she says, "refer to the list." Godfrey says this "overtime pay" helps everyone — it's extra income for the child and a time-saver for busy moms and dads.

One topic of debate is whether it's OK to pay for basic chores around the house, such as cleaning up the bedroom or taking care of the dog. "Some experts believe that paying for chores is a way to help children understand that if you want money you need to work for it," says Judith Cohart, director of education for the non-profit National Foundation for Consumer Credit in Silver Spring, MD. "But many others believe it's only reasonable to expect children to help out as members of the family. They also say an allowance is for teaching money management, not for bribes or punishment."

When it comes to jobs outside of the home, parents need to be especially careful. Example: An older teenager who has an after-school job for less than 10 hours a week may learn good business skills, earn some extra money and still have enough time for studies and socializing. But a teen working more than 20 hours a week could have problems keeping up in school and could be losing out when it comes to family and friends.

4. Play "show and tell" while you manage your own money. If you expect your kids to become responsible with their money, and

Ages and Stages of Money Management

*It's never too soon to teach kids money doesn't grow on trees. Here are suggestions from **FDIC Consumer News.***

Ages 3 to 7: Play games sorting, identifying or counting coins. A lemonade stand (or similar enterprise) can be a fun way to teach about money and entrepreneurship. Take your child along on shopping trips and explain what makes some items "too expensive" and others "good buys." At around age 5, begin giving an allowance the child can put into a piggy bank, wallet or other "safe" place. Allow the child to pick out and pay for certain small items in the store. Encourage generosity by having him or her buy or make gifts for loved ones and give money (coins) to charity.

Ages 8 to 12: Help your child open a small savings account or even invest in a mutual fund or individual stock. Consider rewarding your child for good savings habits by supplementing his or her own deposits or investments. Your child should start using allowance money to pay for certain unnecessary or expensive items he or she insists on having – from baseball cards to designer clothes. Your child also can earn extra money doing extra chores around the house, such as yard work. Involve your child in family discussions about money. Have him or her help you mail bill payments and charitable donations, scan the newspaper for sales, etc. Encourage your child to make or buy affordable gifts for loved ones and to give time or money to charitable causes.

Ages 13 to 17: Your child can begin making money outside of the home, either after school or in the summer, provided the work doesn't interfere with schoolwork or socializing. Perhaps the best way to start is with odd jobs for friends and neighbors (babysitting, lawn mowing) as opposed to working for an actual business. For younger teens, an hour or two during the school week is enough to give a sense of accomplishment and responsibility (plus income). For older teens, 10 hours a week should be the maximum. Your child's allowance money and income from odd jobs can be used to pay for more of his or her non-essential expenses (dates, movies, concert tickets, gas money). The emphasis should be on learning about the working world and responsibility, not making thousands of dollars a year in outside income. Summer jobs also offer income and educational opportunities. Encourage your child to put more money into savings and investments, to learn more about finances and consumer rights, and to participate in school investment clubs or other finance-oriented activities with friends. If your child is college-bound, make sure he or she understands the importance of "spending within your means," being careful with borrowed money, and the need to continue saving and investing. Continue encouraging him or her to give time and money to charity and to make or buy gifts for loved ones.

yours, you have to practice what you preach. Serve as a good example of what it means to save, spend wisely and share with others. You'll make more of an impression on your children if they can see and hear what you're doing to manage your money. Here are a few suggestions.

Around town: Take your child to the bank, visit different departments (be sure to include a stop by the big, shiny vault), and even explain a bit about how money deposited in insured accounts is protected by the government against loss. Take your child along as you shop for the best values in everything from clothes to cars. Volunteer together on behalf of a local charity and show that helping others is important and meaningful. Dianne Dodson, a Los Angeles-based bank examiner for the FDIC's Division of Compliance and Consumer Affairs, also suggests that when you use your credit card you also use it as a teaching tool. "Credit and charge cards are probably the most recognized forms of credit to young people," says Dodson, who recently won a local volunteerism award for teaching inner city youth about financial responsibility. "Parents can explain that credit provides a way to buy now and pay later. But they should also explain that it's important to pay your credit card bill — and all your bills — on time, or you can face interest charges or even be denied credit in the future."

Around the house: Let your child perform simple tasks associated with preparing deposits or investments, paying bills or balancing the checkbook. He or she also can help you clip coupons or check the sales advertised in the newspaper. Have family discussions about where to go on the next family vacation, how much it might cost, and what needs to be done to afford it. If you have a problem with a product or service, your child can help you send off a

continued on next page

Parental Advice: Readers' Tips for Teaching Kids the Value of a Dollar

My husband and I weren't too keen on the idea of just handing out an allowance to our two grade-school children, so we developed a list of paid chores that went over and above normal household duties, and we started giving them money for their birthdays. Also, to encourage saving instead of spending, we match every dollar our children put into their bank accounts up to $100 a year. *(Morrow, OH)*

We opened mutual fund investments for our grandchildren. Several of them are now very interested in careers in investments or banking. I also copy every news item I believe may be of interest to them and I help those who appear interested search the newspaper for daily prices, etc. *(St. Louis, MO)*

We held our kids to a budget, and they had input into what was purchased. If they wanted brand-name jeans, they wouldn't get expensive shoes, too. Then I didn't feel guilty... it was their choice, and because I was working long hours I knew I was doing my share. *(Medford, OR)*

My wife and I try to explain our choices in terms of allocating fixed resources. When my children ask questions like, "Why can't WE have a boat like our neighbors?," I answer, "We have chosen to buy a nice house, good clothes, toys for you, and to save money for emergencies rather than spending our money on a boat." The kids don't like the answer, but it instills the sense of choice-making when it comes to money management. *(Sacramento, CA)*

