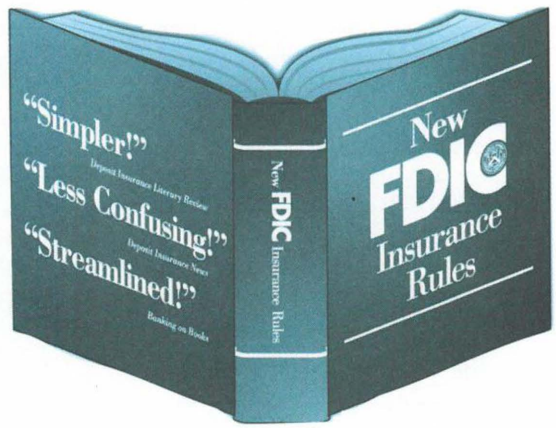
FDIC Consumer News

Spring 1999

INSIDE

FDIC Coverage: Safe, Sound and Now... Simpler for Consumers

New insurance rules for two common types of bank accounts will reduce the chances people will lose money if an institution fails



Making deposit insurance easier for consumers and bankers to understand has been a priority for the FDIC. That's because confusion over the insurance rules has caused losses to some depositors who mistakenly believed all their funds were within the insurance limit, only to find out otherwise when their institution failed. And that's why the FDIC has simplified the rules for two common types of accounts—joint accounts and payable-on-death (POD) accounts.

"These changes will greatly benefit consumers," says FDIC Chairman Donna Tanoue. "The new rules will be much easier to understand, and therefore it will be much less likely that a consumer will unknowingly exceed the $100,000 insurance limit."

"When ordinary depositors lost money as the result of being over the $100,000 insurance limit, the money usually was in joint accounts and POD accounts," adds Chris Hencke, an attorney in the FDIC's Legal Division in Washington. "The new rules should greatly reduce confusion about the insurance coverage."

The new rules went into effect April 1, 1999. They apply to all existing and future joint accounts and POD accounts, including existing certificates of deposit. The following overview and the examples in the box on the next page are intended to help you understand the rule changes and what they can mean in terms of your deposit insurance coverage.

Joint Accounts

For many years, FDIC insurance coverage for joint accounts (those owned by two or more people) was calculated using a two-step process. Step One: All joint accounts owned by the same combination of people at an insured institution were added together and insured up to $100,000. Step Two: Each person's shares in all joint accounts at that institution were

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added together and insured up to $100,000. But many people were unaware of the first step. As a result, they mistakenly believed that a joint account owned by two people would be insured up to $200,000, when the actual coverage was $100,000.

How do the new FDIC rules deal with this problem? Basically, we eliminated the first step but kept the second step. "In other words," Hencke says, "the FDIC will simply look at each person's share in all joint accounts at an institution and insure that person to $100,000—period. That should be easily understood by the average depositor." Now, for example, a joint account owned by two people is insured up to $200,000 (if that's the only joint account they have at the bank).

As before, your share in joint accounts will be covered to $100,000. This is in addition to the FDIC insurance you receive for other types of consumer accounts, such as individual, payable-on-death, and retirement accounts.

Payable-on-Death Accounts

POD accounts are those 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. These accounts also are referred to as testamentary, Totten trust or "In Trust For" accounts.

Each beneficiary's interest in a depositor's POD accounts is insured up to $100,000 at an institution *if certain conditions are met*. Under the "old" rules, one condition for receiving this generous insurance protection was that the beneficiaries be the depositor's spouse, children or grandchildren. This meant that a parent's POD accounts that listed three children as the beneficiaries would be insured up to $300,000, not just $100,000.

Some people mistakenly believed, however, that each beneficiary of POD accounts was entitled to $100,000 of insurance, regardless of the relationship. "In most of the cases where this misunderstanding resulted in an actual loss of money after a bank failure, we found that the named beneficiaries generally were parents, brothers or sisters," Hencke says.

To avoid this confusion in the future, the FDIC has extended the list of "qualifying" beneficiaries in POD accounts to also include the depositor's parents and siblings. Note: step-parents, adopted children and similar relationships also qualify under the new rules, but others, including in-laws, do not. POD accounts also continue to be separately insured from other types of deposit accounts, such as individual accounts, joint accounts and retirement accounts (assuming that all of the relevant conditions are met).

For More Information

The FDIC is revising its deposit insurance publications for consumers and bankers, including the popular "Your Insured Deposit" brochure. Also, we have updated the insurance-related information posted on our Internet site at www.fdic.gov, including the "Electronic Deposit Insurance Estimator" service (see the next page) that allows consumers to easily check whether their accounts exceed the $100,000 insurance limit. The bottom line: The FDIC wants you to be an informed consumer and to have complete confidence your deposits are safe.

Simple Examples of the Simpler Insurance Rules

Joint Accounts:

Say your spouse and you own a $200,000 joint account. The two of you have no other joint accounts at that same institution. How much of the $200,000 is covered by FDIC insurance if the institution were to fail?

Old Rules: $100,000, because under the first of the two steps used to calculate coverage, all the joint accounts owned by the same combination of people at an insured institution were protected up to $100,000 total, no matter how many names were on the account.

New Rules: $200,000, because now each person is insured up to $100,000 for his or her share of all joint accounts at an institution.

Payable-on-Death Accounts:

You have a $300,000 payable-on-death (POD) account so, when you die, the money is payable to your spouse and two of your sisters. You have no other accounts at the same institution. How much of this account is protected by FDIC insurance?

Old Rules: $200,000. To qualify for POD coverage of $100,000 for each beneficiary, the named beneficiaries had to be your spouse, children or grandchildren. If a parent or sibling was designated as a beneficiary, his or her share was considered part of your individual accounts subject to a maximum insurance limit of $100,000. So in this example of a $300,000 account, you obtained $100,000 POD coverage (because your spouse was one of the beneficiaries) and $100,000 coverage under your individual account category (because your sisters were not "qualifying" POD beneficiaries), resulting in total coverage of $200,000.

New Rules: $300,000 ($100,000 for each beneficiary), because the list of "qualifying" beneficiaries now includes parents and siblings as well as a spouse, children and grandchildren.

