FDIC consumer news

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# How to "Be More at Home" with YOUR BANK


Cover Illustration: T.W. Ballard

## Ways to Get Attractive Rates, Low Fees, Solid Service

# How to "Be More at Home" with Your Bank

**You're not married to your bank, but you can enjoy a nicer long-term relationship if you try our tips for getting attractive interest rates, low fees and solid service.**

Chances are you're pretty satisfied with your bank and you've been a loyal customer for years. But as with any place you do business, there's always something you can do differently or better to make you feel more comfortable and more "at home"...and perhaps save some time and money, too.

*FDIC Consumer News* wants to help. We think that if you do a little homework and make an extra effort, you can get more of what you want from your bank—including attractive interest rates, low fees and speedy attention to your problems and concerns. That's why we've put together the following 10 tips, which you can put to use in your dealings with any depository institution:

**1 Ask yourself, and your bank, if you're getting the best deal.** About once a year, talk to a customer services representative at your bank to make sure you're signed up for the right programs to meet your needs. Maybe a simple adjustment to your banking practices—such as having your paycheck automatically deposited into your checking account—can get you a higher interest rate or reduce or eliminate certain service charges. Perhaps a change in your banking habits, such as those described on Pages 5 and 6, will help cut your fees. Maybe your good track record at the bank will qualify you for a lower interest rate on a loan or credit card. Or maybe there's just a new or better account that you didn't know about. "I asked at my bank how I could get a better deal on my checking account because I was paying a minimum balance fee and receiving no interest," says Ed Silberhorn, a consumer affairs specialist with the FDIC in Washington. "I was told that because I had additional funds in a money market account I was now eligible for an interest-earning, no-minimum balance checking account. That's a good deal, but I wasn't aware of it until I raised the question."

Photo: Bank of America Corporate Archives

*Talk to a customer service representative to make sure you're signed up for the right programs.*

Every three or four years (if not more often), comparison-shop to make sure you couldn't do significantly better at another bank. Start by jotting down the products and services you really use—most likely checking, ATMs and one or two others. Make a note of the interest rate, minimum balance requirements and so on. Then go to your statements for the last year or so and tally up the fees and penalties you typically pay—for monthly account maintenance, ATMs, bounced checks, etc. Now compare your bank with three or four others. You might discover that you can earn or save hundreds of dollars by using another bank. Or, better yet, you may find that your own bank still offers a good value or that it is willing to make concessions to keep you as a customer. Then there's little reason to go through the trouble of switching banks. (If you decide to leave your bank, see our tips on Page 7.)

**2 If deposit insurance is important to you, make sure your funds are fully protected.** Peace of mind is important. It's true that bank failures are few and far between today, but that wasn't the case just a few years ago. And even if just one bank fails... what if it's yours? First, be sure that your deposits are in a federally insured institution. While most banks and savings institutions are federally insured, a few are not (including some far-away institutions that offer high-rate accounts in the newspaper or over the Internet). FDIC-insured institutions must display an official sign at each teller window or teller station. Also, you can verify whether an institution is FDIC-insured by calling our Division of Compliance and Consumer Affairs (DCA) at the toll-free number listed on Page 15, or by going to the FDIC's Internet site (start at www.fdic.gov, then click on "Bank Data" and "Is my bank FDIC-insured?").

The FDIC protects bank and savings association depositors up to $100,000 at each institution. But depending on how your accounts are structured, you can even have hundreds of thousands of dollars in one bank and still be fully protected. You don't need to worry if you or your family have less than $100,000 in all your accounts at the same bank. But if your combined accounts total $100,000 or more, make sure they're within the insurance limit. If you have questions, speak with a DCA deposit insurance specialist. Remember, too, that FDIC insurance covers only deposits. Mutual funds or annuities you buy at your bank are investments, not deposits. That's why they're not insured against loss by the FDIC. Questions about federal deposit insurance at credit unions should be directed to the National Credit Union Administration (Page 15).

3 **Simplify your life.** Your bank can arrange for the direct deposit of your pay and benefit checks and other regular income. Most experts agree that direct deposit is safer and more convenient than paper checks. There are no delays in getting funds deposited because checks aren't lost in the mail, forgotten at home or waiting for you to return from vacation. As mentioned previously, you might even get a break on your checking account if your paycheck is deposited electronically.

You also can have your bank automatically make some of your regular payments, such as your mortgage, health insurance premiums, utility bills and investments in a mutual fund. That can be an easy, economical alternative to writing and mailing a lot of checks each month. Also think about doing other banking the high-tech way, such as withdrawing money from ATMs instead of standing in line at the branch or rushing to get to the branch during banking hours. Consider using a "debit card" or "check card" to pay for purchases from your checking account without writing a check. Banking from home, by phone or computer, also can be a time-saver.

