

Fall 2001

Special Report: Are You Sure You're Fully Insured?

If your bank were to fail, would all your deposits be covered by the FDIC? Here's what you need to know and do to "insure" your money is safe.

Fortunately, bank failures are rare events nowadays, and when they do occur, the public hardly notices. That's because the FDIC quickly steps in to protect all insured depositors. But if *your* bank or savings institution were to fail, would all your deposits be covered by FDIC insurance?

For the vast majority of bank customers, the answer is a definite "yes"—their funds are completely

among the uninsured depositors at recent bank failures were many retired people who worked hard to accumulate substantial assets and mistakenly believed they were fully covered by the FDIC.

"The FDIC is very concerned about the situation of depositors who did not realize some of their funds were uninsured until their institution failed," says Kathleen Nagle, a supervisor with the

agency's Division of Compliance and Consumer Affairs in Washington. That's why the FDIC for years

Among the uninsured depositors at recent bank failures were many retired people who mistakenly believed they were fully insured.

protected, either because their deposits at the bank total less than \$100,000 or they qualify for additional coverage under the FDIC's rules. But a small minority of customers with more than \$100,000 on deposit at one bank may have funds that exceed the federal insurance limit, so they would not be fully protected if their bank failed. Regrettably,

has conducted an extensive deposit insurance education program for consumers and bankers, including publications, telephone assistance, and an interactive Web site that helps calculate a person's insurance coverage. The FDIC also periodically attempts to simplify the insurance rules, to the extent possible under the law. Despite these efforts, however, some depositors still don't get the information they need to know whether their deposits are fully covered by FDIC insurance.

If you or your family has more than \$100,000 at a single bank or savings association, you should take the time to understand the basics about the insurance rules and your coverage, because you could be at risk of losing some of your funds if the institution fails. But even if you have less than \$100,000 on deposit at any one institution, you may want to become familiar with the basics of



Illustration: T.W. Ballard

FDIC insurance and how to protect yourself. Why? "At some time in their lives, most consumers will have more than \$100,000 on deposit, even if just for a short period of time, such as after they've sold a house or received the proceeds of an inheritance," Nagle explains. "It's important to know about the rules for insurance coverage *before* your bank deposits go over the \$100,000 threshold."

We try to include interesting, useful information about deposit insurance in each issue of our quarterly *FDIC Consumer News*. For the first time, however, we are devoting an entire issue of our newsletter to helping bank customers protect their hard-earned savings. Just turn the page to learn more about FDIC insurance and resources for consumers. 🏠

INSIDE

Lessons from uninsured depositors at recent failures
PAGE 2

Six ways to protect yourself with FDIC insurance
PAGE 5

Take our insurance quiz
BACK PAGE

Lessons from Losses: What You Can Learn from Recent Bank Failures

When a bank fails, practically all depositors are fully insured by the FDIC, either because they had less than \$100,000 on deposit or their funds over \$100,000 qualified for additional insurance protection. But as some customers have learned in recent bank failures, there are situations in which large-dollar depositors have not been fully protected. In fact, in the last 15 bank failures dating back to 1999, there were uninsured deposits totaling \$114 million, some of which will be recovered by the depositors. How do people get into these predicaments? And what can you learn from their experiences?

The FDIC knows that many uninsured depositors at recent bank failures were well aware that they had funds over the \$100,000 federal limit and they were willing to take the chance that their bank wouldn't fail. They may have been attracted to unusually high deposit interest rates, or maybe they just liked the service or convenience offered by a particular bank and were willing to do all their business there, even if it meant that some money would be uninsured.

But we also know that there were other depositors who didn't think they were taking a risk—they *believed all of their funds were fully insured*—until they received the unpleasant news that their bank had failed and some of their money was uninsured. These are the kinds of situations that the FDIC wants to help avoid.

FDIC Consumer News asked FDIC attorneys, claims agents and other officials for examples of the most common mistakes and misconceptions that led to uninsured deposits at recent bank failures, and the lessons that all depositors should remember. Here's what we found:

Problems and Solutions

PAYABLE-ON-DEATH (POD) AND OTHER REVOCABLE TRUST ACCOUNTS.