Introducing "The Amazing EDIE"... A Bit of Magic from the FDIC

You don't need to be a magician with numbers or even a computer wiz to benefit from the FDIC's new online service for analyzing your deposit insurance coverage

"Deposits insured by the FDIC to $100,000." You've probably seen that wording at your bank or savings and loan association. But many folks wonder: Is that $100,000 per account or $100,000 per person? Is it $100,000 at this one bank or every one of your banks combined?

Illustration: T.W. Ballard

The FDIC for years has published brochures, offered seminars, staffed a toll-free Call Center (800-934-3342) and responded to letters from consumers in order to answer questions about deposit insurance in general or how the rules apply to a family's specific group of accounts. "But there seemed a need for something more, something that would be available to consumers and bankers 24 hours a day, seven days a week," says Kathleen Nagle, a Senior Consumer Affairs Specialist in the FDIC's Division of Compliance and Consumer Affairs. "That's why the FDIC decided to combine the availability of the Internet with the deposit insurance expertise of our staff."

The result is the Electronic Deposit Insurance Estimator (EDIE), an interactive Internet site unveiled by the FDIC in October of 1998 to help consumers and bankers quickly and easily figure out whether a depositor's accounts at an FDIC-insured institution are within the $100,000 insurance limit. The FDIC put this new EDIE service on the Internet to make it available free of charge to as many people as possible.

Don't worry about your deposit insurance coverage if you or your family have less than $100,000 in all your accounts combined at the same bank. But if your accounts total $100,000 or more, you can use EDIE to make sure they're within the insurance limit. It's especially important to review your insurance coverage if there's been a big change in your life (you inherit money or sell your home, for instance) or if you have accounts at two banks that merge. Whenever you do look into your insurance coverage, we think the new EDIE system will be a big help because:

• **You don't have to know the deposit insurance rules to calculate your insurance coverage using the EDIE system.** "That's probably the best part about EDIE, because the rules can be complicated," says Kate Spears, an FDIC Consumer

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FDIC
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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).

Affairs Specialist. Remember that under the insurance rules, you can have more than $100,000 at one financial institution and still be fully insured, but for that to happen the accounts must be structured properly.

• **You don't need a lot of computer skills**. We tried to make the system user-friendly and we added a red-haired, green-eyed helper (named "Edie," of course) who'll assist you at each step of the process.

• **You don't have to worry about protecting your privacy**. No identifying information, such as account numbers or Social Security numbers, is entered into the system. EDIE also doesn't permanently store any of the account information you enter. When you're done using the system, any information you entered is deleted. But if you're still uncomfortable entering certain names and figures, you can simply use first names or even an alias. (John or Jane Doe will work just fine.) To provide an accurate analysis, however, the other basic information must accurately reflect your bank account records.

• **You don't even need to have direct access to the Internet from your home or office**. You may be able to use EDIE at your bank (just ask a customer service representative), your local library (many let the public come in to surf the Web for free), or the computer of a friend or relative who's hooked up to the Internet.

Here's how EDIE can help you review your insurance coverage. First, access EDIE through www.fdic.gov. Then, you'll be asked to answer some simple questions about the types of accounts you have, how much is in the accounts and whose names are on each account (important because coverage is based on how the accounts are "owned"). Again, you can use first names or an alias if that would make you more comfortable.

"Depending on how the accounts are structured, EDIE will quickly analyze the information and produce a report that states in black and white—and red, if you have uninsured funds—just what's insured or not insured," says Spears. "With this information in hand, you may decide to restructure your accounts if EDIE indicates some portion of the money is uninsured." She also suggests that you speak with a customer service representative at your institution for guidance on how to restructure your accounts.

EDIE also provides definitions of banking terms, examples of different account titles, and other information to make the system easier to use. Note: EDIE can estimate the insurance on most types of accounts, including individual accounts, joint accounts, payable-on-death accounts and Individual Retirement Accounts (IRAs). But EDIE can't be used for business accounts or certain complex account types, such as living or family trusts. For help understanding the insurance coverage of these kinds of accounts, talk to your banker or call the FDIC's deposit insurance specialists at (800) 934-3342.

Also through EDIE you access our Deposit Insurance Information Page, which consolidates all of the deposit insurance information available on FDIC's Web site. Included there is a directory that enables you to confirm that an institution is FDIC-insured, a list of frequently asked questions about deposit insurance, and a way to e-mail our insurance experts.

One consumer wrote to the FDIC: "The system is so easy to use! I wish all computer systems were this easy." A banker using the system wrote: "Very helpful! Very easy to use. Lots of double-checking and good definitions."

So, why not check it out for yourself and check up on your insurance coverage at the same time? We think you'll learn some useful information about how deposit insurance works and how your personal savings are protected. You may even learn you're a computer wiz after all.

No access to the Internet? The FDIC offers other ways to answer your questions about deposit insurance coverage.

- Call the Division of Compliance and Consumer Affairs 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.
- Write to our insurance specialists at FDIC Consumer Affairs, 550 17th Street, NW, Washington, DC 20429, or send an e-mail to consumer@fdic.gov on the Internet.
- Read FDIC publications that help explain the deposit insurance rules. For example, the FDIC booklet "Your Insured Deposit," which is being updated to include the latest rules, will be available free of charge from the FDIC's Public Information Center (listed on Page 3 of this newsletter) and soon from banks and savings institutions.

Even if you don't have direct access to the Internet you may be able to try it out at your bank, library, or the home of a friend or relative. Go to www.fdic.gov and do the insurance calculations yourself using our Electronic Deposit Insurance Estimator service. Helpful FDIC publications also are posted at our Internet site.

Test Your Deposit Insurance IQ

How well do you understand the FDIC's deposit insurance rules? Depositors should have at least a basic knowledge of the rules, in case their bank or savings institution were to fail. An awareness of the rules is especially important if you or your family have $100,000 or more on deposit at one insured institution. Take our 10-question quiz and find out how well informed you are about FDIC insurance.