As teenagers, my children thought little about the cost of anything if someone else paid for it. Their father bought them a case of the top brand of baseballs. When a ball ended up in the woods, they would not bother to retrieve it. When no balls were left, however, they expected a replacement, which was not forthcoming. They pooled their money to buy a new ball, and I can assure you that it was treated like gold. The same held true for cars, stereos, etc. When their earnings were used to buy things, waste and damage decreased considerably. *(Yonkers, NY)*

Our youngest daughter, who is now 11, gets an allowance and has envelopes for church, saving, clothes, fun and miscellaneous. She also loves to fill out checks for us. It teaches her how to handle a checkbook and also improves her math skills. *(Buffalo, MO)*

I started a bank account for each of our children when they were infants. I let them make deposits (some were for 50 cents) and showed them the vault so they would know their money was very safe. We also gave our children a very modest allowance at about five years of age, mainly so they would understand money and value. *(Eastham, MA)*

From the time I was 13 years old I had some type of odd job earning my own money. I found out early in life that when you work for your money you value it that much more and also spend much more wisely. *(Columbus, TX)* complaint letter to a company or consumer protection agency. Discuss your charitable contributions and ask your child to help you prepare them, even if just by stuffing checks into envelopes.

5. **Make learning about money fun and interesting**. We've already mentioned a few ways to stimulate a child's interests in saving, spending wisely and sharing money with others. Here are some more possibilities:

- Visit creative Internet sites (including the FDIC's "Learning Bank" described on the next page) that teach kids about money and advise parents on how to raise financially responsible kids. Also, several computer and Internet games let kids play and learn at the same time, such as by investing a hypothetical sum of money and monitoring the performance, even in competition with other children.
- Support programs in your community that help kids learn about money and business, either in school, on field trips to local banks and businesses, or through organizations that encourage kids to develop and market their own business ideas. Some schools and financial institutions even have special savings programs just for kids.
- Bring home fun and informative books, brochures and other materials available from local libraries, financial institutions and organizations such as those listed below. Consider buying or borrowing magazines for kids that feature stories about managing money.

Final Thoughts

One of the best things we can do for our children is to prepare them for life "on their own." Whether your kids are tots or teens, instill in them a sense of responsibility when it comes to managing money, working hard and being charitable. The time you devote to teaching the financial facts of life could be one of the most rewarding investments you ever make.

Sources of Smart Money Ideas for Kids

The following are some of the government agencies and non-profit organizations you might want to contact about the basics of money management for parents and kids. Don't forget about free information available from libraries, the Internet, financial institutions, credit card companies and industry trade associations.

The **Consumer Information Center** is a clearinghouse for free or low-cost booklets published by various federal agencies, many having to do with money matters. For a free catalog, write to Consumer Information Center, Pueblo, CO 81009, or call toll-free 888-878-3256. If you have access to the Internet, you can get the full text of the publications free (www.pueblo.gsa.gov).

The **Federal Deposit Insurance Corporation** has a variety of consumer publications in print and on the Internet (www.fdic.gov) explaining deposit insurance, equal credit opportunity and other topics. Our new Internet site for kids is described on the next page of this newsletter. The FDIC also answers questions from individual consumers. For addresses and phone numbers, see Page 15.

The **Federal Reserve Bank of New York** can send a catalog of free or low-cost publications and audiovisual materials issued by the Federal Reserve System nationwide. They include a series of comic books about money, saving and banking published by the New York Fed and free of charge (up to 35 copies). For the catalog, contact the Public Information Department, 33 Liberty Street, New York, New York 10045, call 212-720-6134 or e-mail pipubs@ny.frb.org. The New York Fed's Internet site also includes an "Econ Explorers Club" with educational projects for fifth and sixth graders.

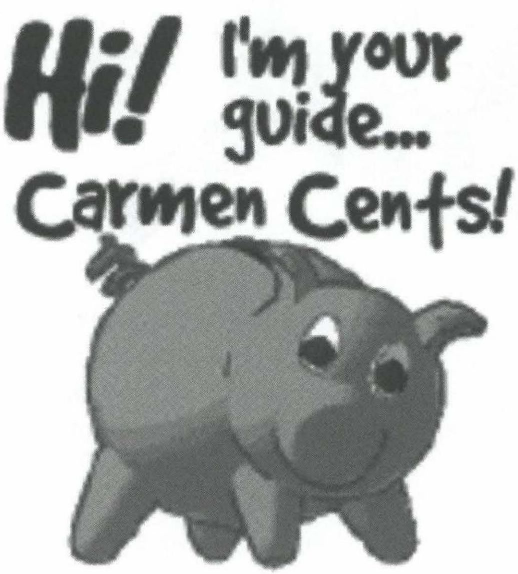
The **Jump$tart Coalition for Personal Financial Literacy** is a new organization of government agencies, universities, non-profit associations and others seeking to promote the teaching of personal finance to grade school and high school students. For more information, write to the coalition at 919 18th Street, NW, 3rd Floor, Washington, DC 20006, or visit its Internet site (www.jumpstartcoalition.org).

The non-profit **National Foundation for Consumer Credit** and its member agencies around the country have educational programs for kids and adults about the basics of buying, spending and borrowing. Its free newsletter "kids & money" also advises parents on teaching kids about money and credit. To contact your nearest NFCC office and request this newsletter or other information, call 800-388-2227 or visit its Internet site (www.nfcc.org).