The insurance rules governing these types of deposit accounts where funds pass to specific beneficiaries when the owner dies (sometimes also called testamentary, Totten trust or In-Trust-For accounts) can provide for expanded insurance coverage, but the rules also 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 a "qualifying" beneficiary. That is, 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 the account for the additional insurance coverage provided to other POD accounts. What happens 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.

Martin Becker, a senior specialist in Washington with the FDIC division that handles insurance claims, adds that if you have a POD account with more than one depositor, "it's extremely important to pay attention to the relationship between each grantor and each beneficiary." Becker gives the example of Joe and his wife Mary who have just one deposit at a bank—a \$400,000 POD account naming Joe's parents as the beneficiaries. Joe's share is insured to \$200,000 (\$100,000 for each beneficiary) because parents are qualifying beneficiaries. But Mary's share is insured to only \$100,000. Why? Because *his* parents are *her* in-laws, and in-laws are not

qualifying beneficiaries. Mary does not qualify for POD coverage in this case. Of her \$200,000 share of the account, \$100,000 would be insured as her individually owned funds at that bank, leaving \$100,000 uninsured.

Among other common mistakes: "Many single people or those with no children are especially likely to name nieces and nephews as their account beneficiaries, and they don't qualify under the rules," says Kathleen Halpin, a Dallas-based FDIC insurance claims agent. Also, some POD account depositors incorrectly assume they receive \$100,000 of coverage for each beneficiary and *another* \$100,000 for themselves, as the account owner.

Real-World Example: One woman had more than \$500,000 in POD accounts naming her nieces and nephews as beneficiaries. Because they were not qualifying beneficiaries, when the bank failed, this depositor was only insured to \$100,000, leaving the rest uninsured.

The Lessons: If you've got POD deposits over \$100,000, be aware of whom you've listed as beneficiaries and the relationships between each depositor and each beneficiary. Then, review FDIC publications such as "Your Insured Deposit" or ask FDIC staff (Page 7) to determine how those beneficiaries affect your insurance coverage. If necessary, make adjustments as noted on Page 5.

DEPOSITS THAT ARE PART OF A LIVING TRUST. For tax and inheritance reasons, many people set up a living trust as a way to retain full control over their assets before passing them to beneficiaries. Although, technically, the FDIC's rules say a living trust account is a form of payable-on-death account, living trust deposits rarely qualify for the insurance coverage for POD

accounts we described in the previous section. That's because the rules require that POD funds pass directly to the named beneficiaries *without condition*—and most living trusts documents do carry conditions before payment can be made. (An example might be that children listed as beneficiaries cannot receive any money until they earn a college degree.) As a result, living trust accounts very often are ineligible for the \$100,000-per-beneficiary insurance coverage. Instead, they likely would be insured to \$100,000 in total along with any individually-owned deposits of the person who established the living trust account.

Real-World Example: Two parents established separate living trusts and put the funds in separate bank accounts—the father's with about \$190,000, and the mother's with about \$170,000. Each parent named the other parent and their four children as beneficiaries. They assumed that each account was insured to \$500,000—or \$100,000 for each beneficiary. However, their living trust documents included a condition stating that, upon the owner's death, a certain amount would be donated to a charity before the beneficiaries got the remaining funds. The result: When the bank failed, each account was insured to \$100,000, leaving \$90,000 of the husband's account uninsured and \$70,000 of the wife's account uninsured.

The Lessons: "When people go to an attorney to set up a living trust they don't often think about the deposit insurance aspects," says Hugh Eagleton, an FDIC Senior Consumer Affairs Specialist in Washington. "But once you start funding that trust at the bank, the money can quickly go over \$100,000." If you're concerned that a living trust account may exceed the insurance limit, now or in the future, you and your attorney should read the FDIC's guidelines on living trusts. The guidelines appear on the Internet

at www.fdic.gov/deposit/deposits/financial/letter2.html, or a copy can be obtained from the FDIC's Public Information Center (see Page 7).

