FDIC Consumer News

Special 10th Anniversary Edition

Fall 2003

Tips You Can Bank On: An FDIC Guide to Being a Smarter, Safer Financial Consumer

Everyone can use some help managing their money. On the 10th anniversary of our newsletter, we offer a collection of simple, common-sense strategies for saving and shopping for your family's financial needs.

To quote a popular bumper-sticker, "If you think education is expensive, try ignorance."

We at the Federal Deposit Insurance Corporation believe there is a lot of truth in that statement, because when it comes to your money, what you don't know *can* hurt you.

"Financial education is the consumer's first line of defense against fraud, abuse, and mismanagement of their finances," says Donna Gambrell, Deputy Director of the Division of Supervision and Consumer Protection at the FDIC.

INSIDE

The more people know about saving and managing their money, Gambrell adds, the more likely they are to become financially independent, own their own home, steer clear of scams, and shop wisely for goods and services.

The FDIC is doing its part to help consumers learn about their rights, responsibilities and options in today's financial marketplace. Our services include a toll-free consumer hotline (877-275-3342), a Web site (www.fdic.gov) offering quick and easy access to useful consumer information, and a financial literacy program called "Money Smart" that educators use to teach money management skills to people who've had little or no experience with bank accounts. And exactly 10 years ago, the FDIC did something unusual for a government agency — we started a consumer newsletter.

continued on next page

continued from previous page

The goal of ***FDIC Consumer News*** is to deliver timely, reliable and innovative tips and information, in plain English and free of charge, to help people protect and stretch their hard-earned money. We know from the results — including media coverage of our topics and suggestions and the many letters we receive from consumers — that our newsletter is making a difference.

In recognition of the 10th anniversary of ***FDIC Consumer News***, we have issued this special report. It's a collection of some of the more popular articles from previous editions — condensed and updated to help you save and shop for your family's short-term financial needs and long-term security.

Everyone can use some help managing their money... and helping to ensure your financial future is what the FDIC is all about. So, let's get started!

A Note to Readers

This special report consists of abridged and updated versions of some of the more popular articles that previously appeared in *FDIC Consumer News*. To read the original article for more tips and information, see the back page for details.

How to Be More at Home with Your Bank

You're not married to your bank. But you can enjoy a nicer long-term relationship using these tips for getting attractive interest rates, low fees and solid service.

Chances are you're pretty satisfied with your bank. But as with any business transaction, there's always something you can do differently or better... and perhaps save some time and money.

Ask yourself, and your bank, if you're getting the best deal. About once a year, talk to a customer service representative at your bank to make sure you're signed up for the right programs to meet your needs. Every three or four years (if not more often), comparison-shop to see if you can do significantly better at another bank.

Make sure your funds are fully protected. The FDIC protects bank and savings association depositors to at least $100,000 at each institution. But depending on how your accounts are structured, you can be insured for more than that. (For more information about FDIC insurance, see the articles beginning on Page 6.)

Simplify your life. Your bank can arrange for the direct deposit of your pay and benefit checks and other regular income. You also can have your bank automatically make some of your regular payments, such as your mortgage and utility bills. Also think about doing your banking from home by phone or computer. (See Page 4 for more about long-distance banking.)

Don't be afraid to ask for a break. Depending on the circumstances, your bank might be willing to reduce or waive a fee or penalty. If you're having problems repaying your loan, your banker may agree to temporary or permanent reductions in your loan interest rate, monthly payment or other charges.

Read your monthly statements. Review your bank statements, credit card bills and other mailings from your bank as soon as possible after they arrive to make sure there are no unauthorized charges or other problems. Also, your bank may tuck into the envelope notices about new fees or penalties for certain accounts. If you're not aware of the changes, you could end up paying more for your banking and not even realize it.

Read the fine print. Knowing the costs and requirements of an account before you sign on the dotted line can prevent a complaint or hassle later. Example: Be very clear about whether an attractive interest rate on a credit card or a deposit is just a short-term, introductory "teaser" rate that is good for just a short time.

Don't be afraid to complain. Your bank's managers probably would prefer you bring a problem to their attention so they're given a chance to fix it before you take your business elsewhere or tell all your friends about "that lousy bank." For more tips on how to resolve a dispute with your bank, see Page 5.

Excerpted from "How to Be More at Home with Your Bank," Summer 1998.

One-Stop Shopping for Financial Services: An Opportunity for the Informed Consumer

Many banking institutions have become financial supermarkets offering investments and insurance in addition to deposits. Here's how to understand the risks, including knowing what is or isn't FDIC-insured.

Regulatory changes in recent years have allowed FDIC-insured institutions to offer stocks, bonds, mutual funds, annuities, life insurance and other products not traditionally sold by banks. These products can be attractive alternatives to bank deposits because they often provide a higher rate of return. Unlike deposits, however, these other products are *not* FDIC-insured and, in some cases, could lose value.

"These new products can offer the potential for higher returns than traditional deposits, but consumers need to understand these products, especially the risks, before they make a purchase," says Kate Spears, an FDIC consumer affairs specialist.

Federal law is specific about what is covered by FDIC insurance if an insured banking institution were to fail. Coverage includes checking accounts, savings accounts and certificates of deposit (CDs). What's *not* insured by the FDIC includes stocks, bonds, mutual funds and annuities.

To minimize potential confusion, banks and savings institutions are required to clearly differentiate FDIC-insured deposits from uninsured investments, both in sales practices and advertisements. For example, when offering or advertising an investment product, FDIC-insured institutions must indicate that the investment is not FDIC-insured, is not guaranteed by the bank or savings institution, and is subject to investment risk, including the possible loss of principal.