This Little Piggy Goes Into Cyberspace

A look at the FDIC's new Internet site for kids, teachers and parents

We'd like to introduce you to one of your child's new teachers — Carmen Cents. We think she's doing an outstanding job teaching children around the world the basics about the FDIC and the American banking system. Carmen is actually a cute, bouncing pig — really a piggy-bank — featured in the FDIC's new Internet site for kids called the



"Learning Bank." The FDIC knows it isn't easy making banking, bank regulation or deposit insurance appealing to youth, but so far this educational site for students in kindergarten through grade-12 is a hit.

To find the Learning Bank on your computer, go to the FDIC's home page (www.fdic.gov) and click on the correct symbol (the little pig, of course). Once you're there, you'll find answers to common questions from kids (like "What is the FDIC?" and "What does a bank do with my money?"). History buffs will be able to trace key financial events going back to the 1700s. You'll also see neat pictures from olden days, including one of President Franklin Roosevelt signing the law that created the FDIC in 1933. Children and adults also will have a chance to e-mail questions and comments to the FDIC, and to link directly to the Internet sites of other government agencies.

We hope you'll get a chance to visit our Learning Bank soon. Until you do, here's a look at some of what it tells kids about how the FDIC and banks serve the American people.

"What is a Savings Account?: A savings account is where to put money you don't want to spend right away. A good thing about a savings account is that it makes it easy to save money, because you know it's safe, and you can get in the habit of bringing money, perhaps part of your allowance, to the bank each week. With regular deposits, and the interest you'll earn, it doesn't take long for savings to grow."

"What is a Checking Account?: A check is like a note that says: If you go to my bank (or have your bank go to my bank), they have my permission to give you this much money out of my bank account. You've probably seen your parents write checks at stores or at home to pay bills. Checks are especially useful when you have to mail money to someone, since mailing cash is risky because anybody could take the cash and use it. Only the person who the check is made out to can cash a check. If you write checks for more money than you have in your checking account, the bank will not pay them. This is called "bouncing a check," because your bank will "bounce" your check back to the person you wrote it to, instead of giving them money."

"What Does a Bank Do With My Money?: A bank collects money from people or businesses that want to keep their money in a safe place. The bank then lends this money to people or businesses that require additional money to meet their current or future needs. So, when you deposit money at your local bank, the money does not remain locked away in the bank vault. Instead, the bank lends your money to others in your local community. Whether it is to assist your parents in the purchase of your home or to help your neighbor start his own business, these loans benefit your entire community."

"What is the FDIC?: The FDIC's biggest job is insuring the savings of millions of Americans in all the FDIC insured banks across the country, even the savings of kids. The FDIC also visits banks on a regular basis to make sure they are following the rules they need to. For example, one rule banks have to follow is called the Equal Credit Opportunity Act. It says that a bank can't refuse to loan money to someone just because of his or her color, religion, national origin or for a number of other reasons."

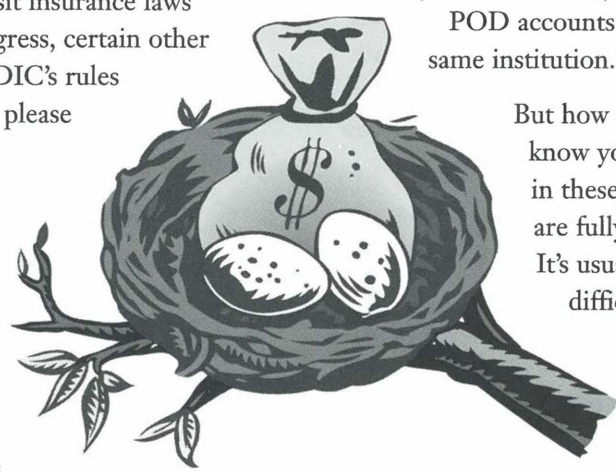
How the FDIC Protects Your Nest Egg

Do you know how your IRA, 401(k), pension or other retirement savings would be insured against loss if it were deposited in an FDIC-insured institution that later failed? The rules can be tricky, so here's an overview.

Thanks in part to laws that encourage Americans to work and save for their golden years, it's possible for you or someone you love to gradually accumulate a fairly large sum of money in various types of retirement accounts. The most common such account is the Individual Retirement Account, or "IRA." But you also may have retirement funds building in accounts established for you by an employer in connection with a pension or profit-sharing plan, or the increasingly popular "401(k)" plan. You know how important they are to your future. But do you know how these accounts would be insured against loss if they were deposited in an FDIC-insured bank or savings institution that later failed? The insurance rules governing retirement accounts and employee benefit plans can be tricky. That's why ***FDIC Consumer News*** offers the following overview as part of an ongoing look at how the FDIC insures different types of deposit accounts.

Here's the first thing to know: If you have deposits in employee benefit plan and retirement accounts at an FDIC-insured institution, this money is insured separately from your funds in other types of deposit accounts, such as individual, joint and payable-on-death ("POD") accounts. Let's say that at the same bank you have three accounts — a savings or checking account in your name, a joint account with another person and an IRA. Under the rules, each type of account would be insured separately from the others for up to $100,000, for a combined maximum of $300,000.

That's simple enough. However, because of deposit insurance laws enacted by Congress, certain other aspects of the FDIC's rules can be tricky, so please keep reading.