If you need additional guidance, call or write the FDIC as listed on Page 7. FDIC Washington-based attorney Joe DiNuzzo says that the simplest, safest approach you can take is "to just assume that your living trust account will be insured to only \$100,000 in the aggregate with any other individual accounts you hold at the bank."

RETIREMENT ACCOUNTS. In general, deposits you keep at a bank for retirement purposes, such as Individual Retirement Accounts (IRAs) and Keoghs, are added together and insured up to \$100,000. And your retirement funds are insured separately from your other types of deposits at the same bank. "Even though the rules are pretty clear—anything more

In the last 15 bank failures, there were uninsured deposits totaling \$114 million.

than \$100,000 in IRAs at one bank is uninsured, period—it's extremely common to find customers with retirement funds over the limit," says the FDIC's Becker. One big reason, he says, is that some people take a lump-sum distribution from a pension fund, often involving a lot of money after many years of work, and they deposit it into one account simply because they didn't realize they could divide that money among different financial institutions.

Also among the common misconceptions, according to Ed Silberhorn, an FDIC consumer affairs specialist in Washington, is that you can get more than \$100,000 of coverage for your retirement accounts by dividing the money among multiple accounts, spreading the accounts among different branches of the same institution, or by adding

beneficiaries. "These strategies do not increase insurance coverage," he says. "A depositor's self-directed retirement funds at an institution are added together and insured to \$100,000. It's about as simple as that."

Real-World Example: A man who worked 50 years to build his retirement nest egg said he believed it was safe to spread more than \$200,000 in IRA money among many accounts in one bank. But under the FDIC's rules, all of a depositor's IRAs and other self-directed retirement funds are added together and insured to \$100,000, no matter how many different accounts are involved. This depositor had more than \$100,000 uninsured when his bank failed.

The Lessons: To fully protect your retirement funds, don't have more than \$100,000 of retirement money at any one FDIC-insured institution. If necessary, consider moving some of the money to another retirement

account at a different FDIC-insured institution.

JOINT ACCOUNTS. The FDIC greatly simplified the rules in 1999 to insure each person's share in all joint accounts at an institution up to \$100,000. Let's say you and a spouse own a \$200,000 joint account and neither of you owns other joint accounts at the same insured institution. Under the rules, each of you would be insured for \$100,000, and thus, the \$200,000 joint account would be fully protected. If you have more than one joint account at an institution and with more than one co-owner, the rules say you cannot be insured for more than \$100,000 for your share of all those joint accounts. Even though the joint account rules are straightforward, the recent bank failures indicate that there are still depositors exceeding the insurance limit.

continued on next page

Real-World Example: One family had numerous joint accounts with many different co-owners, totaling about \$1.5 million. Three of the co-owners' interests exceeded \$100,000, enough to result in more than \$800,000 uninsured when the institution failed.

The Lessons: You cannot increase your insurance coverage by adding more names or Social Security numbers to joint accounts, changing the order of the names, 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. (Each person's share is presumed to be equal unless stated otherwise in the deposit account records.) If your share of joint accounts is above \$100,000, consider taking action to correct the situation.

FUNDS DEPOSITED BY AN EXECUTOR OR ADMINISTRATOR FOR A DECEASED PERSON'S ESTATE. Deposits into an estate account are added to any other funds in the name of the deceased person at the bank (his or her individual accounts plus any business funds for a sole proprietorship) and the combined total is insured to a maximum of \$100,000. But many executors or administrators erroneously believe that the estate accounts qualify for special insurance coverage, maybe even insurance up to \$100,000 per beneficiary of the estate. That is incorrect.

Real-World Example: The administrator of an estate deposited nearly \$600,000 into a bank and assumed that, because there were seven heirs, the funds were fully protected by FDIC insurance to \$700,000 (\$100,000 for each beneficiary). But under the deposit insurance rules, the funds were insured to \$100,000, leaving about \$500,000 uninsured when the bank failed.