1 By law, all commercial banks and savings associations in the United States are insured by the FDIC. **True or false?**

2 I have $100,000 in certificates of deposit (CDs) at the bank where I have $100,000 in Individual Retirement Accounts (IRAs). I'm fully insured because retirement accounts are insured up to $100,000 separately from my other money at the bank. **True or false?**

3 If I have accounts at two FDIC-insured institutions that merge, my deposits are combined immediately for insurance purposes. **True or false?**

4 I have $20,000 in a checking account in my name alone, and at the same bank I have a $100,000 trust account in my name but payable to my mother when I die. All of my money is protected because the payable-on-death (POD) account is insured to $100,000 separately from my checking account. **True or false?**

5 I have my checking account at the same bank where I keep the accounts of my sole proprietorship (a business owned by just one person, not by a corporation). Under the insurance rules, my sole proprietorship accounts are added together with my personal accounts at the bank and are insured to $100,000 in total. **True or false?**

6 My spouse and I have joint accounts totaling $200,000, but because both of our names are on the accounts, they're fully insured ($100,000 for each of us). **True or false?**

7 I have three accounts at the same bank— a $100,000 savings account for myself, a $50,000 checking account just for me, and a separate $50,000 checking account I own jointly with my mother. All three accounts are separately insured for $100,000 each. **True or false?**

8 I've invested in the stock and bond markets by buying shares in a mutual fund sold by my bank. Because the institution is FDIC-insured, that means my investment is also protected by the FDIC. **True or false?**

9 I have three different 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 qualifies for $100,000 of insurance. **True or false?**

10 I can get additional FDIC insurance by opening accounts at different branches of my institution. **True or false?**

Answers on next page.

1.	☐ True	☐ False	6.	☐ True	☐ False
2.	☐ True	☐ False	7.	☐ True	☐ False
3.	☐ True	☐ False	8.	☐ True	☐ False
4.	☐ True	☐ False	9.	☐ True	☐ False
5.	☐ True	☐ False	10.	☐ True	☐ False

Mark your choices in the boxes at left and then compare them to the answers on the next page. If a little extra homework is needed, to be sure your savings are entirely safe, read the FDIC booklet "Your Insured Deposit," which is being updated to include the latest rule changes. It will be available free of charge from the FDIC's Public Information Center (the toll-free phone is 800-276-6003, the address is 801 17th Street, NW, Room 100, Washington, DC 20434, and the e-mail address is publicinfo@fdic.gov), and soon from insured banks and savings associations. "Your Insured Deposit" and other insurance-related information (including the "Electronic Deposit Insurance Estimator" service that allows you to check whether your accounts are fully insured) also appear on our Internet site at www.fdic.gov.

You also can contact the FDIC's Division of Compliance and Consumer Affairs (call 800-934-3342, write to 550 17th Street, NW, Washington, DC 20429, or e-mail consumer@fdic.gov) to get answers to specific questions.

Answers to Quiz

1. **False.** The FDIC insures deposits in most but not all banks and savings associations. FDIC-insured institutions must display an official sign at each teller window or teller station. You also can verify whether an institution is FDIC-insured by contacting the FDIC's Division of Compliance and Consumer Affairs, as listed on the previous page, or doing a search of insured institutions at the FDIC's Internet site (www.fdic.gov).

2. **True.** Individual Retirement Accounts (both "traditional" and "Roth" IRAs) are insured to $100,000 separately from your non-retirement accounts at the same bank. (Note: The deposit insurance rules for retirement accounts and pension savings can be confusing. For example, the rules treat traditional and Roth IRAs differently than employer-sponsored 401(k) retirement plans that may be deposited in the same bank. If all your retirement-related money in the same bank is near or above $100,000, you may want to consult the Division of Compliance and Consumer Affairs.)

3. **False.** In the event of a bank merger, the FDIC's rules provide a "grace period" so that any change in insurance coverage is not immediate. Regular checking and savings accounts from each institution are separately insured, as if they were still at separate institutions, for six months after the merger. In general, CDs at the acquired institution remain separately insured until the earliest maturity date after the six-month grace period.

4. **True.** Your payable-on-death accounts (also called testamentary, Totten trust or "In Trust For" accounts) are insured separately from your individual or joint accounts at the same institution, but only if certain conditions are met. One of these conditions is that the beneficiaries of the account must be the owner's spouse, children, grandchildren, parents or siblings (called "qualifying beneficiaries"). Parents and siblings were added to this list on April 1, 1999. If this requirement and the other requirements are satisfied, the account will be insured up to $100,000 *for each beneficiary*. For example, a POD account with three qualifying beneficiaries could be insured up to $300,000 (combined with any other POD accounts held by the account owner for the same beneficiaries). The list of qualifying beneficiaries also includes adopted children, adoptive parents, brothers and sisters through adoption, stepchildren, stepparents, stepbrothers and stepsisters. The list does *not* include cousins, aunts, uncles, nieces, nephews, friends or in-laws. This means a $300,000 POD account for three non-qualifying beneficiaries would be added to any other individual accounts the owner held at the bank and would be insured to only $100,000 in total.

5. **True.** Under the insurance rules, sole proprietorship accounts (unlike corporate or partnership accounts) are added to any personal accounts the owner may have at the same institution. Similarly, if a sole proprietorship is owned jointly by a husband and wife (permissible in some states), the business account would be insured as a joint account (presuming it satisfies the FDIC's requirements for joint accounts).

6. **True.** Under the new insurance rules that went into effect April 1, 1999, each person's shares in all joint accounts at an institution are covered to $100,000 in total. This couple's joint accounts therefore would be insured up to $200,000 (assuming they have no other joint accounts at the same institution). This is simpler and more straightforward than the "old" rules, which many consumers misunderstood.

7. **False.** Insurance coverage generally is based on how accounts are owned. In this case, the two accounts you have in your name alone would be added together and insured to $100,000 in total, leaving $50,000 uninsured. Your share of any joint accounts at a bank is insured to $100,000 in total (and separately from your individual accounts). Here, the joint account you own with your mother would be insured for up to $200,000 ($100,000 for each person's share), so this account is fully protected.