Excerpted from "One-Stop Shopping for Financial Services: A Window of Opportunity for the Informed Consumer," Spring 2001.

Extra Tip on... Throwing Away Old Bank Records

You know that bank records, such as statements, credit card bills and canceled checks, can come in handy. But you may be saving some too long and others not long enough. It's important for you, perhaps after talking with your accountant or attorney, to develop a plan for managing all this paperwork. Example: Canceled checks with no long-term significance for tax or other purposes probably can be destroyed after about a year, but those that support tax returns, such as charitable contributions or tax payments, probably should be held for at least seven years.

Excerpted from "Your Bank Records: What to Keep, What to Toss, and When," Fall 2002.

You *Can* Pay Less in Bank Fees

You can't expect something for nothing. After all, banks are for-profit businesses, subject to taxes and the demands of stockholders. Still, there are things you can do to limit the fees you pay. Examples:

• Review your monthly mailings and see how much you're paying in fees. Ask your banker about ways to reduce or eliminate those charges.

• Compare your bank's costs to those of a few competitors every few years. You may find a great bargain elsewhere or discover a better deal at your current bank. When comparison-shopping, concentrate on the accounts and services you actually use. Don't be concerned about analyzing every product or fee you see listed.

• Look into special deals, such as for customers who have multiple accounts at the bank, maintain a certain balance, arrange for direct deposit, or do a lot of banking electronically.

• Limit or avoid "surcharges" (access fees) at the ATM by using your own bank's machines or those owned by institutions that don't charge fees to non-customers.

• If you're a good customer with a clean record, ask if your banker might be willing to refund a fee for a late payment, a bounced check or some similar offense. You also might be able to get a lower interest rate on a credit card or other loan.

Excerpted from "You Can't Expect Something for Nothing... But Often You Can Pay Less in Bank Fees," Summer 1998.

Long-Distance Banking: Your Rights and Risks

Answers to questions about Internet banks and other institutions without a local office

What are the potential advantages of banking long-distance?

Banks that rely heavily on the Internet, toll-free call centers and other low-cost ways to serve customers nationwide may be able to pay higher returns on deposits or charge lower rates on loans. Michael Benardo, manager of the FDIC's electronic banking section, adds that banking over the Web, in particular, offers convenience. "You can do your banking from home, 24 hours a day, seven days a week," he says.

What are the possible disadvantages?

You can't sit down with a bank employee face-to-face if you need to solve problems. You're likely to have to rely on the mail to make deposits and conduct other business. You'll have to use ATMs to get cash. Also, because some institutions that advertise in publications or on the Internet may turn out to be fraudulent, check with federal regulators (Page 15) before providing confidential information or sending money.

If I bank by telephone or the Internet, are my legal protections the same as when I bank in person?

Yes. In addition, you're protected by the Electronic Fund Transfer Act, which governs consumer rights involving errors in the handling of electronic deposits, payments or withdrawals, and limits on consumer liability for unauthorized transfers.

How are deposits at Internet banks insured?

The basic FDIC insurance amount applies to each separately chartered bank or savings association. If an Internet bank is a division of a traditional brick-and-mortar bank, not an independently chartered entity, deposits in both the Internet bank and the parent bank are combined for insurance purposes. Determining whether an Internet institution has its own charter can be complicated, so contact the FDIC (Page 15) if you have questions.

How can I be confident that my banking transactions over the Internet are secure?

Make sure the bank's Web site describes its security procedures. Most banks use "encryption" to scramble private information to prevent unauthorized access. Take your own precautions by protecting passwords and personal identification numbers (PINs). Also, never send a bank or anyone else an e-mail with personal information, such as your bank account, credit card or Social Security number, unless the e-mail is encrypted.

Excerpted from "Long-Distance Banking: A Guide to Your Rights and Risks," Spring 2002.

Shopping and Paying From Home Over the Internet... Do Your Homework First

The Internet lets you research products, comparison shop among hundreds of businesses, sign up for special deals, and pay for purchases 24 hours a day, seven days a week. But there also can be hazards, including identity theft, which happens when a criminal obtains personal information and uses it to commit fraud in someone else's name. Some suggestions:

Deal with a reputable company. "Practically anyone anywhere in the world can set up a Web site anonymously," says Michael Jackson, an Associate Director of the FDIC's Division of Supervision and Consumer Protection. "That increases the potential for fraud and other troubles." So, be suspicious if the merchant doesn't list a physical address or a phone number. Closely review the Web site's address (URL), especially if you are provided a link to that site in an unsolicited e-mail. Some con artists also try to lure consumers to fraudulent Web sites by using corporate names or Internet addresses that are similar to those of legitimate companies. Also contact a knowledgeable friend, your state's Attorney General's office (listed in your phone book or other directories) or the Better Business Bureau and ask about a merchant's reputation.

Protect your personal information. Read about how the company safeguards bank account, credit card and other confidential information. Don't divulge your Social Security number, credit card number or other personal information unless you're sure the Web site is legitimate and you know why that information is needed. And never disclose your password to anyone.

Excerpted from "Shopping and Paying from Home Over the Internet," Summer 2001.

Watch for Those Privacy Mailings

Privacy notices from your bank and other financial institutions, first sent in 2001 and required to be provided at least annually, describe the kinds of personal information they collect about their customers or share with other companies. In some cases, the notices explain your rights to "opt out" or say "no" to certain types of information sharing.

While you cannot opt out of all types of information transfers, such as information shared to process your transactions, you may opt out of other types of information sharing, such as if your bank plans to provide your name and other information to a third party that wants to offer a non-financial product.

