FDIC Consumer News

Summer 1999

INSIDE

The FDIC: At Your Service

How the FDIC helps consumers with their banking questions and problems...and how *you* can help yourself

You know the FDIC as the guardian of your deposits in insured banks and savings institutions. But the FDIC plays many other consumer-protection roles, and one of those jobs is to assist consumers with their banking-related questions and problems.

Each year, the FDIC gets thousands of calls and letters from consumers and consumer representatives asking questions or expressing concerns about banking matters. Most of these requests are handled by the agency's Division of Compliance and Consumer Affairs. We encourage consumers to contact us. Why? Because:

• As one of several federal regulators of banking institutions, the FDIC is responsible for enforcing compliance with consumer protection and civil rights laws at about 6,000 banks in the U.S.

• Better understanding consumer concerns about banks helps us improve our examination procedures and the rules governing consumer protection programs.

• As the federal insurer of deposits in more than 10,000 banks and savings institutions, we believe that the more you know about deposit insurance and your rights and responsibilities, the more confidence you'll have in the entire financial system.

So the next time you have a question about your banking relationship, especially one that involves deposit insurance or a problem you can't resolve directly with your institution, think of the

continued on next page

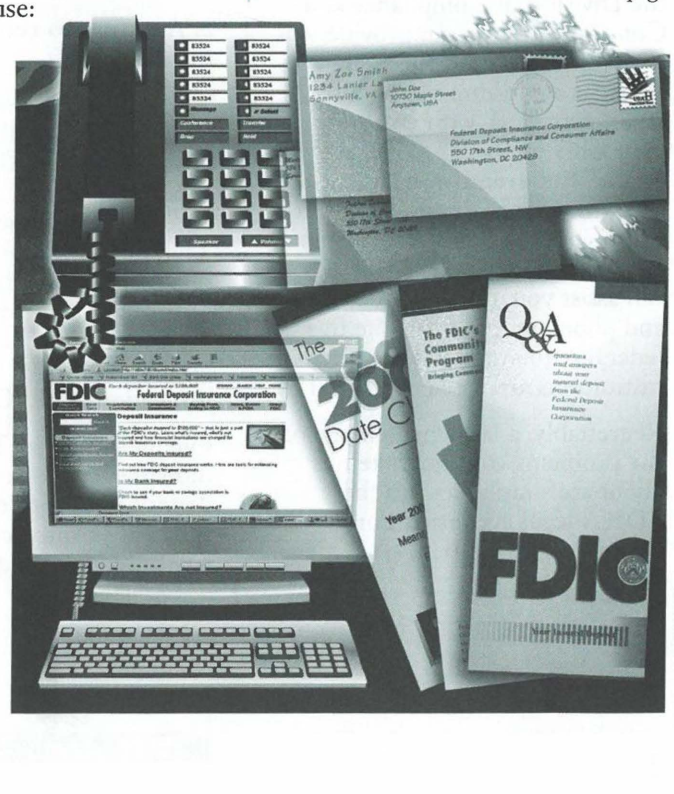


Illustration: T.W. Ballard

FDIC as a place to turn. Here's how we help consumers:

1. Responses to complaints against a financial institution.

The FDIC will review complaints suggesting that an FDIC-supervised bank violated a consumer protection law or fair lending law. Initially, the FDIC may contact the bank and seek more information. If warranted, the FDIC may conduct an on-site investigation. If the FDIC finds that the bank did violate a law or regulation, the agency can order corrective measures and, if authorized by federal law, reimbursement to the consumer.

In some circumstances, such as those involving lending discrimination, the FDIC may refer suspected or actual violations of law to other government agencies (such as the U.S. Department of Justice).

But remember that while the FDIC insures deposits in nearly all banks and savings associations in the United States, the FDIC may not be the primary regulator of a particular institution. If your financial institution is supervised by the FDIC, our specialists in the Division of Compliance and Consumer Affairs can provide you with information about your rights as a consumer and, in some cases, may work with you and your bank to try to resolve the matter. But even if your financial institution isn't supervised by the FDIC, our specialists can help put you in touch with the agency that can assist you. (Names, addresses and phone numbers for the five federal regulators of depository institutions are listed on Page 15.)

Regrettably, a large percentage of the problems consumers tell us about are simply beyond the FDIC's legal authority. For example: The FDIC can't settle a complaint that a bank didn't properly record a loan or interest payment to a consumer's account. Why? Because that's a dispute between a bank and a consumer over whether the institution is living up to the terms of a loan or deposit agreement, and that's a private matter governed by state contract law, not by federal banking law. Our best advice in these situations often is to try to solve the problem with the bank directly, and if that doesn't work, to consider enlisting the help of the state government or a private attorney. The FDIC also doesn't comment on matters that are in litigation.

Even when a problem is beyond our authority to resolve, the FDIC sometimes assists consumers indirectly. We might, for example, help a consumer understand confusing information, contact an institution that appears to be dragging its feet in response to a customer's complaint, or refer a consumer to a state government office (perhaps the state financial institution regulator, consumer protection department or state Attorney General) that might provide additional assistance.

2. Answers to requests for information.

The FDIC responds to inquiries from consumers, financial institutions and others about deposit insurance, fair lending and other consumer protections. The most common insurance-related questions typically involve how to tell if accounts are within the $100,000 insurance limit and how to verify that a particular institution is FDIC-insured.

One new way the FDIC helps individual consumers answer their deposit insurance questions is through an interactive Internet site called the Electronic Deposit Insurance Estimator (EDIE), found at our www.fdic.gov Web site. By answering some simple questions about your accounts, EDIE can help you quickly and easily figure out whether your funds in an FDIC-insured institution are within the $100,000 insurance limit.

3. Publications, meetings and other outreach efforts.

In addition to one-on-one assistance, the FDIC uses other programs to help educate groups of consumers and bankers regarding deposit insurance and consumer protection rules. ***FDIC Consumer News*** is one example of the publications we offer, but there are many more, including brochures about deposit insurance, non-deposit investment products that are not FDIC-insured (such as mutual funds you might purchase at your bank) and descriptions of your rights when it comes to mortgages and credit cards.

The FDIC also has a Community Affairs Program, where staff specialists meet regularly with bankers, community organizations, small businesses and local government leaders. We conduct conferences and seminars to help educate bankers and consumers about the Community Reinvestment Act and other fair lending laws and regulations.

Final Thoughts

We want you to learn more about how the FDIC and other government agencies can help consumers with their problems, and how consumers can help themselves. For more tips and information about your rights as a consumer—and your responsibilities—please keep reading.

You've Got Questions? We've Got Answers

FDIC responses to some frequently asked questions from consumers

The FDIC learns a lot from the thousands of calls, letters and e-mails received each year from consumers, bankers, state and federal legislators, and others who contact us. We learn, for example, what people find particularly confusing or where consumers need the most help or guidance. And we figure that you, too, can learn from some of the more common questions received by the FDIC. That's because knowing the right answers some day might save you some time, hassles and even money.