8. **False.** FDIC insurance protects only deposits. Products such as mutual funds, annuities, stocks, bonds, life insurance policies and U.S. Treasury securities are not deposits and are not protected by the FDIC. Nondeposit investments are subject to investment risks, including the possible loss of principal, even if you bought them in your bank's lobby or otherwise through an FDIC-insured institution. Although Treasury securities are not insured by the FDIC, they are backed by the full faith and credit of the U.S. government.

9. **False.** For each $100,000 joint account, your interest would be $50,000. (The interests of the co-owners are presumed equal.) This means your interest in all three joint accounts would be $150,000. But under the FDIC's rules, no one person's insured interest in all joint accounts at the same institution can exceed $100,000. You'd be uninsured in the amount of $50,000.

10. **False.** An insured institution's main office and all branch offices are considered to be one institution.

Don't Take the Money and Run

If you're thinking of withdrawing extra money for the Year 2000, read this first

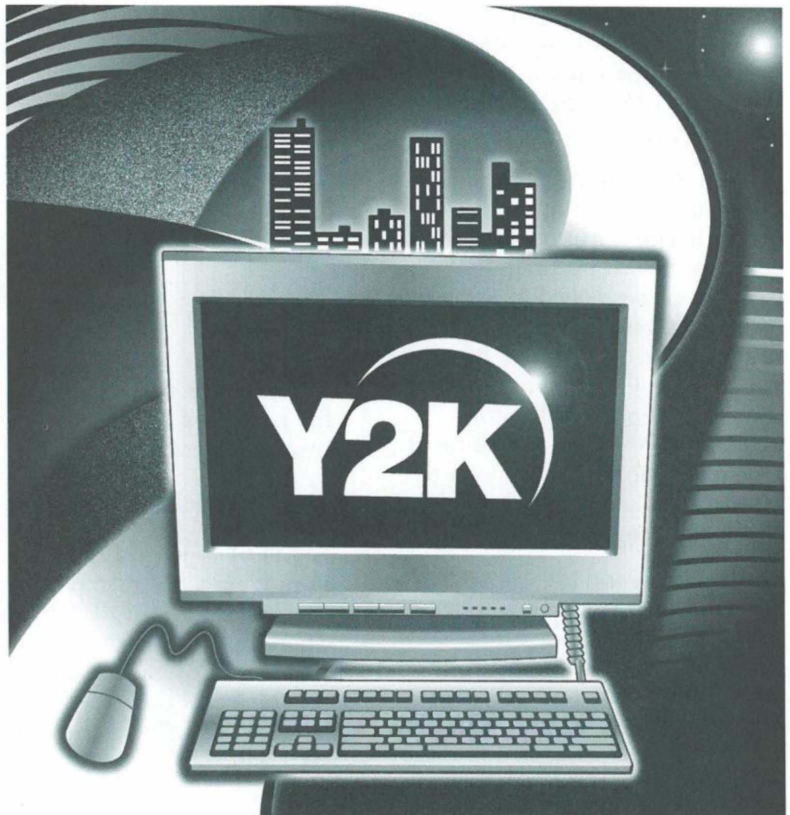

Illustration: T.W. Ballard

You may have heard someone say that before January 1, 2000, you should have stocked up on extra money just in case your bank can't cash checks or operate ATMs because of a Year 2000 computer problem. What do *we* have to say about that?

The FDIC recommends that you make a reasonable decision based on solid information, not on false, uninformed or exaggerated reports on the street, in the media or over the Internet. We also think you'll find that you may only need about as much cash as you'd have on hand for any other three-day holiday weekend. We believe there is no need for you to take out extra money. Why do we feel this way?

• Federal and state regulators expect that most banking services will be functioning normally on January 1.

Examiners have been visiting every FDIC-insured bank and savings institution in the country to check on its progress. Almost all insured institutions are on schedule to become Y2K-ready. The very few institutions not making satisfactory progress are undergoing increased scrutiny by bank regulators and are required to correct their deficiencies.

Federal and state regulators will continue to closely monitor all institutions throughout 1999 and into next year. This government oversight is a big reason why John A. Koskinen, Chairman of the President's Council on Year 2000 Conversion, said at a March 31 press conference that "banking is clearly in the best shape of any industry in the country."

As part of this readiness effort, banks, automated teller machine manufacturers and ATM networks (the systems that give you access to your bank account using another bank's teller machine) are fixing and testing their machines. And if problems do occur, banks have back-up plans in place so service to consumers can continue. If you have questions about what your banking institution is doing about the Year 2000, talk to an employee there who is knowledgeable about its Y2K program.

The FDIC recommends that you make a reasonable decision based on solid information, not on false, uninformed or exaggerated reports.

• The funds you leave in a federally insured account are absolutely safe. The same can't be said for the money you take out of the bank.

Wallets and purses are easy to lose. And while robbers are always out there, as we get closer to the New Year they may be especially active if they hear that people are carrying extra cash. Among the potential crime targets: people who have just taken cash out of ATM machines.

As we've reported previously in ***FDIC Consumer News***, your best defense against ATM theft is to use machines only in well-lit,

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busy areas where unusual activity would be noticed. Be alert to people loitering around the ATM, often in a car or behind bushes. If you have doubts about a particular location, go to another ATM where you feel safer. (For tips about avoiding a variety of Y2K scams, see our story on the next page.)

We also caution everyone about hiding a large sum of money at home, where it can be taken by a thief, misplaced by a family member or destroyed in a fire, even if the cash is in a metal safe or file cabinet. One press report from North Carolina told of someone who allegedly stole nearly $15,000 from the home of a relative who had withdrawn the money from a retirement fund because of concerns about Y2K.

"It's never a good idea, at any time, to carry around a large amount of cash or keep it at home," says Frank Hartigan, the Washington-based Y2K Project Manager for the FDIC.

• If your favorite ATM is out of order, you can get cash elsewhere.

Just because an automated teller machine 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 (perhaps for cash to be added). Or maybe the ATM is temporarily unable to dispense cash or give out receipts because of a problem totally unrelated to the Year 2000 (such as a paper jam or money misfeed).