So, watch for these privacy notices. They may be included with another mailing from your financial institutions, and not as a separate, distinct piece of mail. Also, this isn't junk mail. "The institution may be informing you of a significant change to its information sharing practices that includes a new opportunity to opt out," says Deanna Caldwell, an FDIC senior policy analyst.

If you previously told an institution you want to opt out, you do not have to do so again. However, if you previously opted out but the institution is expanding its information sharing into new areas where you have a right to say no, you would have to opt out again to cover the new practices. If you did not previously opt out, you can do so now or at any other time.

Excerpted from "Privacy Mailings Arriving Again," Summer 2002.

Extra Tip on… Your Safe Deposit Box

While millions of Americans rent a safe deposit box, few pay attention to questions such as what to put (and what not to put) in the box. Consider putting in anything that is difficult or impossible to replace, such as birth, marriage and death certificates, special jewels or collectibles, and videos or pictures of your home for insurance purposes. You should *not* put in anything you might need in an emergency, such as passports and medical-care directives, in case your bank is closed. If you want a spouse, a child or anyone else to have unrestricted access to the box, have that person sign the rental contract as a co-renter or otherwise make sure the bank will grant access to him or her.

Excerpted from "The Key to Your Safe Deposit Box," Spring 1997.

Extra Tip on… "Lost" Bank Accounts

If you ever find evidence of an old account or safe deposit box and you're not sure what to make of it, you can turn to the FDIC (Page 15) for direction, including information about whether the banking institution is open, closed or operating under a different name. In most cases, there is no treasure waiting to be claimed because the original owners withdrew the money or cleaned out the safe deposit box long ago. So, for the benefit of your heirs, make it clear in your records if an account has been closed.

Excerpted from "You Find Proof of an Account or Safe Deposit Box: Treasure or Trash?," Spring 2002.

Don't Get Mad, Get Answers

Got a complaint involving your financial institution but you're not sure about the best or quickest ways to resolve the matter?

First contact the institution. The quickest way to resolve most banking problems is to work directly with your bank or savings association. If you report a problem to an institution in a phone call, follow up with a letter restating your concerns and asking that the situation be looked into. And if the bank agrees over the telephone to a refund or some other action to resolve your problem, request a written confirmation.

If you still feel there is a problem or that you're being treated unfairly, write to the institution's primary federal regulator. If you're not sure who regulates an institution, you can write or call the FDIC (see Page 15). If you write to a government agency, include all pertinent information, such as your name, address and telephone number; the name and location of the institution; a brief description of the problem and your efforts to fix it (including the names of employees you contacted); and what you'd like the institution to do to correct the problem. Also attach copies of any supporting documents, such as account statements and letters to or from the institution. Remember that the FDIC and other financial regulators can only become involved in issues related to the laws and regulations in which they have jurisdiction.

Excerpted from "Don't Get Mad, Get Answers," Summer 1999.

Are All Your Deposits FDIC Insured? How to Protect Yourself

If you or your family has $100,000 or less in all your deposit accounts at the same insured institution, you never have to worry about your FDIC insurance coverage. But if you have funds at one institution totaling more than $100,000, here's a sensible approach for making sure your deposits are fully covered.

Make a list of the accounts you own at the bank. Include the balance, the type of account (single, joint, retirement, etc.) and the names of the owners and any beneficiaries. This is important because, under the FDIC's rules, each person's deposits in different account categories are *separately* insured to $100,000. For information about the different ownership categories, go to our Web site (www.fdic.gov) or call or write the FDIC (Page 15).

Double check with the FDIC. You may also call or write the FDIC to get an independent confirmation of your insurance status. Consider going online and asking "EDIE," the FDIC's interactive Electronic Deposit Insurance Estimator, at www2.fdic.gov/edie.

Make adjustments to your accounts, if necessary, to bring them within the insurance limit.

First option: You can divide the funds among various types of ownership categories at the same institution, because different types of accounts are separately insured to $100,000. But this is an option you need to think about carefully because "it means you are changing the legal ownership of the funds, either now or upon your death, just to increase your insurance coverage," says Kathleen Nagle, a supervisor with the FDIC's Division of Supervision and Consumer Protection. Example: You can shift funds from a payable-on-death account to a joint account, but be aware that co-owners of your joint account will be able to access the money while you are alive.

Second option: You can move funds in excess of $100,000 to accounts at other insured institutions, and keep no more than $100,000 at each institution. This option works well for people who don't want, or don't qualify for, accounts in other ownership categories at their existing bank.

Periodically review your insurance coverage. Here are suggestions for when to take another look:

• **Before you open a new account.** Find out what effect the new account would have on your insurance coverage.

• **After the death of a loved one.** The rules allow a six-month grace period after a depositor's death to give survivors or estate planners a chance to restructure accounts. If you fail to act within six months, you run the risk of, say, joint accounts becoming part of the survivor's individual accounts, and that could put the funds over the $100,000 limit.

• **If a large windfall comes your way.** If you sell your house, get an inheritance, or receive a large payment from a trust, a pension, a lawsuit or an insurance claim, make sure any deposits won't put you over the $100,000 limit.

• **If you own accounts at two institutions that merge and the combined funds exceed $100,000.** Accounts at the two institutions before the merger would continue to be separately insured for six months after the merger, and longer for some CDs, but remember to review the accounts within the grace period to avoid a potential problem with excess funds.

Excerpted from "Special Report: Are You Sure You're Fully Insured?," Fall 2001.