As you might expect, the top issue that consumers contact the FDIC about is the insurance coverage of their deposit accounts. In fact, about three out of every four questions that come to the FDIC's Division of Compliance and Consumer Affairs (DCA) have to do with deposit insurance. "The number of phone calls on deposit insurance topics has been exceptionally high recently due to changes in the insurance rules that became effective April 1, 1999," says Kate Spears, a DCA Consumer Affairs Specialist in Washington. "But we also field a lot of questions and complaints on other topics, including credit cards and mortgages."

Based on the more than 5,000 letters (including e-mail messages) and 60,000 telephone calls received by DCA during the first half of 1999, we put together this list of frequently asked questions (and their answers) that we hope you'll find useful.

Deposit Insurance

I have two accounts at the bank under my Social Security number (SSN). I've been told that everything under the same SSN is covered up to the $100,000 FDIC insurance limit. Is this true?

No. Deposit insurance is not determined by Social Security numbers, but rather by who "owns" the money in the accounts and the types of accounts involved. For example, if you have $100,000 in an individual account and $100,000 in your share of a joint account at the same bank, you're covered to $200,000, not $100,000. It doesn't matter that your SSN is on both accounts.

I heard recently that the FDIC has changed the insurance rules for joint accounts. How are they insured now?

The old rules involved two different calculations that consumers found confusing and that often caused them to believe they had more insurance coverage in joint accounts than they did. But under the new, simpler rules that went into effect April 1, 1999, the FDIC just looks at your share in the joint accounts at an institution and insures you up to $100,000.

"It doesn't matter whether the funds are in one joint account or many joint accounts—your total share will be covered to $100,000," says Joe DiNuzzo, an FDIC attorney in Washington. So if you have only one joint account at a bank and it's owned by two

continued on next page

FDIC
Consumer News

Published by the Federal Deposit Insurance Corporation

Donna Tanoue, *Chairman*

Phil Battey, *Acting Director*, Office of Corporate Communications

Elizabeth Ford, *Assistant Director*, Office of Corporate Communications

Jay Rosenstein, *Senior Writer-Editor*

Tommy Ballard, *Graphic Design and Illustration*

FDIC Consumer News is produced by the FDIC Office of Corporate Communications, 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***.

Comments, suggestions or questions may be sent to:
Jay Rosenstein,
FDIC, 550 17th Street, NW,
Washington, DC 20429
Internet: 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, Room100,
Washington, DC 20434
Phone: (800) 276-6003 or
(202) 416-6940
Internet: publicinfo@fdic.gov
Fax: (202) 416-2076

On the Internet

FDIC Consumer News and other consumer information from the FDIC is available on the Internet via the agency's home page (www.fdic.gov).

people, that account is insured up to $200,000 ($100,00 for each owner). Likewise, if four people have one joint account at the bank, the account is insured up to $400,000. Also, remember that joint accounts are insured separately from your other types of accounts.

My banker says that if I open an account in trust for someone, it's separately insured from what I already have at the bank. Is this true?

It depends on what you already have at the institution and who the beneficiary is. Your banker probably is referring to "testamentary" accounts (a type of payable-on-death account, also known as an "In Trust For" account). These are accounts where the depositor indicates in the bank's records that, upon his or her death, the funds will be payable to one or more named beneficiaries.

Testamentary accounts are insured *up to $100,000 for each "qualifying" beneficiary* (spouse, children, grandchildren, parents, siblings) separately from any funds the depositor holds in his or her name alone at the same institution. This means that a parent's testamentary account that lists three children as the beneficiaries would be insured up to $300,000 (assuming that the parent holds no other testamentary accounts for any of the same three children). If the testamentary account is owned by both parents for the three children, the account would be insured up to $600,000 (again, assuming that the parents hold no other testamentary accounts for any of those three children). This money also would be separately insured from the depositor's individual accounts at the bank.

What if you place money in trust for non-qualifying beneficiaries (such as friends, cousins or in-laws)? That money would be insured as part of your individually owned funds, up to a maximum of $100,000.

I see promotions for institutions in newspapers or on the Internet that say they're "FDIC-insured." Should I believe them? Where can I call or look to check?

The FDIC is your best source. The two fastest ways to verify that an institution is FDIC-insured are to check the FDIC's list of insured institutions posted on our Web site (www.fdic.gov) or call our Division of Compliance and Consumer Affairs toll-free at (800) 934-3342. To check on whether a credit union is insured by the National Credit Union Administration, call (703) 518-6330, search the NCUA's database of insured credit unions at www.ncua.gov/data/cudataexpanded.html, or write to NCUA, 1775 Duke Street, Alexandria, VA 22314.

FDIC attorney Mark Mellon also notes that it's a federal crime to falsely represent that a depository institution is federally insured.

I read in the newspaper that a local broker was advertising FDIC-insured certificates of deposit (CDs). Are you insuring brokers now, too?

The FDIC does not insure individual brokers or brokerage firms. The investment the broker is offering to make for you, however, *may* be FDIC-insured if the funds are placed in a deposit account at an FDIC-insured institution (and certain deposit insurance requirements are met). Your first question to the broker should be: "What is the name of the institution?" You then can verify that the institution is FDIC-insured (see previous question).

You also should make sure you understand completely what kind of investment the broker is making on your behalf and ask about any potential risks. It also helps to check on whether complaints have been filed against that broker before you send money his or her way. Possible sources of information include the National Association of Securities Dealers at (800) 289-9999 (for "registered" broker/dealers) and the state government agency that regulates businesses in your state (if it requires brokers to register in order to do business in the state).

Cashing Checks

I just went to a bank to cash my paycheck, which is drawn on that bank. But because I didn't have an account there, the bank wanted to charge me a service fee. Isn't a bank required to honor its checks?

Financial institutions are not prohibited by state or federal law from having different rules for non-customers. So, despite the fact that the check was drawn on that bank, it legally can impose a fee for

Insurance Brochure Revised

The FDIC has revised its "Your Insured Deposit" brochure to reflect April 1, 1999, amendments to the deposit insurance rules on joint accounts and "payable-on-death" (POD or trust) accounts. The free publication explains deposit insurance coverage in a question-and-answer format. The latest edition is marked "1999" on the last page. Previous editions do not reflect the recent rule changes and should be destroyed. The brochure is available from FDIC-insured banks and savings associations as well as from the FDIC's Public Information Center (see Page 3). You can also read the brochure at our www.fdic.gov Web site.

cashing one of its checks for a non-customer. Had you instead *deposited* the check at your own bank, you would not have been charged a fee. Why? "Because financial institutions do not charge each other for checks presented through the normal clearing process," says FDIC Washington-based attorney Robert Patrick.