So, if one ATM isn't working, try another nearby. Or, during regular banking hours, just go into a bank branch.

You also may be able to use your ATM card or credit card to get cash at a merchant's cash register. Depending on the type of card you use and where you use it, you may have to pay a small fee to get cash from an ATM or sales terminal.

"It's never a good idea, at any time, to carry around large amounts of cash or keep it at home," says Frank Hartigan, the FDIC Year 2000 Project Manager.

• There are more ways to pay for products and services than just using cash.

Most merchants accept your check, credit card or debit card (an ATM-type card that deducts from your account to pay for purchases). "In this day and age, when there are so many options for making payments, consumers shouldn't feel they need to rely solely on cash," says the FDIC's Hartigan.

If you have a question or problem regarding the best ways to make a payment (or even get additional cash), consider calling your bank or credit card company. Many banking institutions will have extra customer-service staff answering phones or otherwise assisting consumers during the Year 2000/New Year holiday weekend.

• Y2K problems won't cause your bank to lose track of your money.

It's highly unlikely that a Year 2000 computer problem will trigger an error in your bank account balance. If something does goes wrong, though, institutions are required to keep back-up records that can be used to identify and correct any errors that might affect your accounts. So why take out a lot of cash because you're afraid the bank will lose your money...and then risk losing it yourself?

You're better off just keeping good records of your account transactions—deposits, checks, ATM withdrawals, etc.—and then comparing your records against your bank statements. (That's something a bank customer should always be doing, not just in response to the Year 2000 problem.) If there's a discrepancy, contact the institution immediately. And remember, every extra dollar you take out of your account is a dollar that no longer earns interest.

Final Thoughts

Rest assured that the banking industry will be ready if you and other consumers have a need for more cash.

The Federal Reserve System, which supplies banks with the coins and currency they need to handle daily banking operations, has plans to print extra cash as a precaution to meet any increased demand.

But as we've described here, federal bank regulators and bankers have spent years preparing to overcome the Year 2000 problem, so that there should be no need for anyone to withdraw extra money.

The FDIC wants you to be an informed consumer. We hope we've given you some solid information that will be helpful when you decide whether or not to remove cash from the bank before January 1, 2000.

We leave you with the words of respected financial columnist Jane Bryant Quinn. In writing about the Y2K issue recently, she said: "Would I take savings out of the bank, lose the interest it's earning and risk total loss if I had a fire? My money stays put, where it's FDIC-insured."

Y2K "Fixes"...and Frauds

Con artists may try to cash in on the Year 2000 problem, but you really may have a problem if you accept their offers. Here's how to spot and stop a Y2K scam.

The Year 2000 computer problem isn't a problem for criminals—it's an opportunity. It's a chance for them to cash in on people's fears about the unknown.

Despite the efforts of the government and the business community to educate the public about the Year 2000 and what's being done to avoid problems, many consumers are wondering how a technical flaw (the potential inability of computers to distinguish the year 2000 from the year 1900) could affect their everyday lives. And when honest people are jittery about a problem they may not fully understand, dishonest people may step in with false or misleading offers to help "fix" things, usually entirely for *their* benefit.

We don't want to worry you unnecessarily about the potential for Y2K-related scams; chances are that you will never encounter a Y2K con. But we do want to put you on notice about the potential for such frauds.

We also want to remind you that your money is absolutely safe in an FDIC-insured account. But placing your trust, and your money, with a stranger or an unfamiliar company could be a big mistake.

These are the kinds of Y2K-related scams the FDIC and other government agencies believe could become more prominent in the coming months:

• A con artist posing as a bank employee calls to say that, as part of a Year 2000-related fix of the bank's computers or accounts, you must confirm (actually reveal) your credit card or bank account number. (If a crook gets this or other personal information, he or she can use it to order new credit cards or new checks and then go on a shopping spree.)

• You receive an unsolicited offer to "hold" your money until after January 1, 2000, in a place that's supposedly safer than a federally insured bank, savings institution or credit union, perhaps in a "special" bond or bond account. (The money most likely would just go into the crook's pocket.)

• A sales-person from a company you never heard of calls to suggest that you buy into an investment or business that's free of Year 2000 problems (or will "solve" Y2K problems) and, in addition, is guaranteed to net a big profit. (It's likely that the only one profiting will be the seller, while you get little or nothing in return.)

Although the FDIC hasn't been receiving many reports of Y2K-related financial crimes, Gene Seitz, a fraud specialist with the agency's Division of Supervision in Washington, says activity could pick up later in 1999. "It may be a little early for Y2K frauds to be fully surfacing," he says, "because to be effective the con artists will likely capitalize on any apprehension during the last few months of the year."

A similar view is held by Peter C. Hildreth, President of the North American Securities Administrators Association, whose members include the state and regional regulators in the U.S., Canada and Mexico responsible for protecting consumers from fraudulent investments. "No one knows how big of a deal the Y2K bug will be," Hildreth says. "But panic can lead people to make stupid mistakes—something that con artists know well."

Best Defenses

Here are four things we want you to know so you can be Y2K-careful:

1. Remember the classic signs of a swindle.

The FDIC's Seitz suggests that there are few, if any, "new" frauds stemming from Y2K. "The old schemes have just taken on new twists using the hype over Y2K to try to add some legitimacy to the urgency of their proposals," he says. That's why we remind you about some of the basic "red flags" to financial fraud. In general, we suggest that you hang up the phone or walk away if you get an unsolicited offer with one or more of the following characteristics:

• The deal seems too good to be true or doesn't seem to make sense. (Why would your credit card company call YOU to verify your card number—shouldn't they know it already? Do you really think your bank would call you when it's testing its computers? Is it truly "safer" to trust your money to a perfect stranger than to your federally insured bank?)

• The proposal is from an unfamiliar company, often without a street address or direct telephone number.

• Details about the deal are fuzzy. If you ask for information in writing the person isn't forthcoming.

• You're asked to give cash, a check or your credit card or bank account number before you receive goods or services. The salesperson also may offer to go to great lengths to collect money.

continued on next page

• The offer is high pressure or intimidating. He or she won't take no for an answer.