Extra Tip on... Buying a Bank CD from a Broker

Brokers sometimes can negotiate a higher interest rate on bank-issued certificates of deposit, and these can be good investments. However, broker-sold CDs can be complex and may carry more risks than CDs sold directly by banks. Examples: Your ability to lock in a good interest rate for a long time is restricted if the bank can "call" (redeem) the broker-sold CD early. Also, if you need to withdraw the CD prematurely, under some circumstances, the broker might sell your CD at a loss.

Excerpted from "Should You Buy a Bank CD from a Broker?," Fall 2000.

What You Can Learn from Recent Bank Failures

These are examples of common mistakes and misconceptions that led to uninsured deposits at bank failures, and the lessons that all depositors should remember.

Payable-on-Death (POD) and other Revocable Trust Accounts: These types of deposit accounts (sometimes called testamentary, Totten trust or In-Trust-For accounts) can provide for expanded insurance coverage, but the rules can be complicated. Each beneficiary's share of a POD account can be insured up to $100,000 ($200,000 if there are two beneficiaries, $300,000 if there are three, and so on) but the beneficiary must be the grantor/depositor's spouse, child, grandchild, parent or sibling. Other relatives, such as nieces, nephews, cousins or in-laws, as well as friends, do not qualify.

If you name a non-qualifying beneficiary, the portion payable to that person would be added to any accounts you have at the bank in the single (or individual) account category and the total will be insured to $100,000.

The Lesson: If you've got POD deposits over $100,000, be aware of whom you've listed as beneficiaries, review your insurance coverage and make adjustments if necessary.

Retirement Accounts: Individual Retirement Accounts (IRAs) are added together and insured up to $100,000 separately from your other types of deposits at the same bank. It's common, however, to find customers with retirement funds over the limit.

Some people take a large, lump-sum distribution from a pension fund and deposit it into one account simply because they didn't realize they could (and needed to) divide that money among different financial institutions to keep it insured. Other people mistakenly believe that adding beneficiaries will increase insurance coverage.

The Lesson: To fully protect your retirement funds, don't have more than $100,000 of your retirement money at any one FDIC-insured institution.

Joint Accounts: The FDIC insures each person's share in all joint accounts at an institution up to $100,000. Even though the joint account rules are straightforward, recent bank failures indicate that there are still depositors exceeding the insurance limit.

The Lesson: You cannot increase your insurance coverage by changing the order of the names or Social Security numbers on the accounts, changing the wording from "and" to "or" in joint account titles, or opening new joint accounts at different branches of the same bank. The FDIC will simply add your share of all the joint accounts at the same institution and insure the total up to $100,000.

Excerpted from "Lessons from Losses: What You Can Learn from Recent Bank Failures," Fall 2001.

Setting the Record Straight about FDIC Insurance

We've learned that there are misperceptions about how FDIC insurance works. To set the record straight, here are some basic facts:

- If you have $100,000 or less in an FDIC-insured institution, you are always fully protected.
- Depositors can have more than $100,00 in an institution and still be fully insured by the FDIC if the funds are in different account categories — single, joint, IRAs, and other categories as described in the FDIC regulations.
- Most depositors have access to all of their insured funds within one business day after a bank failure.
- Depositors who have money over the insurance limit in a failed institution may receive some portion of their uninsured funds after the FDIC sells the institution's assets and determines how much money, by law, is available to pay uninsured depositors.

Excerpted from "Special Report: Are You Sure You're Fully Insured?," Fall 2001.

Extra Tip on... Who Covers Losses from Fraud

Consumers often ask the FDIC whether federal deposit insurance covers losses caused by fraud or robbery. By law, the FDIC only protects insured deposits if a banking institution fails. However, banks and other financial institutions typically purchase special private insurance policies to cover losses from criminal acts. Federal and state laws also may limit a consumer's losses due to fraud.

Excerpted from "Does the FDIC Cover Losses Due to Fraud?," Spring 2003.

Your Credit Record... and the Simple Mistakes That Can Cost You Money

Why should you care about your history of paying debts and other bills? The better your credit record, the better your chances of obtaining a low-cost loan or insurance policy, renting an apartment, or qualifying for a job. Here are some common mistakes that can affect your credit history and ways to avoid these pitfalls.

Paying bills late. One or two late payments on your loans or other obligations over a long period of time may not significantly damage your credit record, but making a habit of this can count against you. Be especially careful with payments in the months before you apply for a loan.

Not paying the minimum amount required. This can result in additional fees and in being reported as past due.

Keeping debt levels too high. Creditors will consider you a higher risk if you owe a lot of money on credit cards and other obligations. This can result in a higher interest rate being charged.

Owning too many credit cards. A stack of credit cards and department store cards — even if you rarely use them or don't carry a balance on them — represents money that you *could* borrow. As a result, if you apply for a mortgage, a car loan or some other important loan, you may qualify for only a smaller loan amount or a loan with increased costs or fees. Two or three general-purpose cards and a few (if any) cards issued by stores or oil companies probably are enough for the average family. Consider keeping the cards you've had for a long time and handled well because they can show a long history of responsible credit use.

Not periodically checking on your credit report. Inaccurate or missing information in your credit report could raise your borrowing costs or cause delays when you're in a rush to make a major purchase, such as a home. Many experts say you should review your credit reports at least once a year from each of the three major credit bureaus — Equifax (800-685-1111; www.equifax.com), Experian (888-397-3742, www.experian.com) and TransUnion (800-888-4213 or www.transunion.com) — but especially before you apply for a home loan or seek some other benefit where your credit report could affect the outcome.