I deposited a check earlier this week, and have confirmed through the person who wrote it that it has cleared her bank. I went to my bank to take out the money, and the bank says that it will still be on hold for several days. Can the bank do this?

The Expedited Funds Availability Act sets limits on how long financial institutions can place holds on deposits. The time frames depend on many factors, including the type of deposit (check, wire transfer, cash), whether the check is drawn on a "local" or "non-local" institution, and the amount of the check. These deadlines represent the *maximum* time allowed for holds. That means there's nothing prohibiting an institution from releasing deposited funds sooner than the law requires, but it also means the institution isn't required to make the funds available before the end of the hold period. Discuss your concerns with a manager at your financial institution. Or, for more information about the rules governing the availability of funds, contact the Federal Reserve System (see Page 15).

Credit

A bank denied my loan application, and it mentioned that a "credit scoring" system was part of the evaluation process. What is that system all about?

Financial institutions frequently use credit scoring systems to help evaluate an applicant's ability to repay a loan. This type of system was adopted, among other reasons, to process loan applications quickly and help avoid credit discrimination. Under the Equal Credit Opportunity Act (ECOA), banks are permitted to use a credit scoring system that is statistically accurate and does not result in unfair treatment. For example, a person cannot lose points because of his or her racial background. But you can gain or lose points because of factors such as your income, employment history, past use of credit cards, and whether you rent or own your own home. (For more information about credit scoring, see our story on Page 14.)

I've got a problem with a fee my bank has charged me on my credit card. Is the bank allowed to charge whatever it wants?

The federal Truth in Lending Act requires that credit card issuers disclose their interest rates, fees and other account terms, so that consumers can shop around for the best deal. That law also requires card issuers to give card holders advance notice (typically at least 15 days) before making changes to your card features — such as increasing the interest rate, lowering the credit limit, or adding new fees and penalties. "But when it comes to how much your bank can charge on a credit card or when it can impose a fee," says Kathy Nagle of the FDIC Division of Compliance and Consumer Affairs, "that's up to the institution, subject to any restrictions in your credit card account agreement and state law." If you're not happy with your card's interest rate, fees, credit limit or other terms, or if you just don't like the way a problem is being resolved, try to work things out with the card company directly. If you're still having problems, you might want to contact your state's consumer protection office listed in your phone book or simply look for another credit card. Charles Small of the FDIC's Division of Compliance and Consumer Affairs regional office in New York City offers this final advice to credit card customers: "Read all the information from your card issuer, so you can understand the terms of your contract and maybe avoid problems and misconceptions in the first place."

Final Thoughts

The laws and rules governing banking are often complex and confusing. You've seen that in the questions and answers you just read. Typically, the quickest way to answer a question or resolve a problem is by discussing the matter with a representative from your financial institution. But we also invite your calls, e-mails and letters. Your financial decisions are too important to be based on the wrong information.

Where to Turn for More Help and Information

The FDIC Division of Compliance and Consumer Affairs helps educate consumers and bankers on topics such as deposit insurance, community reinvestment and fair lending. You can contact DCA toll-free at (800) 934-FDIC—that's (800) 934-3342. Recorded information is available 24 hours a day, seven days a week. Specialists are available Monday through Friday from 9:00 a.m. to 5:00 p.m., Eastern time. If you are hearing impaired, call (800) 925-4618. Consumers also may write to FDIC Consumer Affairs, 550 17th Street, NW, Washington, DC 20429. Or, e-mail your question to consumer@fdic.gov.

The Law Helps Those Who Help Themselves

Federal statutes shield you from many banking-related problems, but they also impose obligations on consumers. Here's a guide to your rights, duties and deadlines.

Credit Billing Disputes

Your Rights: The Fair Credit Billing Act, part of the Truth in Lending Act, protects consumers against inaccurate credit card bills (including unauthorized purchases made by a credit card thief) and allows consumers to withhold payments on defective goods until the matter is settled.

Your Responsibilities: To be fully protected, if you spot an error in your monthly statement, such as a wrong dollar amount on a purchase, you must report the problem to the creditor in writing (a phone call isn't sufficient) and your complaint must be received within 60 days after the creditor sent you the statement being questioned. Include your name and account number, and details on why the charge is incorrect. "Be sure to include a copy of your monthly statement and highlight or underline the charge you believe is incorrect," says Robert Patrick, an FDIC attorney in Washington. "This will help the creditor identify the transaction quickly and otherwise speed up the process." Send your note to the address designated by the creditor for handling errors. Do not send it in the same envelope with your payment. And be aware that you're still expected to pay the rest of your bill that is not in dispute. What about lost or stolen credit cards? Under the law, the most you'd owe is $50 per card. But you owe nothing if you report the lost card before charges are made.

Debt Collection

Your Rights: The Fair Debt Collection Practices Act governs when and how a debt collector can attempt to collect money you supposedly owe on a loan, bill or other personal or household debt. It's intended to ensure that debt collectors treat you fairly and without harassment.

Your Responsibilities: Within five days after a debt collector contacts you, he or she must send you a written notice stating the amount you allegedly owe, the name of the creditor, and what actions you should take if you believe you don't owe the money. After you receive that notice, you have 30 days to dispute any or all of the debt. If you dispute the bill, the debt collector can't contact you again to collect the money until he or she has provided you with proof of the debt, such as a copy of a bill.

Credit Reports

Your Rights: Credit bureaus are firms that gather and distribute credit reports. These reports are used by lenders, insurance companies, employers and others who have a legitimate right to learn about someone's credit history and reliability. The Fair Credit Reporting Act sets procedures for how your credit history is collected by credit bureaus and is shared among lenders. The law also enables you to have errors in your credit file corrected.

Your Responsibilities: It's up to you to find out what's in your credit record and challenge the completeness or accuracy of any information contained in your file. To request a copy of your credit report, call any of the nation's three major credit bureaus at these toll-free numbers: Equifax at (800) 685-1111, Experian at (888) 397-3742, and Trans Union at (800) 888-4213. The Fair Credit Reporting Act limits how much you can be charged for each report ($8 as of mid-1999). There also may be instances where your credit report is free. For example, you may qualify for a free report if you've been denied credit within the last 60 days. If you believe that a credit bureau is distributing inaccurate information even after you brought that matter to its attention, you may file a complaint at any time with the Federal Trade Commission, the federal regulator of credit bureaus (call toll-free 877-382-4357) or bring a civil lawsuit to recover damages within two years of the alleged violation. (Note: Some experts suggest that, to be safe, you get copies from all three companies.)

Equal Credit Opportunity

Your Rights: The Equal Credit Opportunity Act makes it unlawful for a creditor to discriminate against any loan applicant on the basis of race, color, religion, national origin, sex, marital status, age or certain other characteristics. The ECOA applies to credit cards, mortgages and other types of loans.