2. Never give account numbers or other personal information unless you initiate the contact.

Con artists often pose as business people or law enforcement officers. But unless you originate the contact with some person or company, you should never assume everything is legitimate.

Never give out your Social Security number, bank account or credit card numbers or other personal details to an unknown person or company in response to their unsolicited offer—by phone, fax, mail, the Internet or a knock at the door. A con artist can use this information to withdraw money from your bank account or order new credit cards in your name.

Only give out personal information if it's absolutely necessary, and you initiated the call or transaction involving a company you believe to be reliable. There are some numbers you should never give a stranger, such as the confidential "PIN" number you use to make withdrawals from an ATM.

3. Thoroughly check out any offer to buy or invest in a product or service before you commit to anything.

If you're seriously considering an offer of any sort, get as much information as you can before you agree to pay money. But when it comes to Y2K, with so many rumors and sensationalized stories floating around, you should be even more skeptical. Confirm with a reliable source that you do indeed have a problem or that there isn't a better solution. For example, if you're approached about a supposed Y2K problem with your bank account, independently check with your financial institution or its federal regulator. If someone says you need to overhaul your computer, ask your computer manufacturer for another opinion.

Never *give out your Social Security number, bank account or credit card numbers or other personal details to an unknown person or company in response to their unsolicited offer—by phone, fax, mail, the Internet or a knock at the door.*

Also be sure you're dealing with reputable people. To find out more about a particular company, there are several resources you can tap. The Better Business Bureau in the area where the firm is located is an excellent source of information (including complaints against companies). You can start with your local BBB listed in the phone book or check out the Bureau's home page at www.bbb.org on the Internet. Or, contact the state Attorney General's office or the state or local consumer protection agency in the area where the company is located and ask about its complaint history.

If you want to research a Y2K-related banking matter or confirm that a particular bank is FDIC-insured, contact the FDIC's Division of Compliance and Consumer Affairs (see Page 15) or go to www.fdic.gov—our Web site.

For general help or information on a variety of Y2K issues, call the President's Council on Year 2000 Conversion toll-free at (888) USA-4-Y2K or (888) 872-4925, or consult the Council's www.y2k.gov Internet site.

4. Take the time to spot, and report, a possible fraud.

Review your checking account statements and credit card bills as soon as they arrive, to make sure that a swindler hasn't made purchases or ordered a new credit card in your name. Also be on the lookout for these regular mailings; if one doesn't arrive, that could be a sign that someone has changed your billing address for fraudulent purposes. These kinds of precautions are always smart to take, and not just in connection with the Year 2000. Although federal and state laws generally limit certain losses if a thief gets to your bank account or credit card, you may be held responsible if the bank can prove that you were negligent. So keep a watchful eye on your accounts.

If you think you've been victimized by a financial scam or you just suspect something fishy, get to the phone immediately. Call the police. Then call your financial institution. It's also worth calling the National Fraud Information Center at (800) 876-7060 (www.fraud.org on the Internet). The NFIC, a project of the National Consumers League in Washington, forwards reports of suspected crimes to federal and state authorities.

Don't hesitate to make these calls. If you're being approached, chances are others in your community or around the country are being targeted, too.

Final Thoughts

Consumer complaints about Y2K frauds may not surface until after the new year begins. That's when crime victims would realize they were cheated out of their money. Don't become one of them. Be skeptical of unsolicited offers. Protect your personal information. And remember that your money is safe in an FDIC-insured account—and far safer than in the hands of a total stranger.

Direct Deposits and Payments: No Need to Shift Out of Automatic in the Year 2000

More and more Americans are enjoying the convenience, safety and cost-savings of direct deposit and automatic payment programs at their bank—what one writer described as "putting your banking on auto-pilot." We're primarily referring to the electronic deposit of your salary, Social Security payments and other income directly into your bank account, as well as pre-arranged deductions from your account for recurring payments such as your mortgage, utility bills, insurance premiums, and investments in mutual funds.

Peace of mind is one of the main benefits of these automated banking services; no checks get lost in the mail, are forgotten at home or are left around gathering dust instead of earning interest while you're out of town. But with the news about the Year 2000 or Y2K—the possibility that some computers could malfunction if they misinterpret January 1, 2000, as January 1, 1900—consumers may be wondering if their automatic deposits and payments will continue to be made promptly and accurately when the new century begins.

FDIC Consumer News wants you to know that the government (including the FDIC and other financial institution regulators) is committed to ensuring that the institutions and organizations on the sending or receiving end of your money are taking steps to prevent most Y2K glitches and minimize the rest. Here's a look at some of what's being done to protect your payments, and some of what you can do to help protect yourself.

• The federal and state government agencies that make payments to consumers are addressing the Y2K issue.

Every month, a bureau of the U.S. Treasury Department known as the Financial Management Service (FMS) issues payments to Americans on behalf of federal government agencies such as the Social Security Administration, the Department of Veterans Affairs and the Internal Revenue Service. "Our payment services touch the lives of more than 100 million people, and literally tens of millions of Americans depend on FMS systems to meet lifeline needs every month," Assistant FMS Commissioner Constance Craig told Congress recently.

The government is committed to ensuring that institutions on the sending or receiving end of your money are taking steps to prevent most Y2K glitches and minimize the rest.

Craig said the FMS "is devoting all possible resources to ensure that the day-to-day services we provide to the American people on behalf of other Federal agencies will not be disrupted on January 1, 2000 or thereafter." As of the end of March 1999, the FMS systems that issue 93 percent of its total payments—more than 805 million payments each year—were Y2K-ready. The remaining FMS systems are expected to be all set in the summer of 1999. For more information about what the FMS is doing to prepare for the Year 2000, including its systems for transmitting direct deposits into bank accounts, check out its Y2K Internet site at www.fms.treas.gov/y2k/index.html.

Many consumers specifically want to know whether the Social Security Administration is Y2K-ready, to ensure that Social Security payments will be made accurately and without interruption. Their questions were answered by President Clinton in December 1998 when he said a panel of independent experts concluded that the Social Security system "is now 100 percent compliant with our standards and safeguards for the Year 2000." He added that "the system works, it is secure. And therefore, older Americans can feel more secure."