• **Employer-sponsored 401(k), pension or profit-sharing plans**. The rules governing deposits in these accounts at an FDIC-insured bank or thrift are a bit complex mainly because, by law, your insurance coverage depends on the amount of capital the institution had when the funds were deposited. Worth worrying about? Maybe...maybe not. This requirement applies mostly to very large accounts maintained by employers with many employees in

The FDIC is looking at how the insurance rules apply to the new Roth IRA...

the benefit plans. Also, these days, most banks and thrifts meet the capital requirements. Given this, *it's likely that your share in these accounts is covered for up to $100,000*, even if the account itself totals far more than $100,000. This is known as "pass-through" insurance, because the insurance "passes through" to each individual participant. As we said before, this coverage would be in addition to the FDIC insurance for your individual, joint and POD accounts at the same institution.

But how can you know your funds in these accounts are fully insured? It's usually too difficult for the average consumer to know whether an institution meets the criteria for pass-through insurance, so perhaps your best approach is to ask your employer's benefit plan administrator. In general, it's that person's responsibility to keep the funds in a well-capitalized institution and to maximize the insurance coverage for the benefit plan's participants.

• **Individual Retirement Accounts**. You now know your IRA money at a bank would be separately insured from other types of accounts there. But here again there are some significant distinctions based on the laws. First, in most cases, your IRA money in an insured bank or thrift also is insured to $100,000 separately from your employer-sponsored pension money at the same bank. This means if you have $100,000 on deposit in an IRA and $100,000 on deposit in a 401(k) account at the same bank, all of it is fully and separately insured. But if your

401(k) account or some other employer-sponsored pension money at the bank is "self-directed" — meaning you decide which bank or thrift should get the deposit — this money would be added to your IRA deposits at the same institution and insured up to a total of $100,000. This would apply primarily to self-directed "Keogh" plan accounts (similar to an IRA but for the self-employed) and 401(k) accounts.

And what about the insurance coverage of the new Roth IRA, which Congress created in 1997 and which will become effective in 1998? Many consumers are considering opening a Roth IRA because all earnings and withdrawals will be tax-free if the account is held for at least five years and you're at least 59 1/2 years old. The FDIC is still looking at how the current insurance rules apply to this new account. However, Joe DiNuzzo, an FDIC attorney in Washington who specializes in deposit insurance matters, says "it's likely that the Roth IRA would be considered under the traditional IRA category for deposit insurance purposes. This means if you have a traditional IRA and a Roth IRA at the same insured bank or thrift, the amounts in both accounts likely would be combined and insured in the aggregate to $100,000."

DiNuzzo says that the FDIC also is working on a legal opinion regarding the insurance coverage of the so-called "Education IRA," which is different from the traditional IRA in many respects because earnings used for college or certain other education expenses grow tax-free. When final decisions are made about the insurance coverage of the Roth and Education IRAs, ***FDIC Consumer News*** will report on them.

Final Thoughts

Periodic statements tell us how the value of our retirement accounts have changed. If some of these statements come from FDIC-insured institutions, check the bottom line to see how the account is doing, while keeping the $100,000 limit in mind. If you have less than $100,000 in retirement-related deposit accounts at banks and thrifts, you don't need to worry about the safety of these funds if the institution were to fail. But if you have more than $100,000 in retirement funds at one institution, consider putting the money into more than one institution. Even then, it would be a good idea to check up on your insurance coverage periodically. Among the reasons: If two institutions where you have money decide to merge, after a grace period your accounts could be combined for insurance purposes, resulting in some of your money exceeding the $100,000 insurance limit.

For more information, read the FDIC booklet "Your Insured Deposit," which is available free of charge from your local bank or thrift, the FDIC's Public Information Center (see the listing on Page 3) and on our Internet site (www.fdic.gov). If you still have questions about the coverage of your retirement funds or other deposits, call or write the FDIC's Division of Compliance and Consumer Affairs (see Page 15) for answers from one of our insurance specialists.

New Procedures to Address Customer Confusion Over Bank Names

In the spring 1997 issue of ***FDIC Consumer News***, we cautioned readers about some banks and thrifts operating branches and even Internet sites under a different "trade" name than the company's "legal" name. This situation may occur, for example, if a bank buys another institution but leaves the name unchanged in order to preserve name recognition in the community. We noted that while this practice isn't common, the FDIC and other federal regulators are concerned about customer confusion, including the possibility that a depositor might inadvertently exceed the $100,000 insurance limit by incorrectly believing money was placed in two different institutions.

Now, here's an update. The FDIC and the other federal regulators plan to announce soon new procedures for banks and thrifts to use if they operate branches, Internet sites or other facilities under different trade names. The interagency guidance includes suggestions that signs and advertising clearly indicate the connection between a particular facility and the bank or thrift that owns it.

Also, depositors opening new accounts should be asked to sign a statement acknowledging that a particular facility is part of another bank or thrift and that deposits held at each facility are not separately insured. For more information, contact Marc Goldstrom, an attorney in the FDIC's Legal Division (550 17th Street, NW, Washington, DC 20429, phone 202-898-8807).

Thanks But No Thanks

How to say "please leave me alone" to annoying offers of credit cards, insurance and other products or services, some of which may even be frauds

We all enjoy getting cheerful calls and encouraging letters...except when so many of them are unsolicited offers for everything from credit cards to cruises to charitable donations. For many consumers, there are good reasons to open "junk" mail or listen to a sales pitch over the phone. It's one way to shop from home or find out about potentially good deals on products or services, including a new loan, insurance policy or investment. But other consumers consider many of the unsolicited offers they receive to be an invasion of their privacy and a waste of time — a nuisance, not a new opportunity.