Your Responsibilities: If you believe you've been denied credit illegally, you should first try to resolve the issue with the creditor. However, if that fails, you may file a complaint with the creditor's primary federal regulator. You also can bring a civil lawsuit against the creditor, but your case must be filed within two years of the alleged violation.

Electronic Fund Transfers

Your Rights: The Electronic Fund Transfer Act provides a basic framework of the rights, liabilities and responsibilities of financial institutions and consumers when it comes to errors in the handling of deposits or withdrawals electronically instead of on paper. Such transactions include those done at an ATM or home computer, or by pre-arranged direct deposit or automatic payment programs at the bank.

Your Responsibilities: It depends on the situation. *Scenario #1*: Let's say you want to discontinue a pre-authorized electronic payment from your bank account to a third party, perhaps a mutual fund, insurance company or even a local health club. You must send a written notice that's received by the financial institution at least three days before the first payment you want discontinued. *Scenario #2*: A thief obtains your ATM card and uses it to withdraw money from your bank account. Under the law, your losses are limited to $50 if you report your ATM card lost or stolen within two business days of discovering the loss (i.e., not within two days of the transaction). But if you wait between two and 60 days of discovering the loss, you can be liable for up to $500 of what a thief withdraws. And in general, if you wait more than 60 days after receiving a bank statement that includes an unauthorized electronic transfer of any sort, the law doesn't require your bank to reimburse you for any losses. You're not responsible, however, for any funds withdrawn after you notify your bank about a lost or stolen ATM card or debit card (a card that allows you to pay for purchases out of your checking account but without writing a check). If your bank concludes there's been no error with an electronic transfer but you disagree, you may file a complaint with the appropriate federal or state government agency.

Funds Availability

Your Rights: One way depository institutions protect against bad checks is by putting a hold on certain checks when they are deposited. The Expedited Funds Availability Act sets the time periods and other requirements governing when institutions must make deposited funds available to their customers for withdrawal or payment. For example, with certain exceptions, if you deposit a check drawn on another local bank, the funds must be available to you by the second business day after your deposit.

Your Responsibilities: If you believe your financial institution isn't making deposited funds available within the required time period, you can file a complaint with the institution's primary federal regulator. You also can file a lawsuit against the institution, but you must do it within one year of the alleged violation.

Final Thoughts

Remember that some protections and responsibilities for bank customers are governed by state law, not federal law. For example, if someone steals your checks and forges your signature, your rights and responsibilities would be determined by state law (which generally do not hold you responsible for losses from stolen checks if you've been taking "reasonable care" of your account, such as by monitoring your account statements for unauthorized transactions). FDIC attorney Patrick adds that if you're unable to resolve a dispute with the institution regarding the correct balance in your account, "that's not covered by the federal statute, so you should seek the assistance of your state's consumer protection agency or Attorney General."

An FDIC Web Site Sampler

Here's some of the useful information that consumers can find quickly and easily at www.fdic.gov, the FDIC's Web site.

- **Bank locations and information:** By using our lists, you can look up branch locations of any bank in your city, get financial and other information about any FDIC-insured institution, and even verify whether a particular institution is insured by us.
- **The Year 2000:** The FDIC Y2K Web site includes stories from previous issues of ***FDIC Consumer News*** that explain what's being done to ensure banks will operate smoothly on and after January 1, 2000, and what consumers can do to help protect against Y2K glitches.
- **Deposit insurance:** You'll find our Electronic Deposit Insurance Estimator (EDIE), which helps you determine if your funds are over the $100,000 insurance limit and gives answers to frequently asked questions about deposit insurance.
- **Publications:** Our Internet site has dozens of brochures, back copies of ***FDIC Consumer News*** and other FDIC publications that explain consumer protections, including deposit insurance and fair lending laws.
- **Community reinvestment:** Learn more about the Community Reinvestment Act (CRA) and search a CRA database to find out an institution's most recent rating of how well it is serving the credit needs of the community, including low- and moderate-income neighborhoods.
- **Educational material:** The "Learning Bank" helps kids, parents and teachers learn about the FDIC and the banking system.

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? We asked FDIC consumer-assistance staff for suggestions.

• **First contact the institution.** Experience has shown that the quickest way to resolve most banking problems is to work directly with your bank or savings association. Ask who you should direct your complaint or question to and if the institution has any procedures it wants you to follow.

• If your bank or savings association is local, you may want to **consider making an appointment** with a manager or officer there. "A face-to-face meeting to share information and discuss differences often will clear up misunderstandings, on both sides, and reduce the frustration that can result from exchanging letters," says Mike Turpenoff of the FDIC's Office of the Ombudsman in Washington.

• If you report a problem to an institution in a phone call, **follow up with a letter** that restates your concerns and asks that the situation be looked into. "This part is very important, because written notification is often required by the consumer protection laws," says Kate Spears of the FDIC's Division of Compliance and Consumer Affairs in Washington. (See examples of these laws in our article on Pages 6 and 7.)

Spears also says that if your call results in a verbal commitment, such as an agreement to refund a certain dollar amount, include in your follow-up letter a request for a written confirmation of what was promised over the telephone.

• **Keep your tone as positive and professional as possible.** If you're upset, allow yourself to calm down before calling or putting pen to paper. You'll be much more effective in getting the institution to see your side of the problem, and you'll probably remember more details.

• **If you still feel there is a problem or that you're being treated unfairly, write to the institution's primary federal regulator.** Remember that the FDIC does not regulate all of the institutions it insures. To find out who regulates an institution, you can call the institution, look the information up on the FDIC's Web site (www.fdic.gov) or contact the FDIC's toll-free Consumer Call Center at (800) 934-3342. After you know which agency is the primary regulator, you can use the phone numbers and addresses on Page 15 of this newsletter to contact the appropriate agency.

• **You don't need to know the law in order to file a complaint** with a government agency. "If there is a violation, we will let you know what your rights are under the law," says Spears. "And if we find no violation, we will tell you why, and what other options may be available to you."

• **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.

• **Be sure to sign your complaint letter to the government agency.** "This signature allows the regulator to contact the institution on your behalf, and lets the institution know you want information released to the regulator," Spears explains.

• Remember that the FDIC and other **financial regulators can only become involved in issues that involve the laws and regulations where they have jurisdiction.** Many disputes between financial institutions and their customers involve matters of state law or the Uniform Commercial Code and must be settled by other government agencies or a court.

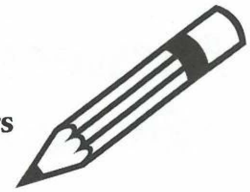
Final Thoughts

Of course, **prevention is the best cure.** Read all the information that comes with your savings or credit card account, and keep it in a safe place. Check your account statements soon after they arrive and contact the institution immediately if there are errors. Mistakes are easier to straighten out the earlier they are found, and many of the consumer protection laws have limits on how long you have to file a complaint about an error. (Examples of these deadlines appear on Pages 6 and 7.)