For more information about federal government Y2K programs, you can call the President's Council on Year 2000 Conversion toll-free at (888) USA-4-Y2K or (888) 872-4925. The Council also has an Internet site (www.y2k.gov) that provides a wide range of information about government efforts.

To learn more about what's being done on the state level to ensure that payments (such as tax refunds and Medicaid payments) will be handled properly, you can contact the state treasurer or consumer protection office (listed in your telephone book and other directories). Another good source is the National Association of State Information Resource Executives (167 West Main Street, Suite 600, Lexington, KY 40507; telephone 606-231-1971). Its Year 2000 Internet page at www.amrinc.net/nasire/y2k has detailed information from each state about its readiness efforts as well as the names, addresses and

continued on next page

phone numbers of the state's Y2K coordinators.

• The government has set Y2K-related standards for financial institutions and is monitoring their progress.

As we've reported in our newsletter, the FDIC and other federal and state regulators are providing guidance and conducting on-site examinations to ensure that financial institutions' computer systems will function properly in 2000. Under the regulators' timetables, by June 30, 1999, FDIC-insured institutions are expected to have tested and, if necessary, replaced the computer programs they use to handle electronic payments to and from the U.S. Treasury Department, the Social Security Administration and other outside parties. "Financial institutions know it's in everyone's best interests to make sure the services they provide to consumers are no different in the Year 2000 than they are today," says Michael Benardo, a Y2K Examination Specialist with the FDIC in Washington.

The latest reports from federal regulators indicate that nearly all FDIC-insured institutions are making steady progress in their Y2K preparations. The few banking institutions still lagging behind schedule are subject to increased supervision by the regulators, including actions that would require problems to be fixed.

• Banks and other parties are preparing "contingency plans" so that they can continue to conduct business even if certain computers temporarily shut down.

Financial institutions deal with computer malfunctions all the time, including those caused by the occasional power failure, fire, flood or other serious emergency, and rarely is customer service significantly disrupted. In fact, with the Y2K situation, banking institutions have had the added benefit of being able to plan for potential problems *years ahead of time*. Under guidance from federal regulators, institutions should have Y2K contingency plans in place, including arrangements for alternative work sites and backup sources of power and phones, so that at least basic service can be provided until conditions improve. Banking institutions also are required to have back-up records of transactions so they can recover them in the unlikely event that there are Y2K-related disruptions.

Read and ask questions about what your bank, your employer and others involved in electronic payments are doing to get Y2K-ready. If you're concerned about something, call or visit for more details.

Likewise, the Treasury's FMS maintains separate computing centers in different parts of the country, so if one center experiences computer problems or power outages, the agency can move the workload to a different center. The FMS has installed a special electric generator to power its largest computer center and ensure continuous service. And while the FMS doesn't expect major problems with its direct deposit program, as a contingency, it is prepared to send out paper checks if necessary.

• Consumers can take simple measures to help ensure the accuracy of their automated payments.

"Now is a good time to get into the prudent practice of keeping good records of your banking transactions," says Frank Hartigan, the FDIC's Y2K Project Manager. "That way, if there's ever a disruption or a disagreement involving your account, these records will make it easier to get the matter corrected quickly."

So, keep accurate records of your automatic deposits and payments. Be aware of when an electronic payment is due, and for how much. In late 1999 and early 2000, check the bank's statements of your deposits and withdrawals against your own records. Contact your institution immediately if there's a discrepancy or if you see something suspicious—a late or missing payment, an unauthorized withdrawal, and so on.

Also, read and ask questions about what your bank and others involved in electronic payments (such as your employer or a government benefits department) are doing to get Y2K-ready. If you're concerned about something, call or visit the people or organizations involved and ask for more details. (For additional ideas about how to protect yourself from Y2K problems, see the checklist on the next page.)

Final Thoughts

Most experts agree that direct deposit and other automatic payment programs are better, safer and more convenient than writing and sending 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 in any form. So if you'll be sending or receiving payments automatically in the coming year, we suggest that you keep your cool about Y2K, keep good records, and keep enjoying the free time you save by using modern technology over pens, paper and postage.

A Y2K Checklist for Customers

From the smallest to the largest, federally insured financial institutions have been working hard to make sure their computer systems will operate smoothly in the Year 2000 (Y2K). In addition, federal and state regulators are closely monitoring the progress of institutions they supervise to make sure Y2K issues are being addressed.

Despite the best efforts of the industry and the regulators, no one can guarantee that everything will work perfectly. That's why financial institution customers may want to consider taking steps in anticipation of the date change. You can refer to the following checklist to prepare yourself for Y2K.

✔**Educate yourself about Y2K.** Find out what *your* financial institution is doing to address consumer concerns. If you have questions, speak with a representative who knows about the institution's Y2K program.

✔**Keep copies of financial records.** As always, keep good records of your financial transactions, especially for the last few months of 1999 and until you get several statements in 2000.

✔**Pay attention to your finances.** As always, balance your checkbook regularly. When you receive a transaction receipt from your institution, check it for accuracy and save it to compare against your statement. It's also smart to review your credit report to make sure it doesn't contain inaccurate information.

✔**Make prudent preparations.** Remember all your payment options (checks, credit cards, debit cards, ATMs and tellers) in the event that one doesn't work as planned. The Federal Reserve has plans to ensure that there will be sufficient cash available for consumers.

If you withdraw money, make reasonable decisions based on solid information; don't put yourself at risk of being robbed or losing valuable interest payments.

✔**Be on guard against Y2K scams.** Be skeptical if someone asks for your account information or tries to sell you a product, service or investment that's supposedly Y2K "safe." Protect your personal information, including your bank account, credit card and Social Security numbers.

✔**Review your deposit insurance coverage.** The federal government's protection of insured deposits will not be affected by Y2K. If you have more than $100,000 in an insured bank, thrift or credit union, you may want to make sure you understand the insurance rules. Check with your financial institution or call the Federal Deposit Insurance Corporation at 1-800-934-FDIC (for banks and savings institutions) or the National Credit Union Administration at 703-518-6330 (for credit unions).