Even worse, many consumers have been victimized by mail, e-mail and telephone fraud. Examples: Crooks can steal unsolicited credit card applications from your mail or trash and use them to quietly obtain new credit cards...in your name. It's also possible that some of the unsolicited calls or mail you get from charities (asking for donations) or companies (offering goods, services and even prizes) may really be from swindlers interested only in your cash, check or valuable bank account information. Elsewhere in this newsletter we have warnings about up-front payment scams by phone, fax, mail and Internet (Page 13), and a brief note about mortgage refund frauds (Page 14).

Marketers have lots of ways to find out who you are, where you live, and how you're likely to spend your money. These include everything from simple searches of government records (which explains why you might hear from home improvement companies after you buy a house or from baby product firms after the birth of a child) to the purchase of highly sophisticated analyses of demographic information. You can't completely shut yourself off from marketers, but you can limit the amount of mail, Internet e-mails, calls and faxes you get from them — if you're so inclined. ***FDIC Consumer News*** offers these tips, based in part on some recent developments.

• Have your name removed from marketing lists that credit bureaus provide to creditors and insurers.

As we've previously reported, recent amendments to the Fair Credit Reporting Act give you the right to be excluded from many unsolicited, unwanted offers of credit or insurance. In general, you have two choices: call a credit bureau to remove your name for two years from marketing lists (called "pre-screening" lists) credit bureaus sell to creditors and insurers, or complete a written form that removes your name from these lists indefinitely. Just call any one of the following nationwide credit bureaus at these toll-free numbers specially established for "opting out" of marketing lists: Equifax at (888) 567-8688, Experian at (800) 353-0809, or Trans Union at either (800) 241-2858 or (800) 680-7293.

The new law has limitations. For example, it only enables you to remove your name from "pre-screening" mailing lists that credit bureaus sell to creditors and insurers. That means a creditor or insurer still can mail you an unsolicited offer if it obtains your name and address from a source other than a credit bureau.

But even when a law or regulation doesn't specifically authorize you to stop a company from sharing information about you with another marketer, many responsible firms will honor such a request. Industries also are turning to self-regulation to try to address certain concerns. For example, four major bank trade associations in September 1997 endorsed the principle that consumers should have the right to prevent a bank from sharing customer information with marketers not affiliated with that bank.

• Tell any unwanted telemarketers who call to put your number on their do-not-call list, as is your right under federal rules.

The Federal Trade Commission (FTC) and the Federal Communications Commission (FCC) have do-not-call rules. In general, if you instruct the person to stop phoning your home, the solicitor must keep a record of your request and comply with your wishes for 10 years. If the same organization contacts you again, you may want to complain to the FTC, the FCC or your state Attorney General. Under some state laws, you also may be able to file a lawsuit and even collect $500 or more in penalties. The federal do-not-call rules only apply to homes, not businesses, but some states have business-oriented versions.

For more help or information from the FTC, call (202) 326-3761 or (202) 326-2222, write to the FTC Consumer Response Center, Washington, DC 20580, or check the FTC's Internet site (www.ftc.gov). As for the FCC, you may call the Commission's Public Service Division at (202) 418-0200, write to 1919 M Street, NW, Washington, DC 20554, or look at the FCC's Internet site (www.fcc.gov). The FCC also has rules that ban unsolicited ads sent to fax machines. For details about state laws or rules, contact your state Attorney General or consumer affairs office, as listed in your phone book.

• Take advantage of Direct Marketing Association (DMA) programs that can help reduce unsolicited mail and calls.

The DMA is a professional association of 3,600 financial services firms, catalogue companies and other marketers. You can register with two free services from the DMA — one that tells marketers you don't want to receive their general mailings (letters to prospective customers) for five years, and the other that allows you to remove your name from phone call lists for five years. Agreeing with your wishes is now voluntary for DMA members, but recently the association decided to make compliance mandatory by July 1999.

To stop receiving unsolicited mail, write to: DMA Mail Preference Service, P.O. Box 9008, Farmingdale, NY 11735-9008. To stop receiving telemarketing calls, write to: DMA Telephone Preference Service, P.O. Box 9014, Farmingdale, NY 11735-9014. Even companies that aren't DMA members have access to these lists. If there are only certain DMA members you don't want to hear from or you don't want sharing information about you, call or write their customer service departments. Complying with those wishes also will become a requirement for DMA members in 1999. For more information, write to: DMA, 1111 19th Street, NW, Suite 1100, Washington, DC 20036, or visit its Internet site (www.the-dma.org).

Many consumers see opportunity in "junk" mail and calls... others see problems

• Don't give out personal information you wouldn't want shared with businesses, charities or strangers.

One of the best ways to keep your name from being added to marketing lists to begin with is to never give personal information to people or businesses who ask for it unless you know and approve of how that information will be used. Examples of personal information that can be especially valuable to marketers include your income, the products or stores you like, and how much you typically spend on purchases.

"Consumers, for example, should be wary of entering drawings, joining membership clubs at stores, providing information at certain Internet sites, or even including their income or other personal details on warranty cards for new products," says Alan Cox, a consumer affairs specialist also with the FDIC's Division of Compliance and Consumer Affairs. "Many consumers don't realize that these companies will turn around and sell or rent this information to other marketers."

And as we've reported many times, never tell anyone your Social Security number, credit card number, passwords, "PIN" (personal identification number) for your automated teller machine card or similar confidential information over the telephone unless you originate the call to someone you know is legitimate. Crooks can easily use this information to commit a fraud.

• Consider your options for stopping unwanted e-mail.