Also, read the notices mailed with your account statement, because they may include changes in your account's terms or conditions you should know about.

Are You Y2K-Wise?

The FDIC has devoted considerable attention to helping bank customers understand and prepare for the Year 2000 (Y2K). Take our 10-question Y2K quiz and find out how much you know.



1 You get a call from a person who identifies himself as a bank employee who says he is testing your ATM card for the Year 2000. He asks you to give your ATM account number and Personal Identification Number (PIN) over the phone so the bank can either make your existing account Y2K-ready or issue you a new ATM card. What should you do?

☐ **A.** Don't give the information over the phone but, to be safer, send him the information in the mail.

☐ **B.** Don't give out any information. Simply hang up the phone and ignore the call.

☐ **C.** Hang up without giving any information, but then call the bank to tell an official about the incident.

2 To evaluate whether institutions are prepared for the Year 2000, banking regulators have been sending examiners to each insured financial institution several times to check on the steps being taken to get ready for Y2K.

☐ True

☐ False

3 The FDIC and other financial industry regulators believe there is no need for you to take extra money out of your account as part of your Y2K preparations.

☐ True

☐ False

4 It's highly unlikely that your bank will "lose" your money or post it to someone else's account because of a Year 2000 problem.

☐ True

☐ False

5 Which of the following statements best describes what federal regulators have suggested to consumers about Y2K and loans?

☐ **A.** Keep good records of your loan payments to help you quickly resolve any error that may occur.

☐ **B.** Review your credit report to make sure it doesn't contain inaccurate information that might affect your ability to get a new loan.

☐ **C.** Both A. and B.

☐ **D.** Neither A. nor B.

6 The federal government's protection of insured deposits will not be affected by Y2K.

☐ True

☐ False

7 You have your salary or a government benefit payment deposited electronically into your bank account. Regulators suggest that, to protect your direct deposit from a Y2K problem, you should keep good records and check them against your bank statement.

☐ True

☐ False

8 If there's a power failure, banks will still be able to operate.

☐ True

☐ False

9 Federal regulators say you should keep good records of your financial transactions (such as deposit slips and bank statements) to protect against a Y2K-related error in your account. But what time period do they suggest these records cover?

☐ **A.** Keep only your transaction receipts and account statements for one month—December 1999.

☐ **B.** Keep your banking records for the last few months of 1999 and until you get several bank statements in 2000.

☐ **C.** Keep only those records that cover the first six months of 2000. You don't need to worry about transactions for 1999.

10 If you try to get cash from an ATM on January 1, 2000, and it's out of order, you should:

☐ **A.** Assume the Y2K bug has bitten this ATM and all other ATMs in your bank's network.

☐ **B.** Assume that the ATM is "down" for routine servicing or is temporarily unable to dispense cash because of a problem that is not related to Y2K.

☐ **C.** Try another nearby ATM.

☐ **D.** Both B. and C.

Answers on next page.

Answers to Y2K Quiz

1 **C.** You should do two things—hang up *and* call the bank. Here's why. For starters, never give your bank account, credit card or Social Security number, your ATM password or other personal information in response to an unsolicited offer, whether it comes to you by phone, fax, mail, Internet or a knock at the door. That's because you really could be dealing with a crook who's posing as a banker (or a police officer, business person or other legitimate individual or company) in an attempt to trick you into revealing personal information. With that information, that person can tap into your bank account or order new checks or credit cards in your name. (One tip-off to a possible fraud: Your bank is unlikely to call YOU to ask for your account number. It already has that information.) And why do we advise you to also contact your bank? "By calling your bank you will alert it to a possible scam," says Gene Seitz, an FDIC fraud investigator in Washington. "The bank can alert others so that the public is made aware of the attempted scam."

2 **True.** Specially trained examiners from the federal and state bank regulatory agencies have been going into each FDIC-insured bank and savings association to see how each institution is doing. The examiners are determining whether each institution's board of directors and senior management are dedicating the appropriate resources to address technical problems, and that the necessary steps are being taken to minimize glitches that could disrupt customer service. Based on these examinations, the regulators have found that nearly all of the financial institutions are prepared for Y2K. The regulators will continue to closely monitor all institutions throughout 1999 and into next year.

3 **True.** Government regulators believe there is no need for you to take extra money out of your account, for several reasons. First, the regulators and financial institutions are going to great lengths so that consumers will be able to conduct business as usual before and after January 1, 2000. That means consumers will have a variety of payment options (including checks, credit cards, debit cards and ATMs) in the unlikely event that one doesn't work as planned. The Federal Reserve has plans to ensure that financial institutions will have sufficient cash available for consumers. Regulators also are concerned that, as we get closer to the New Year, theft may increase (especially near ATM machines) if customers begin to carry extra cash or keep large sums at home. And remember that every extra dollar you take out of your account is a dollar that no longer earns interest and is no longer federally insured.

4 **True.** Banks are being closely supervised by federal and state regulators to make sure they test and, if necessary, fix the computers that keep track of customer deposits, withdrawals and other transactions. But even if problems do occur, banks must keep back-up records for account transactions so they can recover information in case of an emergency. "All FDIC-insured institutions are required to have back-up records," says Kathryn Weatherby, an examiner and Y2K specialist with the FDIC's Division of Supervision in Washington. "In fact, this is standard procedure going back many years, long before Y2K became an issue."

5 **C.** Although federal regulators have found that nearly all federally insured institutions are doing a good job getting their computer systems ready for the Year 2000, it still pays to take precautions. The FDIC and other banking regulators have issued a checklist to consumers (reported in previous issues of ***FDIC Consumer News***) that includes suggestions for keeping good records of your financial transactions and checking the accuracy of your credit report.

6 **True.** Y2K will not affect your $100,000 federal deposit insurance coverage. "The FDIC cannot guarantee that every one of the 10,000 banks and savings institutions we insure will have absolutely no problems from the Year 2000 date change," FDIC Chairman Donna Tanoue has stated. "But we can guarantee one thing—that insured deposits will be fully protected." If you have more than $100,000 in an insured bank, thrift or credit union, you may want to review the insurance rules and make sure you're fully protected. Check with your financial institution or call the FDIC at 1-800-934-FDIC (for banks and savings institutions) or the National Credit Union Administration at 703-518-6330 (for credit unions). The FDIC's Internet home page at www.fdic.gov offers useful information about deposit insurance, including our Electronic Deposit Insurance Estimator (EDIE), an interactive program that helps you quickly figure out if all your funds are within the insurance limit.

7 **True.** Most experts agree that direct deposit is simpler and safer than paper checks. We expect that this will continue to be true into the next century, especially given the aggressive steps being taken by the government and the financial services industry to protect all your payments. We suggest that you just keep accurate records of your automatic deposits and be aware of when a deposit is due. In late 1999 and early 2000, check

the bank's statements against your own records and, if there's a discrepancy or delay, immediately contact your institution or the originator of the payment, such as your employer or the Social Security Administration. The records you keep will help correct the matter quickly.