Special Edition Devoted to Y2K Is Still Available

Want to learn more from the FDIC about what's being done to protect bank customers from the Year 2000 problem... and what you can do to help protect yourself? Read "The Year 2000, Your Bank and You," the last issue of ***FDIC Consumer News*** that was devoted entirely to the Y2K situation. This special report is available free of charge from the federal government's Consumer Information Center (CIC) as well as from the FDIC. It includes:

- Answers to frequently asked questions about banks and the Year 2000;
- Information about how banking institutions are working to minimize the potential for Y2K disruptions;
- Suggested steps bank customers can take to protect themselves; and
- Reminders that FDIC-insured deposits are completely safe.

Single copies of "The Year 2000, Your Bank and You," are available from the CIC by writing to: Consumer Information Center, Item 613F, Pueblo, CO 81009. Or, you can call the CIC toll-free at (888) 878-3256 or (888) 8-PUEBLO. To order your copy from the FDIC, contact our Public Information Center as listed on Page 3. This special edition of ***FDIC Consumer News*** plus other Y2K information from the FDIC also can be found on the Internet at www.fdic.gov/about/y2k, our special Year 2000 Web page.

For More Help and Information Regarding Y2K

Dial Away for Y2K Assistance from the FDIC

Want a quick response to a question about banking and the Year 2000? Call the FDIC's new toll-free consumer assistance line at:

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

Federal Regulators of Depository Institutions

The FDIC and the four other federal regulators of banks, savings institutions and credit unions have publications, Internet sites, staff and other resources that can help answer your questions on Year 2000 matters. The FDIC has set up a toll-free assistance line (see box at right) for consumers. If you'd prefer to put your request to the FDIC in writing, send it to the Division of Compliance and Consumer Affairs listed on the next page. To call or write another federal regulator regarding Y2K, see the listings on the next page. Below are the Y2K Internet sites for the five federal financial institution regulators, which also provide links to other Year 2000 sites:

- **Federal Deposit Insurance Corporation**: www.fdic.gov/about/y2k
- **Federal Reserve Board**: www.federalreserve.gov/y2k
- **Office of the Comptroller of the Currency**: www.occ.treas.gov/y2k/default.htm
- **Office of Thrift Supervision**: www.ots.treas.gov/y2k.html
- **National Credit Union Administration**: www.ncua.gov/news/year2000/year2000.html

President's Council on Year 2000 Conversion

This organization was established by President Clinton in 1998 to coordinate the federal government's efforts to address the Year 2000 problem. Its Internet site (www.y2k.gov) provides the public with links to Year 2000 information in a variety of areas, including finance and banking. The President's Council also offers a toll-free line for general Y2K information in areas such as electricity, telephone service, banking, personal computers, household products and government programs. That number is (888) USA-4-Y2K or (888) 872-4925. Recorded information is available 24 hours a day. Information specialists will answer calls during regular business hours Monday through Friday.

Federal Trade Commission

The Federal Trade Commission has several Year 2000 brochures in a series called "Y2K? Y2Care," including one on preparing your personal finances. For a free copy or for other assistance, contact the FTC's Consumer Response Center, Washington, DC 20580 or phone (202) 382-4357. Y2K brochures and other consumer education information also are available at the FTC's Internet site by going to www.ftc.gov and clicking on "Consumer Protection." The FTC also maintains the "U. S. Consumer Gateway," an Internet site providing consumer information from a variety of federal agencies. For Y2K news and information from this site, go to www.consumer.gov and click on "Year 2000 Issues."

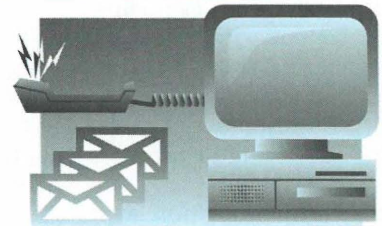
General Services Administration

The GSA, a central source of government information, operates an Internet site for sharing and soliciting Y2K information. Just go to www.itpolicy.gsa.gov and click on "Year 2000 Directories." The GSA also has a booklet called "Year 2000 and You" that provides general information for consumers. To order a copy, call the GSA toll-free at (888) 878-3256. Or, read the GSA brochure and other helpful literature on the Consumer Information Center's Internet site (www.pueblo.gsa.gov).

Small Business Administration

The SBA offers several ways to get information about how small business owners can deal with the Y2K problem. One way is to call the SBA's toll-free Answer Desk at (800) 827-5722 to be routed to an appropriate source of Y2K information, including an SBA district office near you. A second way to get Year 2000 information from the SBA is to check the agency's Y2K Internet page at www.sba.gov/y2k/. Finally, there's the SBA's "Y2K Fax-Back" system that's available free of charge, 24 hours a day. Using your standard telephone or the phone on your fax machine, call toll-free to (877) 789-2565 and follow the instructions. You should receive your fax within minutes.

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.

Dear Reader:

Send Us Your Questions and Comments About Banking and the Year 2000

The FDIC wants to help bank customers understand and prepare for the Year 2000 problem. We invite you to send us your Y2K questions and concerns.

We'll share your letters with the FDIC's Year 2000 experts. And if you have tips you'd like to tell other consumers about, we're glad to have them. Some questions and suggestions also may appear in a future issue of ***FDIC Consumer News***.

Write to: Jay Rosenstein, Editor, ***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 in case we need to follow up with you. However, no names will appear in print without your permission.

New FDIC Brochure on Consumer Protections

A new FDIC brochure explains how the agency can help consumers with questions concerning federal laws in areas such as equal credit opportunity, deposit insurance, and shopping for a checking or savings account. The pamphlet notes seven major consumer protection laws enforced by the FDIC, offers tips on how to file a written complaint with the agency, and gives instructions for contacting regulators. Single copies of the brochure, entitled "Consumer Assistance," are available from the FDIC's Public Information Center (listed on Page 3). Or, read it at www.fdic.gov, the FDIC's Web site.

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