The Lessons: If you are the executor or administrator of an

estate, don't place estate funds in a bank where the total, including the funds already there in the deceased person's name, would exceed \$100,000. Important: Not all deposits owned by the deceased person would be insured as part of his or her estate. For example, if a husband and wife are co-owners of a joint account and the husband dies, unless otherwise specified in the account contract, the entire balance automatically would become the wife's individually-owned funds. Similar rules apply to payable-on-death accounts. However, the FDIC will insure the deceased person's funds as if he or she were still alive for six months after the date of death. This grace period allows extra time for survivors or estate planners to restructure accounts, if necessary.

BANK CDs PURCHASED THROUGH A BROKER. Some people who buy bank certificates of deposit (CDs) from brokers focus on what may be an attractive interest rate but don't pay attention to which institution issued the CD or whether the money was fully insured... until the bank fails. Among the ways people have gotten into trouble: *Different* brokers sold them CDs at the *same* bank (most likely because that bank was offering very high interest rates) and the total was more than \$100,000. Or, a broker sold a customer a CD from the same institution where that person made deposits directly, and the combination of accounts went over the \$100,000 limit.

Real-World Example: A family invested approximately \$55,000 in a CD sold by one brokerage firm and another \$95,000 in a CD offered by another brokerage firm. Each broker independently opened CDs on the family's behalf at the same bank. When that institution failed, this family was uninsured for \$50,000.

The Lessons: "Before you place funds through a broker, know the name of the financial institution and make sure you don't go above the maximum insured amount," cautions Lynette Martin, another Dallas-based insurance claims specialist for the FDIC. What's the best way to get this information?

The FDIC is here to protect you, but you are responsible for protecting yourself, too.

FDIC Washington-based attorney Christopher Hencke says that, before you buy a brokered CD, ask the broker for a copy of the CD or other documentation showing the name of the bank and how the account is titled. With the name of the bank, you can make sure your total deposits at one institution aren't over the insurance limit. And, you'll want to know that the account's title demonstrates that the broker is working as an agent or custodian on your behalf. Otherwise, Hencke says, the FDIC will consider the funds to be owned by the broker and insured to \$100,000 in total, even if many different depositors' funds were pooled into one giant CD.

Final Thoughts

"Customers often think that the FDIC has the option to cover their uninsured deposits if they can show they *intended* for their funds to be fully covered, but the deposit insurance laws don't give us that flexibility," says Kathleen Nagle of the agency's Division of Compliance and Consumer Affairs in Washington. "The FDIC cannot pay depositors more than the law permits. So if you want to be sure that any deposits over \$100,000 are fully insured, you must learn about the insurance rules and how they apply to your specific situation." The bottom line: The FDIC is here to protect you, but you are responsible for protecting yourself, too. 🏠

Six Ways to Protect Yourself With FDIC Insurance

If you or your family have less than \$100,000 in all your deposit accounts at the same insured institution, you don't need to worry about your insurance coverage. But if you have funds at one institution totaling \$100,000 or more, and if it's important to you that all your funds be insured, here's a sensible approach for protecting yourself:

1 Make an accounting of all your accounts at the bank. "If you expect to conduct a thorough, accurate review of your deposit insurance," says Leslyee Sullivan, an FDIC insurance claims specialist in Dallas, "you need to be aware of all the accounts your family owns at an institution, the types of accounts, and the names of the beneficiaries." She notes that the beneficiaries especially matter with payable-on-death (POD) accounts because a spouse, child, grandchild, parent or sibling qualify the account for extra insurance but other relatives don't.

2 Read the FDIC pamphlet "Your Insured Deposit." This brochure, the FDIC's primary consumer publication devoted to deposit insurance, explains the rules in a simple, question-and-answer format. See Page 7 for details about how to obtain a copy.

3 Consider asking "EDIE," the FDIC's Electronic Deposit Insurance Estimator. This interactive Web site estimates your coverage based on your answers to a series of questions about your accounts. EDIE is simple to use and can be accessed at the FDIC's Web site, 24 hours a day, seven days a week, at www2.fdic.gov/edie.