8 **True.** Power companies and other utilities are aggressively preparing for Y2K, but banking regulators are requiring institutions to have back-up plans to continue service with little or no interruption if problems do occur. Those contingency plans may include alternate work sites, the capability to handle banking transactions manually until power is restored, or backup sources of power and phones. Also, financial institutions overcome power failures and other emergencies all the time, and rarely is customer service significantly disrupted. And with the Y2K situation, banking institutions have had the added benefit of being able to plan for potential problems years ahead of time. Banking institutions also are required to have back-up copies of transactions on paper, so they can be recovered in the event of a Y2K-related disruption.

9 **B.** It's always a good idea to keep copies of your financial transactions—deposit slips, ATM receipts, bank statements and other records—to help identify and resolve any discrepancies. But when it comes to protecting against a Y2K problem that may start on or after January 1, federal regulators say it's appropriate that you have your banking records for the last few months of 1999 and until you get several statements in 2000. Compare your records against your statements and contact your institution to resolve any error.

10 **D.** Just because one ATM is "down" doesn't mean your bank or the bigger ATM network your bank belongs to is having a Y2K problem. You could just be arriving at the ATM while it's turned off for basic servicing. Or maybe the ATM is temporarily unable to dispense cash because of a problem totally unrelated to the Year 2000 (such as a money misfeed). So, if one ATM isn't working, try another nearby.

So, How Y2K-Wise Are You?

0-3 correct: Uh-oh. We sense a Y2K problem in terms of your understanding of this topic. Fortunately, you've still got time before January 1, 2000, to learn more about how the Year 2000 can affect you as a bank customer and how you can help protect yourself from problems. For more help and information, contact the FDIC or another federal agency listed below.

4-6 correct: Not too shabby, but not too savvy, either. You still need to educate yourself about what the banking industry is doing to prepare for Y2K, plus what you can do on your own.

7-8 correct: Good job. You know a lot of what you need to know about Y2K (and now you know even more after reading the answers to our quiz).

9-10 correct: Outstanding. You have a very good handle on what Y2K could mean for you and other bank customers.

For More Help and Information Regarding Y2K

Federal Regulators of Depository Institutions

• **Federal Deposit Insurance Corporation** (Division of Compliance and Consumer Affairs, 550 17th Street, NW, Washington, DC 20429, phone toll-free 877-FDIC-Y2K or 877-334-2925, Internet www.fdic.gov)

• **Federal Reserve Board** (Division of Consumer and Community Affairs, 20th Street and Constitution Avenue, NW, Washington, DC 20551, phone 202- 452-3693, Internet www.federalreserve.gov/y2k)

• **Office of the Comptroller of the Currency** (Customer Assistance Unit, 1301 McKinney Street, Suite 3710, Houston, TX 77010, phone 800-613-6743, Internet www.occ.treas.gov/y2k/default.htm)

• **Office of Thrift Supervision** (Consumer Affairs Office, 1700 G Street, NW, Washington, DC 20552, phone 800-842-6929, Internet www.ots.treas.gov/y2k.html)

• **National Credit Union Administration** (Office of Public and Congressional Affairs, 1775 Duke Street, Alexandria, VA 22314, phone 703-518-6330, Internet www.ncua.gov/news/year2000/year2000.html)

President's Council on Year 2000 Conversion

This organization established by President Clinton has an Internet site (www.y2k.gov) and a toll-free line for general Y2K information (888-USA-4-Y2K or 888-872-4925).

Toll-Free Y2K Assistance from the FDIC

(877) FDIC-Y2K or **(877) 334-2925**

Shop 'Til You Drop Those Mortgage Costs

New brochure explains how any consumer can negotiate the best deal on a home loan

You should look for a mortgage the way you'd look for a car—get all the important cost information, shop around and, yes, negotiate for the best deal.

That's the message of "Looking for the Best Mortgage: Shop, Compare, Negotiate," a free consumer brochure published by 11 federal agencies, including the FDIC, other banking regulators, the Federal Trade Commission and the U.S. Department of Housing and Urban Development.

"This brochure provides critical information about a consumer's ability to negotiate the rates and terms of loans, which can lead to lower closing costs and more affordable mortgages for millions of homebuyers," says FDIC Chairman Donna Tanoue. She adds that the brochure is "one more example of the critical role of banking regulators in educating consumers, in addition to enforcing compliance with consumer protection rules."

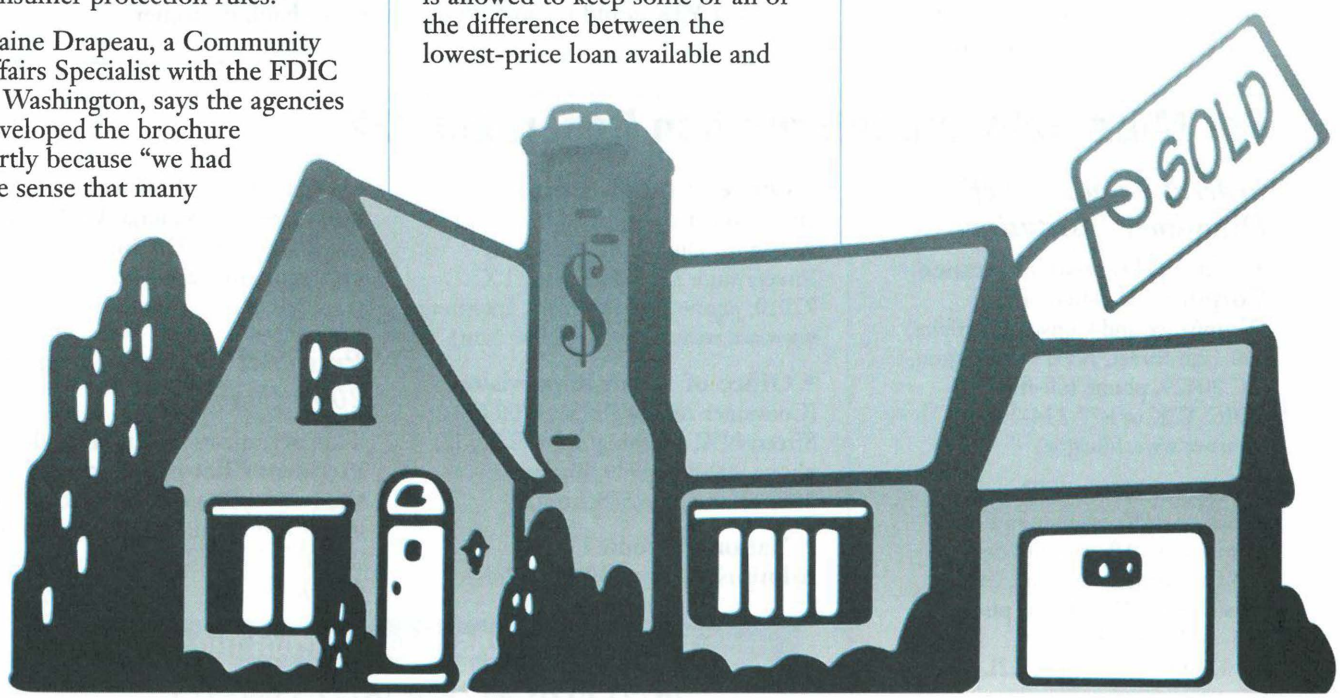
Elaine Drapeau, a Community Affairs Specialist with the FDIC in Washington, says the agencies developed the brochure partly because "we had the sense that many consumers, if not most of them, aren't aware that they can negotiate the rates and terms of a mortgage."