Advertisements delivered to personal computers and other unsolicited e-mail — commonly called "junk e-mail," "bulk e-mail" or even "spam" — are becoming extremely common. Why? "It's very cheap for advertisers to send millions of e-mail messages at one time, so some are inclined to do this irresponsibly," says Cynthia Bonnette, a technology expert in the FDIC's Division of Supervision in Washington. "While some of these messages are from legitimate marketers, many are not."

Several proposals are pending in Congress to address problems with unsolicited e-mail. Currently, however, your options are limited. Ask your Internet service provider about free or low-cost software that might be able to block some unsolicited e-mail. If you receive a suspicious e-mail or one from anyone else you don't want to have contact with again, one option is to e-mail back with a "please stop" request. However, that sometimes can lead to even more unsolicited e-mail. "My

continued next page

suggestion is to delete these messages and not even respond to them," says Angel Rivera, an Internet security specialist in the FDIC's Division of Information Resources Management. "Beware that some junk e-mailers want you to respond simply because that confirms the validity of your e-mail address, which can then be sold to others who will send you junk e-mail."

• **Contact the appropriate government agency if you have a problem with a marketer.**

Let's say a bank, thrift or credit union continues to send you credit card solicitations even after you asked it to stop. Or, you get a call from a bank about a great interest rate on a deposit but you don't know if the bank, or its offer, is legitimate. The FDIC and other banking regulators listed on Page 15 of this newsletter might be able to help solve the problem. The FDIC's Division of Compliance and Consumer Affairs in particular can tell you whether a bank or thrift is federally insured and can give you the name of the institution's primary regulator (which may or may not be the FDIC) if you want to pursue the matter.

"If a bank is violating a law that a regulatory agency is authorized to enforce, the regulator should take action to correct the problem," says Kathy Nagle, a senior consumer affairs specialist in the FDIC's Division of Compliance and Consumer Affairs, in Washington. "If there's no law governing a particular situation, or if the agency has no enforcement authority, sometimes there's nothing we can do, but sometimes we can bring the problem to the attention of the right person at the bank and help solve the problem that way."

If you've been the target of a scam or otherwise treated unfairly by a non-banking company, consider contacting the Federal Trade Commission, your local consumer protection agency or the state Attorney General's office. The FTC in particular is interested in finding out about deceptive or fraudulent schemes over the Internet. Also, for cases of fraud, you might also want to call the National Fraud Information Center (NFIC) at (800) 876-7060 or go to its Internet site at www.fraud.org. The NFIC is a project of the National Consumers League in Washington and it will forward reports of suspected crimes to federal and state authorities.

News Briefs

New Coins — Congress has agreed to give a new look to the dollar coin and the quarter, starting in 1999. A new dollar coin will replace the Susan B. Anthony coin, which was not produced after 1981 because it was so unpopular (primarily because it's too easily confused with a quarter). The new coin will be gold-colored and otherwise more distinctive. The primary reason to issue a coin is to save government printing costs because, with normal use, coins last about 30 years while dollar bills have to be replaced approximately every 18 months. The new dollar coin will not replace the dollar bill, however.

In addition, Congress approved a program that redesigns the reverse side of the quarter to honor each of the 50 states. Five states will be featured with new quarters each year, starting with Delaware, Pennsylvania, New Jersey, Georgia and Connecticut.

Free Publications — The Department of the Treasury has published a pamphlet with general guidance about a law that will require most federal payments (including Social Security and veterans' benefits) to be made electronically instead of by check starting in 1999. Although the Treasury still is developing the specifics of the payment program (including who can qualify to continue receiving benefit checks in the mail), the Treasury published the pamphlet to help consumers prepare for the new system. For a copy of the pamphlet, available in English and Spanish, call (202) 874-6540, write to the Treasury's Financial Management Service, 401 14th Street, SW, Room 318, Washington, DC 20227, or read the pamphlet on the Internet (www.fms.treas.gov/eft).

The Federal Reserve Board has published a new brochure to educate consumers about their rights when leasing a car instead of buying one. The brochure, "Keys to Vehicle Leasing," describes new rules governing the information that leasing companies must provide consumers as of January 1, 1998. The pamphlet also describes the differences between buying and leasing a vehicle, and defines key terms used in leasing arrangements. Copies are available free from the Federal Reserve Board's Publications Services, Mail Stop 127, Washington, DC 20551 (202-452-3244) or any of the 12 regional Federal Reserve Banks. The pamphlet also is available on the Board's Internet site at www.bog.frb.fed.us/pubs/leasing.

Just Send Money? Just Say No

Look before you leap at offers that require you to send money up-front. Chances are you could be paying something for nothing.

You've won a free trip to the Caribbean! Sound familiar? You've probably gotten this or similar offers over the phone or fax, through the mail or the Internet. If you think they're great deals, you're right — but probably not for you. They often just benefit swindlers who pressure consumers into sending money up-front for promises of goods or services that'll never be delivered. These solicitations sometimes are referred to as advance-fee schemes, and they cost consumers billions of dollars each year. ***FDIC Consumer News*** wants to highlight some of the more common scams.

• **You've won a prize or vacation.** Many schemes will require that you pay handling fees or taxes, or purchase expensive merchandise, in order to receive your "prize." You can be assured that the amount of money you send will exceed the value of the prize. Besides, does it make sense to have to pay for a "free" prize?

Thoroughly research offers of cut-rate vacation packages, especially if they require a "membership fee." Chances are you'll encounter scheduling conflicts, unreliable transportation, substandard accommodations and other troubles on your trip. Of course, it's also possible that the company will simply take your fee and provide you with nothing at all.