In an important development, Congress in November 2003 passed a new law that can help you ensure the accuracy of your credit information. The law will enable you to obtain a free copy of your credit report once a year from each of the three major credit bureaus. You'll have the right to learn your credit scores, which are designed to predict how likely you are to repay a loan or make payments on time. And merchants must notify you if they plan to report negative information to a credit bureau.

The Federal Trade Commission (www.ftc.gov), the Federal Reserve Board (www. federalreserve.gov) and other government agencies (including the FDIC) will issue rules to put the new law into effect.

Excerpted from "Your Credit Record: A Report Card on Your Personal Finances," Winter 2002/03.

High-Cost "Predatory" Home Loans: How to Avoid the Traps

There is no clear-cut definition of a "predatory" loan, but many experts agree it is the result of a company misleading, tricking and sometimes coercing someone into taking out a home loan (typically a home equity loan or mortgage refinancing) at excessive costs and without regard to the homeowner's ability to repay. Victims who have trouble repaying often face harassing collection tactics or they refinance the loan at even higher fees. And if you pledge your home as collateral for a loan, and you can't repay, *you could lose your home*.

Predatory mortgage lending primarily has been a problem with some mortgage brokers and finance companies that specialize in marketing to people with poor credit histories. Obviously, not every lender is unscrupulous, but you need to be informed so you can avoid doing business with those that are.

Reports also indicate that predatory lenders target consumers they believe are in need of cash or are otherwise vulnerable. Examples include older people who need money for medical bills or home repairs, and lower-income or minority communities where there may be limited competition from more reputable lenders.

Here are suggestions for protecting yourself:

Ask questions and shop around. If you need to borrow money, contact several banking institutions or other reputable lenders, not just one. Find out about the different types of loans that may meet your needs and financial situation, especially the loans that don't put your home at risk if you run into repayment problems. Be careful when dealing with unfamiliar lenders or loan brokers, especially those who contact you out of the blue.

Know what you are signing. Read the loan documents carefully, especially the fine print. Only sign a loan agreement after you understand the terms of the loan, the fees, and your obligation to repay. Never let a lender rush you or pressure you into signing a loan contract. If you're not comfortable going to the closing alone, consider having a lawyer there with you to examine the loan documents before you sign.

Remember that federal laws help protect consumers. Important: For certain loans secured by your home, the Truth in Lending Act gives you up to three business days after signing a loan contract to change your mind for any reason and cancel the deal without penalty.

Excerpted from "High-Cost 'Predatory' Home Loans: How to Avoid the Traps," Summer 2002.

Questions to Ask Before Signing a Contract on a Home Loan

What is the APR — the annual percentage rate? Is this the lowest rate you can offer? The APR is the total cost of the loan, including interest charges and other fees, expressed as a yearly rate. Comparison shop among several lenders so you have a good sense of the costs you should be incurring, then negotiate the best possible terms.

What "points" and fees would I be charged? Are any of these charges being added to the loan balance and increasing my payments? Each point equals one percent of the loan amount. Make sure you have a good understanding of all costs and conditions.

Does the loan include fees for credit protection that would cover the loan payment if I die, become ill or unemployed? Most credit protection is optional. Determine if you already have adequate insurance or savings to cover these events. If you need additional coverage, consider your options and costs.

Is there a prepayment penalty if I pay off the loan early by refinancing or selling my house? If so, is that stated in the documents? A loan with a prepayment penalty may have a lower interest rate than the same loan without a prepayment penalty, but the penalty can limit your flexibility to refinance or otherwise pay off the loan. Try to determine what is appropriate for your circumstances.

Do any of the loan terms differ from what was previously discussed or provided? Review documents prior to signing them and make sure you understand why any changes in terms and conditions have been made and that you agree with them.

What will my monthly payment be? What would cause the payment to change? Just because a lender says you qualify for a certain loan amount doesn't mean you are getting a loan that is affordable for you.

Is there a "balloon" payment? If so, when is it due, and how much will I owe? A balloon payment is a large, lump-sum payment due at the end of the loan term.

Excerpted from "Questions to Ask Before Signing a Loan Contract," Summer 2002.

Your Credit Card: Focusing on the Fine Print

Many people need help understanding the credit cards they already carry around or they find it difficult comparing one card with another, especially when they all boast low interest rates and fabulous features. ***FDIC Consumer News*** offers these tips:

Learn about the most important costs and rules of the card. In general, if you expect to pay your credit card bill in full each month, the interest rate isn't your number one concern — you're probably better off having a card with no annual fee and the kinds of features (including rebates and rewards) you expect to use.

If you expect to carry a balance on your card most months, you'll want to look for a card with a low

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Annual Percentage Rate, a "grace period" before you are charged interest on your *new* purchases, and the right mix of benefits to justify any fees.

Closely review your account statements and other mailings. The sooner errors are detected, the easier it will be to get them corrected. If you don't act within prescribed time limits, you may not be covered by some federal consumer protection rules.

Also, card issuers generally are required to give you notice (typically at least 15 days) before increasing your interest rate, lowering your credit limit, adding fees and penalties, reducing or eliminating your grace period or cutting back on bonus programs. If you don't monitor your monthly billings or other mailings for notices of changes, you could pay more for a credit card that offers you less — and not even realize it.

Hold on to the original card agreement and any later notices of account changes. These documents could help you quickly answer questions on topics such as what to do if you charged something to your account that's defective.

Don't be afraid to complain or cancel a card if you think you're not being treated fairly. You might be surprised at how far a card issuer will go to keep you as a customer. And if you're unhappy with your current cards, remember there are thousands of others being offered to the public.

Excerpted from "Your Credit Card: Why and How to Focus on the Fine Print," Fall 1999.