The brochure describes how comparing and negotiating interest rates, fees and other payment terms can help you get the best financing and possibly save thousands of dollars, whether it's a home purchase, a refinancing or a home equity loan.

Here's one example of why you should ask about costs and negotiate for the best deal: Many people think that when they get a quote on a loan from a lender or a mortgage broker (someone who finds a lender for you) that the same price is being offered to everyone. But on any given day, a lender or broker may offer the *same* loan at *different* prices for different consumers, even if those consumers are equally qualified for the loan. Why? Often that's because the loan officer or broker is allowed to keep some or all of the difference between the lowest-price loan available and any higher price the consumer agrees to pay. It's extra income for the employee—called an "overage" in the lending business.

Many practical consumer tips from the brochure appear in the box on the next page. In addition, the brochure outlines common sources for home loans, explains key mortgage-lending terms and highlights some of the laws that protect consumers from unfair lending practices. It also contains a worksheet consumers can use to compare costs while shopping.

You can read the brochure online at the FDIC's Internet site (www.fdic.gov). Or, order single copies free from the FDIC's Public Information Center listed on Page 3 of this newsletter. Financial institutions, consumer organizations and others wanting multiple copies of the brochure are asked to write to the Federal Reserve Board, Publications Services, Mail Stop 127, Washington, DC 20551.



Mortgage Shopping Tips

The following are practical tips from the brochure "Looking for the Best Mortgage: Shop, Compare, Negotiate," published by 11 federal agencies, including the FDIC:

- Don't be afraid to make lenders and brokers compete with each other for your business by letting them know that you are shopping for the best deal.
- Have the lender or broker write down all the costs associated with a loan, then ask about better rates, fees or other terms than the original ones quoted or those you found elsewhere. "You'll want to make sure that the lender or broker is not agreeing to lower one fee while raising another," the brochure adds.
- When considering a loan with "points" (fees paid to the lender or broker where one point equals one percent of the loan amount), ask for them to be quoted as a dollar amount so you actually know how much you'd pay.
- Your local newspaper and the Internet can be good places to start shopping for a loan, but check often because rates and points can change daily. Also, the newspaper doesn't list the fees, so be sure to ask the lenders about them.
- It isn't always clear from advertisements whether you're dealing with a lender or a broker, so find out if a broker is involved and how he or she would be paid. Be prepared to negotiate for the best deal, whether it's with a broker or a lender.
- Sometimes you can borrow the money you need to pay the loan's fees, but remember that doing so will increase your loan amount and total costs. Also, while "no-cost" loans are sometimes available, they usually involve higher interest rates for the loans themselves.
- If you agree to "lock in" a loan at a particular interest rate and number of points, you're protected in case rates increase while your loan is being processed. But if rates fall, you could end up with a less-favorable rate. "Should that happen," the brochure says, "try to negotiate a compromise with the lender or broker."
- Even consumers with past credit problems should shop around and negotiate for the best deal. If your credit problems were caused by unique circumstances, such as illness or a temporary loss of income, explain your situation to the lender or broker. If your credit problems cannot be explained, you'll probably pay more than borrowers with good credit histories, but you shouldn't assume your only option is a high-cost loan. Ask several lenders what you need to do to get the lowest possible price.

Right to Cancel Mortgage Insurance Takes Effect

Reminder: A 1998 law that will make it easier for a homeowner to cancel private mortgage insurance (PMI) and perhaps save several hundred dollars a year is now in effect for new residential mortgages and mortgage refinancings originated on or after July 29, 1999.

PMI is an insurance policy that protects the lender from losses when a mortgage goes bad. Lenders usually require PMI for borrowers who make a down payment of less than 20 percent of the home value. Under the new law, with certain exceptions, PMI automatically will be terminated if the borrower accumulates 22 percent equity in the home and is current on mortgage payments. Also, if the borrower has a good payment history he or she may request that PMI be cancelled when built-up equity equals at least 20 percent of either the purchase price or the original appraised value, whichever is less. Prior to the new law, a lender could continue to require monthly PMI payments long after the borrower had built up substantial equity in the home and the lender no longer faced losses from default.

For more details, start with your mortgage lender or, if your loan has been "sold," contact the company where you send your mortgage payments.

What's the Score on Your Credit?

Lenders use automated "credit scoring" systems to help them make decisions on loan applications. But you can improve your score and your chances of getting a good loan.

One way lenders quickly evaluate thousands (and sometimes millions) of loan applications is by using automated "credit scoring." Even if you have no plans to apply for a new loan soon, we think you should know about credit scoring. Why?

Because the next time you *do* want a mortgage, car loan, credit card or other type of loan, your credit score could affect the interest rate you are charged. It could determine the repayment terms and other conditions of the loan. Your credit score could even play a role in whether you are approved for the loan. To be on the winning side of this scoring system, it helps to know the basics.

What Is Credit Scoring?

Credit scoring is a tool that's designed to enhance a lender's ability to determine the likelihood that a consumer will repay a loan. It's based in part on credit scoring "models," which are computerized systems that look at a variety of factors (sometimes hundreds) relating to many consumers' credit histories and personal information, such as age, income and level of outstanding debt.

Scoring systems collect this data to try to predict a consumer's willingness and ability to pay future debts. Credit scoring systems usually produce a numerical score—a credit score. Lenders use these scores as tools to help decide if a loan should be made and to set repayment terms.

If a Credit Score Is Low

A credit score in the lower ranges doesn't automatically disqualify you from getting a loan. But it may prompt the lender to review your qualifications more carefully before deciding whether to approve or deny the loan. Or, a low credit score may result in a higher interest rate or more stringent repayment terms than those offered to other consumers.

If a lender's scoring system is properly designed, tested and monitored, it should give a faster and more impartial evaluation of creditworthiness than a loan officer could have made on his or her own.

A credit score, however, can be an imperfect way to try to predict whether someone will default on a loan. Among the reasons: the information that was reported to the company that developed the scoring model (perhaps a credit bureau) may be inaccurate or the statistical assumptions behind the program may be unsound.