Some deals sound great, and they are — but probably not for you. They often just benefit swindlers...

• **You've got credit problems but you're "guaranteed" a loan or a credit card for a fee.** Reputable lenders will never guarantee a loan to people with no credit history or bad credit reports (caused by bankruptcy, a spotty payment record or other circumstances). Yes, legitimate lenders do commonly charge an application fee to cover the costs of processing a loan application, but they won't guarantee approval. Swindlers who do "guarantee" your loan or credit card approval typically collect your money up-front in exchange for nothing at all or for basic services you could do on your own, such as gathering lists of lenders or information about loans.

Remember: If you've had past credit problems and you want another chance for a credit card, consider a "secured" credit card offered by banks or other creditors. A secured card is just like any other credit card except that your credit limit is tied to some percentage of the amount you must keep in a deposit account, as determined by the card issuer. If your repayment history looks good after a year or so, then you can try to obtain a regular, unsecured card. But be wary; some card issuers may require you to purchase items from their catalog, which may consist of overpriced or shoddy merchandise. And always read and understand the terms before you sign up for any type of credit card.

• **You can "clean up" your credit record for a fee.** Never send money to someone making this claim. By law, there is nothing these companies

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Danger Signs of Advance-Fee Schemes

Be alert if someone:

• Offers a tremendous deal or other assistance from an unfamiliar company, often without a street address or direct telephone line.

• Insists on cash, check, your credit card or bank account number before you receive goods or services.

• Makes a lot of promises you can't understand or that sound too good to be true. Boasts of "inside information" but is secretive about it.

• Pressures you for an immediate decision and won't take no for an answer.

• Offers to go to great lengths to collect your money.

If you have suspicions, contact the Better Business Bureau, your state government's attorney general or consumer protection office, or the National Fraud Information Center at (800) 876-7060.

can do to remove negative but accurate information from your credit record for a set period, such as 10 years in the case of a bankruptcy. Only you can improve your credit report by consistently paying your obligations as agreed.

Con artists also may try to convince you to "create a new identity" (perhaps by getting a new Social Security number or tax identification number) when applying for a new loan. Don't do it, because it's illegal to misrepresent your credit history when applying for a loan.

• **You're guaranteed "easy money" in business opportunities, including big bucks for working at home.** According to the Federal Trade Commission, these scams typically originate with slick, program-length TV commercials (called "infomercials"), newspaper ads, Internet sites or other sources. But to take advantage of an offer, you'll have to pay up-front fees and purchase a variety of materials (books, video, computer software), all costing as much as several thousand dollars. "Later you, like many others, may find that the program or business opportunity was essentially worthless and that all you have are empty promises," says the FTC.

• **You're offered a lucrative opportunity from Nigeria.** Although the FDIC and other authorities have been warning consumers about Nigeria-based financial scams for years, Americans and others around the world continue to lose millions of dollars to this fraud.

Here's a typical scenario: You receive a letter or fax from someone claiming to be a Nigerian government official or business executive who needs help transferring millions of dollars out of the country. Told that Nigerian law prohibits the ownership of a foreign bank account, you're asked for the temporary use of your bank account and some up-front money (supposedly to cover various taxes and fees) in exchange for, say, 30 percent of the funds supposedly being transferred. In reality, the swindlers keep the money you send and use the bank account information to drain even more money. Some victims of this scheme have even lost their lives trying to recover their money in Nigeria.

Protecting Yourself

So, how can you best avoid losing money in the kinds of scams we've described? Here's guidance from Pete Hirsch, a fraud examiner with the FDIC's Division of Supervision in Washington.

First, be very skeptical whenever you receive an unsolicited offer for a "tremendous" deal from an unfamiliar company. "Never send money in advance or give out personal information, such as bank account, credit card or Social Security numbers, unless you've verified the legitimacy of the company and you initiated the contact," Hirsch says.

See our list of danger signs on Page 13. If you have suspicions about a company, check it out by starting with your local Better Business Bureau or your state's attorney general or consumer protection agency.

If you think you've already been victimized, contact the National Fraud Information Center (call 800-876-7060 or visit its Internet site at www.fraud.org). Be aware that fraud victims also may be sought out by other con artists who claim to be able to help you...for a fee, of course. And finally, remember the old saying: If a deal appears too good to be true, it probably is!

Agencies Warn of FHA Insurance Scam

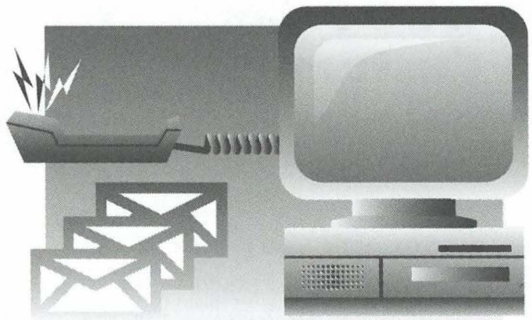
Authorities are warning consumers to beware of "tracers" — people or companies who send letters or Internet e-mails to consumers offering to help recover money from the Federal Housing Administration (FHA) for a hefty fee.

The U.S. Department of Housing and Urban Development (HUD) is looking for 100,000 homeowners owed $70 million in FHA insurance refunds. However, HUD and the Federal Trade Commission (FTC) are cracking down on tracers who falsely claim an affiliation with the government and offer to collect refunds for a fee. "You don't need to hire someone to collect your money," says HUD spokesman Victor Lambert. "You can obtain your refund directly from HUD for free."