Problems With Plastic: Tips for Tackling Your Top Concerns

Here are common problems that consumers report with credit cards or debit cards (which deduct payments automatically from your deposit account) along with guidance on how to prevent and resolve those problems.

Billing errors, defective purchases and other disputed transactions: The Fair Credit Billing Act (FCBA) protects you from paying for a purchase that wasn't yours or that you didn't agree to. But you must write the creditor using the address given for billing inquiries (not the payment address) and your letter must reach the creditor within 60 days after the first bill containing the error was mailed to you. The FCBA allows you to withhold payment for defective goods or services purchased with a credit card until the problem has been corrected. In general, the purchase must be for more than $50 from a merchant in your home state or within 100 miles of your home. Your card issuer may offer additional protections.

Application denied or loan terms less favorable than expected: Credit report errors can prevent you from getting the best possible loan terms, so periodically review your credit report to make sure everything is correct. If you find an error, write to the credit bureau that prepared the report. For more information, including details about a new law making it easier to obtain and correct your credit reports, see Page 8.

Late payment fees: Allow enough time for your payment to reach your card issuer. Remember that financial institutions mark credit card payments as "paid" on the day they are received, not the day you mailed it. Find out your bank's cutoff time for card payments. And if you know your "late" payment arrived on time, contact your card issuer.

Confusion over promotional offers: You're probably familiar with deals like "zero percent interest" on a credit card or "no payment on merchandise until next year" if you put your purchase on your charge card. These offers usually are for limited purposes and time periods, something many consumers don't focus on until they run up unexpected charges, so be sure to read the fine print.

Excerpted from "Problems With Plastic: Our Tips for Tackling Your Top Five Concerns," Fall 2002.

Credit Card Fees Often Go Unnoticed Even As They Increase

In recent years, card issuers have raised or added new fees for their products and services. While these costs are described in the mailings and card agreements (contracts) consumers receive from card companies, too many people forget about these fees or aren't aware of them until after they've run up a sizable bill.

Here are examples of fees that are becoming more common or more costly:

Monthly maintenance fees. Rather than charge an annual fee, some lenders impose a monthly fee, often from $6 to $12 a month, whether you use the card that month or not. That fee may be more than the annual fee charged by other lenders.

Balance transfer fees. You've probably received mail from a credit card issuer trumpeting a "can't-beat-this" low Annual Percentage Rate (APR) of, say, 2.9 percent on any balance you transfer to that card from a competitor's card. But, there also could be a fee for the balance transfer that could outweigh the benefit of the low interest rate. In addition, there may be no grace period on the balance you transfer. That means "interest may begin to accrue the moment the balance transfer is completed," says Janet Kincaid, a credit card specialist with the FDIC.

Cash advance fees. When you use your credit card to get cash from an ATM, that's considered a loan, and you will incur interest charges immediately, without a grace period. In addition, you may be charged a transaction fee by both the financial institution that holds your credit card and by the bank that owns the ATM.

Fees for late payments. These fees have increased in recent years to as much as $35. You may face other penalties, such as having your interest rate raised or your card canceled.

The lessons here? Read and understand a credit offer before you commit to anything. And, monitor your monthly billings or other mailings for notices of fee increases or rule changes by your card company.

Recent rules from the Federal Reserve Board also make it easier to see and understand key cost information on card applications and solicitations. Example: Card companies must clearly present the APR for purchases charged to a credit card in large print.

Excerpted from "Credit Card Fees Often Go Unnoticed Even As They Increase," Spring 2001.

Extra Tip on... Credit Card Interest Charges

Many consumers think that with practically every credit card all their purchases are interest-free for at least 25 days regardless of the previous balance. However, with the typical card nowadays, if you carry over as little as a penny from the previous month's balance you can expect to be charged interest immediately on new purchases. And, if you have a card with no grace period, you always pay interest on new purchases from the day you make the purchase, even if you pay your bill in full.

Excerpted from "Fewer Credit Cards Offer a 'Full' Grace Period," Summer 2000.

Minimum Payments, Maximum Costs on Credit Cards

While it might appear to be a good deal to pay only the minimum amount due on your credit card's outstanding balance each month and keep the extra cash for other bills, this could be one of the worst financial moves you can make. Why? It will take you a very long time to pay off the balance, and the interest costs (often quite high on credit cards) can be shocking. Example: If you pay only the minimum due, a $500 television would cost you more than $900 (including interest costs) and require eight years of payments.

So pay as much as you can on your charge card each month — pay the entire balance, if possible — to avoid interest charges. If all you can afford is the minimum amount, pay that... and pay it on time to avoid a late fee and other potential problems.

While it takes discipline to pay most or all of your credit card bill each month, the sooner you pay off your balance, the less you pay in interest and the more you have available to save for a home, college education, retirement, or something else that truly benefits you.

Excerpted from "Minimum Payments, Maximum Costs on Credit Cards," Summer 2003.

Common Cons... and How to Avoid Them

Identity Theft: By trickery, by stealing information from mailboxes or trash, or by using publicly available information, a crook obtains personal information about you — for example, your Social Security number, date of birth and mother's maiden name. Doing so, the fraud artist may be able to obtain credit cards, take out loans, make counterfeit checks or cards and go on a spending spree in your name.

Check Fraud: A criminal steals or finds a checkbook or collects enough information about a bank account to make a counterfeit check.

Advance-Fee Scams: You receive an unsolicited and attractive offer for a product, service, business opportunity or similar deal, but you're told you must send money or divulge bank account numbers before you receive anything in return. Lo and behold, the promised goods or services never arrive or they come with significant flaws.