Credit scores generally are not released to consumers. But under the Fair Credit Reporting Act, if you are rejected for a loan because of inaccurate information in a credit report, you have a right to get a free copy of that credit report and to have mistakes corrected. Catching and correcting any mistakes may have a positive effect on your credit score and could improve the chances that your loan will be approved.

Improving Your Score

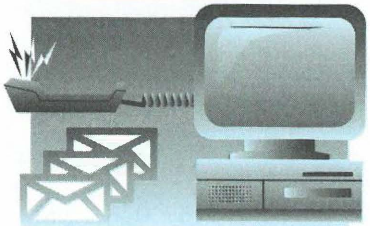
Just like building your own credit history takes time, it also takes time to significantly improve your credit score...and your chances of getting a loan at favorable terms. According to a consumer brochure published by the Federal Trade Commission (FTC), you can boost a low credit score by "concentrating on paying your bills on time, paying down outstanding balances, and not taking on new debt."

We also believe it's a good idea to review your credit report periodically, to make sure it accurately reflects your credit history. That way you can provide missing details or fix inaccurate information *before* it gets factored into your credit score and you're in a rush to get a loan.

For a copy of your credit report (maximum charge currently $8 under the law), call any of the three major credit bureaus at these toll-free numbers: Equifax at (800) 685-1111, Experian at (888) 397-3742, and Trans Union at (800) 888-4213. Credit report content may vary significantly among the credit bureaus, so you may want to request copies from all three companies.

For more information about credit reports and credit scoring, the FTC offers several free publications, including: "How to Dispute Credit Report Errors," "Fair Credit Reporting" and "Credit Scoring." For these and other FTC consumer publications, write the Consumer Response Center, Federal Trade Commission, Washington, DC 20580, call (877) FTC-HELP (382-4357), or check out these publications at www.ftc.gov on the FTC's Internet site.

For More Information



For questions about consumer or civil rights laws, or complaints involving a specific institution: First attempt to resolve the matter with the institution. If you still need assistance, write to the institution's primary regulator listed on this page. Although the FDIC insures nearly all banks and savings associations in the United States, the FDIC may not be the primary regulator of a particular institution.

For questions about deposit insurance coverage: The FDIC insures deposits up to $100,000 at federally insured banks and savings associations. For more information, contact the FDIC's Division of Compliance and Consumer Affairs. The National Credit Union Administration insures deposits up to $100,000 at federally insured credit unions. Addresses and phone numbers are listed on this page.

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

FDIC
550 17th Street, NW
Washington, DC 20429

Home Page: www.fdic.gov

For information about consumer protections, including deposit insurance:

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

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

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

E-mail: consumer@fdic.gov

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

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

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

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

E-mail: ombudsman@fdic.gov

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

Customer Assistance Unit
1301 McKinney Street
Suite 3710
Houston, TX 77010

Phone: (800) 613-6743
Fax: (713) 336-4301

Home Page: www.occ.treas.gov

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

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

Division of Consumer and Community Affairs
20th Street and Constitution Ave., NW
Washington, DC 20551

Phone: (202) 452-3693
Fax: (202) 728-5850

Home Page: www.federalreserve.gov

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

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

Phone: (703) 518-6330
Fax: (703) 518-6409

Home Page: www.ncua.gov

E-mail: pacamail@ncua.gov

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

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

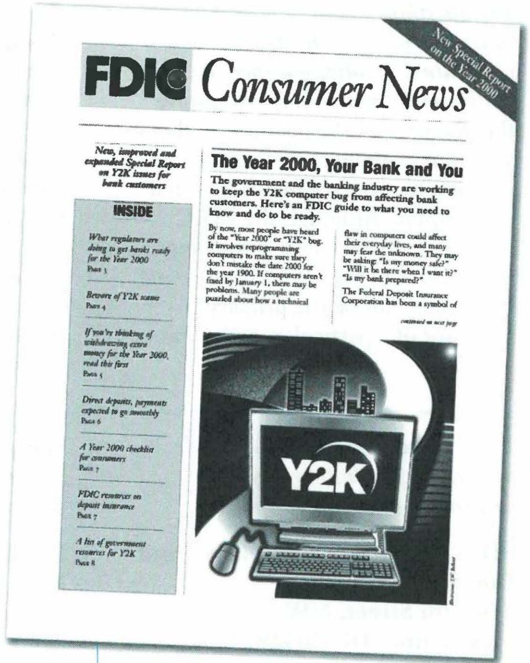
Phone: (800) 842-6929 or (202) 906-6237

Home Page: www.ots.treas.gov

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

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

FDIC Publishes New Special Edition on Y2K



New Special Report on the Year 2000

FDIC Consumer News

New, improved and expanded Special Report on Y2K issues for bank customers

INSIDE

The Year 2000, Your Bank and You

The government and the banking industry are working to keep the Y2K computer bug from affecting bank customers. Here's an FDIC guide to what you need to know and do to be ready.

By now, most people have heard of the "Year 2000" or "Y2K" bug. It involves reprogramming computers to make sure they don't mistake the date 2000 for the year 1900. If computers aren't fixed by January 1, there may be problems. Many people are puzzled about how a technical flaw in computers could affect their everyday lives, and many may fear the unknown. They may be asking: "Is my money safe?" "Will it be there when I want it?" "Is my bank prepared?"

The Federal Deposit Insurance Corporation has been a symbol of

continued on next page

As part of the FDIC's efforts to help educate consumers about the Year 2000, the agency has consolidated its previous Y2K stories from ***FDIC Consumer News*** into a single publication called "The Year 2000, Your Bank and You: A New Special Report."

Single copies of "The Year 2000, Your Bank and You: A New Special Report" are available free by writing to: Consumer Information Center, Item 613F, Pueblo, CO 81009. Or, you can call toll-free 888-8-PUEBLO (that's 888-878-3256). You can also go online and read, print out or download the report at www.pueblo.gsa.gov. Single copies also can be ordered from the FDIC's Public Information Center (see Page 3). This special edition of ***FDIC Consumer News*** plus other Y2K information from the FDIC also can be found at www.fdic.gov on the Web.

Wanted: Crime Stories

We're gathering information about how "average citizens" stop frauds and thefts involving bank accounts, credit cards, checks, etc. The best stories and crime-fighting tips may appear in a future issue.

Please send your stories (including any newspaper clippings or other supporting material) by December 1, 1999 to: Jay Rosenstein, ***FDIC Consumer News***, 550 17th Street, NW, Washington, DC 20429. The e-mail address is jrosenstein@fdic.gov. Our fax is (202) 898-3870. Please include your name, address and phone number. No names will appear in print without permission.

FDIC

Federal Deposit Insurance Corporation
Washington, DC 20429-9990

OFFICIAL BUSINESS
Penalty for Private Use, $300

BULK RATE MAIL
Postage & Fees
Paid Permit
No. G-36