4 Double check with an FDIC expert. Helping depositors and bankers with deposit insurance questions is a big part of the FDIC's work. So, for peace of mind, it's smart to get an independent confirmation of your

understanding of the insurance rules and your insurance status from the FDIC. See Page 7 for phone numbers and addresses.

5 Make adjustments to your accounts, if necessary, to bring them within the insurance limit. In general, there are two options for fully insuring deposits over \$100,000.

First option: *You can divide the funds among various types of accounts at the same institution*, because different categories are separately insured to \$100,000, but this is an option you need to think about carefully. "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 agency's Division of Compliance and Consumer Affairs in Washington. "Before you do that, you should understand how a change in account category affects your rights and the rights of any beneficiaries to your funds." Example: You can shift some 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, another type of account at their existing bank. Moving some funds to another bank also is a good choice for people who just aren't sure how the insurance rules allow them to keep more than \$100,000 at one bank and still be fully protected, adds Washington-based attorney Christopher Hencke. "Your safest approach," he says, "is to divide your funds among several insured banks so that your total funds at any one bank do not exceed \$100,000."

6 Periodically review your insurance coverage. A one-time checkup on your deposit insurance coverage isn't enough for individuals or families with close to or more than \$100,000 at one institution. Here are suggestions for when to take another look:

- **Before you open a new account.** Follow the steps described previously to find out what effect the new account would have on your insurance coverage. FDIC Chicago attorney Christine Tullio also suggests that you keep a list of the accounts that you and other family members hold at one institution, so you can easily remember which accounts to figure into your insurance calculations.
- **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 or receive a large payment from a trust, a pension, a lawsuit or an insurance claim, make sure any deposits, especially those made on your behalf by third parties, 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 you have to remember to review the accounts within the grace period to avoid a potential problem with excess funds. ■

If a Bank Fails: Answers to Common Questions About an Uncommon Event

What happens to “uninsured” deposits —those over the \$100,000 insurance limit?

First, remember that *all deposits within the \$100,000 insurance limit are always fully protected*. Also, in most cases, the FDIC will arrange with another institution to acquire your failed bank, and you will have immediate access to your insured funds by check, automated teller machine, debit card and other services.

But if your bank fails and you have funds exceeding the \$100,000 insurance limit, the FDIC will start by giving you a document called a “receivership certificate” indicating the amount of your uninsured deposits. Then, depending on various factors—including the cost of the bank failure minus how much the FDIC recovers liquidating your bank’s assets—you still can recover some or, in rare circumstances, all of your uninsured funds. The liquidation process can take several years, so it’s important for uninsured depositors to make sure the FDIC has your correct address.

What if I have a cashier’s check (or any other “official” check) from a failed bank?

Until a cashier’s check, money order, interest check or other official check is cashed or deposited elsewhere and it “clears” the bank it is drawn on, the funds are still considered to be on deposit at that bank. So, if that bank fails before the check clears, the FDIC will combine the amount of the check with your other deposit accounts in the same ownership category, and the combined total will be insured to \$100,000.

Example: You have a \$125,000 savings account at XYZ Bank and

you withdraw \$75,000 in the form of a cashier’s check. But before you deposit the check at another bank and the check clears, XYZ Bank fails. Your \$75,000 cashier’s check from XYZ Bank gets combined with the amount in your account there for insurance purposes, resulting in a \$125,000 balance again and \$25,000 uninsured.

What happens to my direct deposits?

If a failed bank is acquired by another bank, all direct deposits, including Social Security checks or paychecks delivered electronically, will be automatically deposited into your account at the assuming bank.

If the FDIC cannot find an acquirer for the failed bank, the FDIC will arrange with another local bank to

temporarily process any direct deposits until you can make new arrangements for direct deposits as well as automatic withdrawals (such as automatic payments to utilities or insurance companies) with other banks.

How can I access my safe deposit box?