Credit/Debit/ATM Card Fraud: With credit cards, a thief might use or counterfeit your card or obtain a new card in your name, perhaps by stealing a pre-approved card application from your mail and having the card sent to a different address. As for ATM cards and debit cards (which deduct for cash or payments transacted at teller machines or retail establishments), the perpetrator might steal an existing card, make a new one, or obtain your personal identification number (PIN) to authorize transactions.

Fraudulent Cashier's Checks: Crooks know that consumers trust cashier's checks, money orders and other official checks so they are increasingly counterfeiting them for use in both long-distance (over the Internet) and face-to-face transactions. Some scams may involve a cashier's check for more than the amount due. You are instructed to wire the excess amount to the buyer's account. You comply... and later find out that the cashier's check is phony.

Automated Payment Fraud: A crook posing as a legitimate business or charity gets the name of your bank and your checking account numbers, perhaps by tricking you into divulging the details over the phone or by sifting through your trash for old bank statements or checks. The thief then instructs your bank to debit (withdraw) a certain amount from your checking account.

Internet Fraud: One approach involves a fraudulent Web site touting extremely attractive deals in hopes that consumers will provide a credit card number, bank account number, password or a check. A variation involves a copycat Web site that deliberately uses a name or Internet address similar to, but not the same as, that of a large, well-known company. Yet another scheme uses an e-mail appearing to be from a company that you already do business with and that asks you to "re-enter" your Social Security number, credit card or debit card number, or PIN.

What can you do to fight these and other frauds?

• Never provide your Social Security number, bank card numbers, PINs, passwords and other personal information in response to an unsolicited phone call, fax, letter or e-mail, which could be fraudulent.

• Do your research and get key details in writing before giving money or personal information to an unfamiliar entity or in response to an unsolicited offer. Also beware of "deals" requiring money up-front.

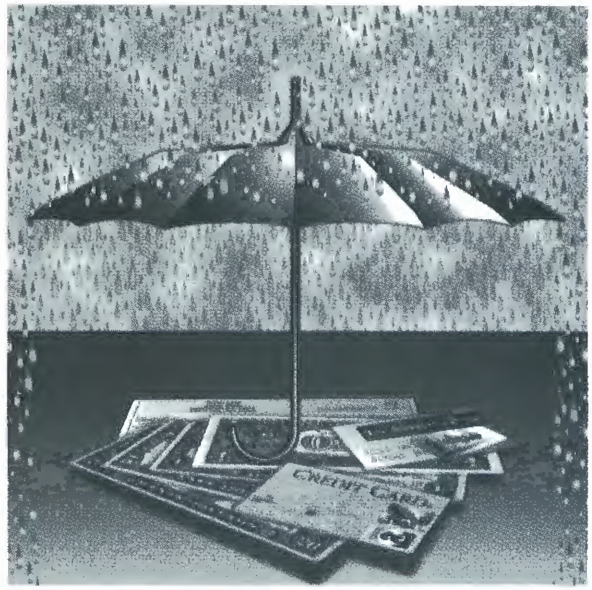
• Safeguard your incoming and outgoing mail, which could include checks, credit card applications, bank statements, "loan checks" (mailed by financial institutions with offers to "write yourself a loan") and other items of value to a thief. Keep bank and credit card statements, tax returns, checks and other sensitive documents in a safe place at home. Thieves pick through garbage looking for documents they can use to commit fraud, so before tossing out these items, destroy them, preferably using a "crosscut" shredder that turns paper into confetti. Also limit the confidential information in your wallet in case it gets lost or stolen.

• Review your credit card bills and bank statements as soon as they arrive and quickly report anything suspicious. Also, most experts say you should check your credit reports at least once a year to look for such things as credit cards, loans or leases that have been wrongfully taken out in your name. A new law intended to fight identity theft gives consumers access to free credit reports and includes other provisions that will make it easier to monitor your credit files for fraud (see Page 8).

Excerpted from "Fighting Financial Fraud: How to Shield Yourself from Swindles," Spring 2003.

Weathering a Financial Storm

Income down? Expenses and stress level up? When the going gets tough, here's how the tough can keep going.



Millions of Americans face financial problems that can start with the loss of a job, a death or illness in the family, a divorce or separation, an inability to control spending and borrowing, or a slowing economy. What can you do to protect yourself and your family if you're having financial troubles... or if you simply want to be better prepared financially?

Review your spending. Your family's welfare comes first, so continue the payments on your home, utilities and insurance, and make sure you have enough insurance (life, health, disability). Consider cutting back on restaurant meals, costly entertainment and other expenses you really don't need.

Be smart about borrowing. Interest payments on credit cards and other loans are an expense, so think about keeping these and other borrowing costs down.

Commit to a savings program. If you reduce outlays, you should have more money available to build an emergency savings fund. Many experts say you should build a rainy-day fund equal to three to six months of living expenses to get you through a difficult period without needing a loan or borrowing from your retirement savings.

If you think you've got a serious debt problem, address it immediately. Many people may need to turn to others for assistance, such as a knowledgeable friend or relative, or a reputable credit counseling service.

Beware of scams. Examples: Bogus offers of "easy credit" and "guaranteed loans" for people with credit problems. The swindlers collect money up-front in exchange for nothing at all, for credit cards or loans that have big strings attached, or for basic services you could do on your own. Promises to erase a bad credit history for a fee also are scams. A bad credit history can only be repaired by steady and consistent on-time payments.

Excerpted from "Weathering a Financial Storm," Winter 2001/02.

Financial Caregiving: A Survival Guide

How to prevent and deal with potential money problems, even from a distance, when a loved one is ill.