To find out if you're eligible for an FHA refund, call toll-free at 800-697-6967, write to HUD at P.O. Box 23699, Washington, DC 20026-3699, or search HUD's Internet database (www.hud.gov/wsrefund/html/page1.htm). Also contact HUD or the FTC (see Page 11) if you think you've been victimized by a tracer. The agencies say it's permissible for tracers to be paid a fee for their service, but it's illegal to tell a homeowner he or she must pay the tracer a fee to get a refund.

For More Information

For questions about consumer or civil rights laws, or complaints involving a specific institution: First attempt to resolve the matter with the institution. If you still need assistance, write to the institution's primary regulator listed on this page. Although the FDIC insures nearly all banks and savings associations in the United States, the FDIC may not be the primary regulator of a particular institution. The regulators enforce consumer protection and civil rights laws, including prohibitions against discriminatory lending practices; initiatives to prevent unfair or deceptive practices in deposit–taking or lending; and rules that encourage institutions to meet local credit needs.



For questions about deposit insurance coverage: The FDIC offers protection to consumers by insuring deposits up to $100,000 at federally insured banks and savings associations. For more information, contact the FDIC's Division of Compliance and Consumer Affairs listed below. The National Credit Union Administration insures deposits up to $100,000 at federally insured credit unions and can be contacted at the address below.

Federal Deposit Insurance Corporation

Federal Deposit Insurance Corporation
Supervises state-chartered banks that are not members of the Federal Reserve System. Insures deposits at banks and savings associations.

FDIC
550 17th Street, NW
Washington, DC 20429

Home Page: www.fdic.gov

For information about consumer protections, including deposit insurance:

FDIC Division of Compliance and Consumer Affairs
550 17th Street, NW
Washington, DC 20429

Phone: (800) 934-3342 or (202) 942-3100

Fax:(202) 942-3427 or (202) 942-3098

E-mail: consumer@fdic.gov

For questions, concerns or complaints about the Federal Deposit Insurance Corporation:

FDIC Office of the Ombudsman
550 17th Street, NW
Washington, DC 20429

Phone: (800) 250-9286 or (202) 942-3500

Fax: (202) 942-3040 or (202) 942-3041

E-mail: ombudsman@fdic.gov

Other Key Regulators

Office of the Comptroller of the Currency
Charters and supervises national banks. (The word "National" appears in the name of a national bank, or the initials "N. A." follow its name.)

Customer Assistance Unit
Mail Stop 3–9
Washington, DC 20219

Phone: (800) 613-6743

Home Page: www.occ.treas.gov

E-mail: consumer.complaint@occ.treas.gov

Federal Reserve System
Supervises state-chartered banks that are members of the Federal Reserve System.

Division of Consumer and Community Affairs
20th St. and Constitution Avenue, NW
Washington, DC 20551

Phone: (202) 452-3693

Fax: (202) 728-5850

Home Page: www.bog.frb.fed.us

National Credit Union Administration
Charters and supervises federal credit unions. Insures deposits at federal credit unions and many state credit unions.

Office of Public and Congressional Affairs
1775 Duke Street
Alexandria, VA 22314

Phone: (703) 518-6330

Fax: (703) 518-6409

Home Page: www.ncua.gov

E-mail: pacamail@ncua.gov

Office of Thrift Supervision
Supervises federally and state-chartered savings associations plus federally chartered savings banks. (The names generally identify them as savings and loan associations, savings associations or savings banks. Federally chartered savings associations have the word "Federal" or the initials "FSB" or "FA" in their names.)

Consumer Affairs Office
1700 G Street, NW
Washington, DC 20552

Phone: (800) 842-6929 or (202) 906-6237

Home Page: www.access.gpo.gov/ots

E-mail: consumer.complaint@ots.treas.gov

Some banking matters may involve state laws. For assistance, contact the appropriate state financial institution regulatory agency or state Attorney General listed in your telephone book and other directories.

Keeping the Year 2000 Computer "Bug" From Biting Bank Customers

The FDIC is working to minimize disruptions and confusion caused by the Y2K computer problem. We want to understand and address your concerns.

You've probably read or heard about the "Year 2000" or "Y2K" problem. It has to do with the fact that many computer systems record calendar years as two-digit, not four-digit, numbers. This means that on January 1, 2000, certain computers may incorrectly read this date as January 1, 1900. This glitch alone may cause malfunctions in a variety of important services run with the help of computers — from transportation to communications to banking.

The FDIC wants you to know that we and other financial institution regulators are working hard to ensure that depository institutions are minimizing the potential for disruptions in service caused by the Year 2000 problem. Phil Battey, the FDIC's communications director in Washington, adds that if a bank fails because of Year 2000 problems, "the public can rest assured that we will be there to protect the insured depositors, just as we have been there for the last 65 years." The FDIC also is testing and modifying its own computers so that they'll be ready to continue supporting the agency's efforts on behalf of consumers and financial institutions come January 1, 2000.

During the next two years, the FDIC will be using various approaches to educate bank customers about the Y2K situation, including additional coverage in ***FDIC Consumer News.*** But you can help the FDIC better understand and address your concerns by giving us your comments and questions. Please send them — by phone, fax, letter or e-mail — to the FDIC Division of Compliance and Consumer Affairs listed on Page 15 of this newsletter. And if you have suggestions for Year 2000-related stories for ***FDIC Consumer News***, please send them to the editor, Jay Rosenstein, at the addresses shown on Page 3.

FDIC
Federal Deposit Insurance Corporation
Washington, DC 20429-9990

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