If the FDIC finds a new owner for a bank where you have a safe deposit box, you will be able to conduct business as usual. If the FDIC cannot find a buyer for your bank, we will mail instructions to you that will explain how you can remove the contents of your box.

What happens to any loans I have at the failed bank?

You remain liable for any payments due on a loan or credit

card. You would continue making payments as you did before the bank failed until you are instructed to do otherwise in writing by the acquiring bank or the FDIC.

If your loan is delinquent *and* you have insured deposits at the bank, the FDIC may “set off” (deduct) the loan balance from your insurance payment. However, the FDIC will only deduct past-due money if the loan *and* the deposit account involve the same people. As an example, if you are delinquent on a loan that is in your name only, the FDIC may not deduct funds from a deposit account you own jointly with another person.

If your bank fails and you have funds exceeding the \$100,000 insurance limit, you can still recover some or, in rare circumstances, all of your uninsured funds.

How can I get more information about what happens when a bank fails?

Start at the FDIC’s Web site—www.fdic.gov. Among the special services available online: updated information about individual bank failures dating back to October 2000 (www.fdic.gov/bank/individual/failed/index.html) and a searchable database of unclaimed funds from failed financial institutions (www2.fdic.gov/funds/index.asp). Or, you can call or write the FDIC at the addresses or phone numbers listed on the next page. 📄

For More Information



550 17th Street, NW Washington, DC 20429. Or, you can fax your question to (202) 942-3098. To send a question by e-mail, use our Customer Assistance Form on the Internet at www2.fdic.gov/starsmail/index.html.

Read “Your Insured Deposit”: This easy-to-understand brochure explains the insurance rules. The FDIC provides bulk copies to insured institutions free of charge so they can make them available to the public. You also can read “Your Insured Deposit” on the Web at www.fdic.gov/deposit/deposits/index.html or order free single copies from the FDIC’s Public Information Center (see the box at right). The most current edition (as noted on the back cover of paper editions) was published in 1999 to reflect rule changes. “If your version is dated prior to 1999, it should be discarded,” warns Chicago-based FDIC attorney Christine Tullio. The brochure is available in English, Spanish, Chinese (Traditional and Simplified) and Korean.

Consult EDIE—the Electronic Deposit Insurance Estimator: Our interactive Web site guides you through a series of questions about your accounts and then provides a report about your insurance coverage. Find EDIE at www2.fdic.gov/edie. For guidance involving certain complex accounts, EDIE refers consumers to insurance experts at the FDIC’s toll-free assistance line listed above.

Confirm that an institution is FDIC-insured: People often ask the FDIC if an unfamiliar institution they find advertised—on the Internet, in the newspaper or elsewhere—is FDIC-insured. You can e-mail or call the FDIC toll-free at the addresses or phone numbers listed above. Or, you can check our online database of FDIC-insured institutions at www2.fdic.gov/idasp. Note: Some bank branches or Internet sites use trade names that differ from the bank’s legal name, but you should be able to find the official name on the branch’s literature or the Internet site.

Other consumer information from the FDIC: We provide guidance about the deposit insurance rules, including what’s insured and what’s not, in a variety of other FDIC publications. To check our offerings, start at www.fdic.gov/deposit/index.html, the deposit insurance page on the FDIC’s Web site, or contact the FDIC’s Public Information Center listed at right. Also read the tips and information about deposit insurance and other consumer topics in each issue of the quarterly *FDIC Consumer News*. Back issues, with articles such as “The Top 10 Mistakes That Cost Depositors Money When a Bank Fails... and How to Avoid Them” from our Spring 2000 edition, can be found on the Internet at www.fdic.gov/consumers/consumer/news. To receive new issues of *FDIC Consumer News* in the mail or by e-mail, see the box at right. 📧

Call the toll-free FDIC consumer assistance line: (877) ASK-FDIC—that’s (877) 275-3342. Our phone line is staffed Monday through Friday, 8:00 a.m. to 8:00 p.m., Eastern Time. Recorded information about deposit insurance also is available 24 hours a day at the same number. The toll-free TTY number for hearing-impaired consumers is (800) 925-4618.