Caregivers are among America's unsung heroes. They're the millions of people assisting an ill or elderly spouse, parent, child or other loved one with everything from medications and bathing to money management and banking. Among the potential financial pitfalls: bad investment decisions that can reduce a relative's assets or standard of living. ***FDIC Consumer News*** offers these steps to consider.

Before an older relative becomes ill or disabled:

• Make sure the family knows where to find personal and financial documents in an emergency. These include bank and brokerage statements, wills, insurance policies and pension records.

• Get advice from a banker, attorney or other qualified professional about obtaining access to bank and brokerage accounts in case of an emergency. To write checks or withdraw funds, you or someone else your relative trusts should become a joint owner of a bank account or make arrangements to be authorized to conduct transactions as a legal representative with a power of attorney.

• Consider automatic payment of important, recurring bills. You can arrange for utility bills, along with health insurance, mortgage and other regular commitments, to be paid electronically out of your loved one's checking account.

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• Think about the direct deposit of pay and benefit checks into bank and brokerage accounts.

• Consider a "durable power of attorney," a legal document giving one or more people the authority to handle finances or other personal matters if the individual becomes mentally or physically incompetent.

• Guard against scams. Fraud artists know that ill or elderly people tend to be lonely and willing to listen to and trust strangers who call on them — ideal candidates for telemarketing fraud, bogus home repairs, and get-rich-quick schemes. Be on the lookout for questionable solicitations or withdrawals.

After a crisis:

• Contact bankers, lawyers, accountants, insurance agents or financial planners your family has dealt with in the past. Ask how they'd recommend you deal with matters and how they can assist.

• Be aware of your potential liability. A caregiver may become a joint owner of a bank account, serve as a legal representative (through a power of attorney) or become someone's trustee or guardian. Any time you agree to share responsibility with or for someone else you may be taking on unexpected risks and liabilities.

• Be smart about borrowing money. Your relative might need extra help to pay for medical or other expenses. In some cases, it might make sense to use a credit card or obtain a loan. First make sure the debt would be manageable, and research and discuss the pros and cons.

Excerpted from "Financial Caregiving: a Survival Guide," Summer 1997.

Teaching Kids the Financial Facts of Life

Ideas for raising financially responsible 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. 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.

FDIC Consumer News offers the following suggestions:

Give an allowance. This 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. Consider giving the allowance money each week in small bills or coins that can be apportioned into three clearly marked envelopes or containers — one for each of the three Ss.

Help your child start a savings account or invest in a mutual fund or stock. You may also want to consider rewarding your child for sticking to a savings plan by matching or adding to the child's contributions.

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.

Play "show and tell" while you manage your own money. Examples: Take your child along to the bank or as you shop for the best values in everything from clothes to cars. Or, when using your credit card, explain that it's important to pay your credit card bill — and all your bills — on time. Around the house, let your child perform simple tasks associated with preparing deposits or investments, paying bills or balancing the checkbook, sending off a complaint letter to a company or consumer protection agency, or stuffing checks into envelopes for charitable contributions.

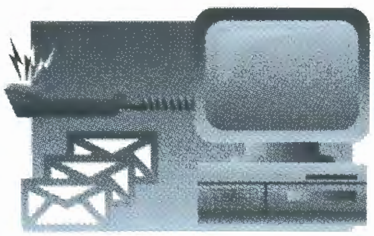
Excerpted from "Teaching Kids the Financial Facts of Life," Winter 1997/98.

Extra Tip on... Credit and Debit Cards for Teens

Credit and debit cards can be good ways for teens to pay without carrying cash or checks, and they can help teach kids about how to manage money. But teens and their parents need to be especially careful to avoid serious debt problems or a bad credit record at a young age. Among the alternatives: Cards with features for young cardholders, such as a low credit limit, or a pre-paid, re-loadable payment card that comes with parental controls, including spending limits.

Excerpted from "Playing Your Cards Right: Smart Ways To Use Credit and Debit Cards," Fall 2002.

For More Information



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For questions about deposit insurance coverage: Contact the FDIC Division of Supervision and Consumer Protection at the address and phone numbers above, by fax to (202) 942-3098, or by e-mail using the Customer Assistance Form on the Internet at www2.fdic.gov/starsmail/index.html. The National Credit Union Administration (listed below) insures deposits at federally insured credit unions.

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The **Federal Reserve System** supervises state-chartered banks that are members of the Federal Reserve System. Phone: (202) 452-3693. Fax: (202) 728-5850. Home Page: www.federalreserve.gov. E-mail: www.federalreserve.gov/feedback.cfm. Mail: Division of Consumer and Community Affairs, 20th Street and Constitution Avenue, NW, Mail Stop 801, Washington, DC 20551.

The **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.) Phone: (800) 613-6743. Fax: (713) 336-4301. Home Page: www.occ.treas.gov. E-mail: consumer.assistance@occ.treas.gov. Mail: Customer Assistance Group, 1301 McKinney Street, Suite 3710, Houston, TX 77010.

The **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.) Phone: (800) 842-6929 or (202) 906-6237. Home Page: www.ots.treas.gov. E-mail: consumer.complaint@ots.treas.gov. Mail: Consumer Affairs Office, 1700 G Street, NW, Washington, DC 20552.

The **National Credit Union Administration** charters and supervises federal credit unions, and insures deposits at federal credit unions and many state credit unions. Phone: (703) 518-6330. Fax: (703) 518-6409. Home Page: www.ncua.gov. E-mail: pacamail@ncua.gov. Mail: Office of Public and Congressional Affairs, 1775 Duke Street, Alexandria, VA 22314.

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