Write to the FDIC: The mailing address is FDIC, Division of Compliance and Consumer Affairs,

FDIC

Consumer News

Published by the Federal Deposit Insurance Corporation

Donald E. Powell, *Chairman*

Phil Battey, *Director*,
Office of Public Affairs (OPA)

Elizabeth Ford, *Assistant Director*, OPA

Jay Rosenstein, *Senior Writer-Editor*, OPA

Tommy Ballard, *Graphic Design & Illustration*

FDIC Consumer News is produced by the FDIC Office of Public Affairs in cooperation with other FDIC Divisions and Offices. It is intended to present information in a nontechnical way and is not intended to be a legal interpretation of FDIC regulations and policies. Mention of a product, service or company does not constitute an endorsement. This newsletter may be reprinted in whole or in part. Please credit material used to *FDIC Consumer News*.

Send comments, suggestions or questions to: Jay Rosenstein, FDIC, 550 17th Street, NW, Washington, DC 20429
E-mail: jrosenstein@fdic.gov
Fax: (202) 898-3870

Subscriptions

Subscriptions are available free of charge. Send subscription requests or address changes to: FDIC Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434
Phone: (800) 276-6003 or (202) 416-6940
E-mail: publicinfo@fdic.gov
Fax: (202) 416-2076

On the Internet

Consumer information from the FDIC is available at www.fdic.gov.

Find current and past issues of *FDIC Consumer News* at www.fdic.gov/consumers/consumer/news/. To receive e-mail notification of new issues, with links to stories, write to listserv@peach.ease.lsoft.com and type “Subscribe FDIC-consumernews” (include the hyphen) and your name in the message area.

Deposit Insurance 101: A Final Exam

1. I have a \$200,000 “payable-on-death” account. I know the FDIC insurance limit is \$100,000 but because I’ve named two beneficiaries—my niece and my nephew—the account is fully insured to \$200,000. **True or false?**

2. All of my deposits in Individual Retirement Accounts at the bank are added together and insured up to \$100,000. It doesn’t matter how many IRAs I own or how many beneficiaries I name. **True or false?**

3. I have three separate joint accounts at the same bank—one for \$100,000 with my spouse, another for \$100,000 with my sister, and a third for \$100,000 with my brother. Because I own each account with a different

person, each account is insured for \$100,000. **True or false?**

4. I have a \$125,000 bank account but, to bring the funds under the FDIC insurance limit, I withdraw \$75,000 in the form of a cashier’s check. But before I deposit the cashier’s check elsewhere, the bank fails. Because I received a cashier’s check, which is the equivalent of cash, I have my \$75,000 safely in hand and I’ve successfully reduced my account balance below the FDIC insurance limit. **True or false?**

5. I invest \$95,000 in a bank CD sold by one brokerage firm and another \$95,000 in another CD offered by a different brokerage firm. As it turns out, each broker independently places my money at *the same bank*... and that bank fails. Even though I used different

brokers to buy the CDs, the funds are added together and insured to \$100,000, leaving \$90,000 uninsured. **True or false?**

6. If I have uninsured deposits but I can prove that I *intended* for that money to be within the insurance limit, the FDIC has the option to cover those deposits. **True or false?**

7. If my bank fails and I have uninsured funds, I may still recover money based on how much the FDIC collects liquidating the failed bank’s assets. **True or false?**

Correct answers: 1. *False* (see Page 2 for more information); 2. *True* (see Page 3); 3. *False* (see Page 3); 4. *False* (see Page 6); 5. *True* (see Page 4); 6. *False* (see Page 4); 7. *True* (see Page 6). 🏠

PRESORTED
STANDARD
MAIL
Postage & Fees
Paid FDIC Permit
No. G-36

Federal Deposit Insurance Corporation
Washington, DC 20429-9990
OFFICIAL BUSINESS
Penalty for Private Use, \$300