4 **Get to know bank employees you can turn to for help.** Jot down the names and numbers of employees who, in-person or over the phone, seemed to be especially helpful and knowledgeable. If possible, become a familiar voice or face to them. Why go to this trouble? A good teller, branch manager, customer service representative, loan officer or supervisor can help get your questions answered and your problems solved. They may even come to your aid in a financial emergency, especially if they know you and that you've got a good relationship with the bank.

5 **Don't be afraid to complain.** No bank employee really enjoys hearing from a disgruntled customer. But your bank's managers probably would prefer you bring a problem to their attention and be given the chance to fix it rather than take your business elsewhere or tell all your

***continued on next page***


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friends about "that lousy bank." If you don't get satisfaction from a customer service representative or another employee, consider talking to a supervisor...or even one of your banker buddies mentioned in the previous item. And if you're still having problems, consider contacting the institution's federal regulator listed on Page 15. (For more tips on how to resolve a dispute with your bank, see Page 7.)


Photo: First Chicago NBD Corporation Archives

*A good banker can help get questions answered and problems solved, even in a financial emergency.*

**6 Don't be afraid to ask for a break.** Bounce a check for the first time ever? Want a copy of an old monthly statement? Think the fees for your mortgage application are a bit steep? Depending on the circumstances, your bank might be willing to reduce or waive a fee or penalty, especially if you've been a good customer and don't have a history as a "repeat offender." Also consider talking to your banker if you're having problems repaying your bank loan. Explain the situation and any unusual circumstances. Many lenders will agree to temporary or permanent reductions in your loan interest rate, monthly payment or other charges. Again, it helps if you've had a clean record in the past.

**7 Read your monthly statements.** Your bank statements, credit card bills and other mailings from your bank may not make for exciting page-turning but they can be among the most important literature you'll read. Tucked inside any envelope from your bank could be your only notice about new fees or penalties for certain accounts. If you're not aware of these changes and you don't notice the higher fees on your next monthly statements, you could end up paying more for your banking and not even realize it.

Also review your bank statement as soon as possible after it arrives to make sure there are no unauthorized charges. If you suspect that a thief has used one of your checks or your credit card, go right to the phone and call the bank. FDIC attorney Mark Mellon explains that under most state laws, you're required to exercise "reasonable promptness" in examining any bank statement that shows payments from your account. He says failing to promptly notify the bank about a forgery could be grounds for holding you negligent and liable for the loss.

How quickly you report a problem with an ATM card could be especially important in limiting your losses. Under the Electronic Funds Transfer Act, your maximum loss is just $50 if you report your ATM card lost or stolen within two business days of discovering the problem. But if you wait between two and 60 days, you can be liable for up to $500 of what a thief withdraws. Wait more than 60 days after receiving a bank statement with an unauthorized ATM transfer and you may be responsible for all the money withdrawn. (You're not responsible for funds withdrawn after you notify the bank that the ATM card is lost or stolen.)

Here's yet another good reason to look at your bank statement as soon as possible: to make sure you have enough in the account to avoid bounced checks.

**8 Read the fine print.** Knowing the costs and requirements of an account before you sign on the dotted line can prevent a complaint or hassle later. Example: Just because an account is advertised as "free" or "no cost" doesn't mean you'll never run up a cost. Under Federal Reserve Board rules, an institution can't advertise a "free" checking account if you could be charged a maintenance or activity fee (such as for going below a required minimum balance). But your bank can offer a free account and still impose charges for certain services, such as check printing, automated teller machines and bounced checks. Also be very clear about whether an attractive interest rate on a credit card or a deposit is just a short-term, introductory "teaser" rate good for just a short time.

**9 Keep good records.** Alan Cox, a consumer affairs specialist with the FDIC in Washington, says you should hold on to your receipts for deposits, ATM withdrawals, credit card charges and other transactions long enough to confirm that your monthly account statements are correct. (Later it's OK to toss these pieces of paper in the trash but be sure to rip them up enough so that a thief can't read or use them.) Cox also suggests that you keep copies of any contracts or other documents you sign with the bank—loans, certificates of deposit, etc.—along with any accompanying handouts. "If there's ever a dispute or a discrepancy," he says, "you'll have those documents to refer back to."

10 **Use your bank as an information resource.** A good banker can be an excellent source of advice and information—perhaps about starting or expanding a business, buying a car or home, qualifying for a loan or dealing with a debt problem. He or she also might be able to direct you to good contacts in other businesses or have excellent reference material handy. All of this is yet another reason to get to know the right people at the bank.

Your bank also could have a customer newsletter or an Internet site that provides useful tips for handling your financial affairs. Many banks also offer seminars on topics such as saving for retirement or a child's college education. Add this information to everything else you learn from your lawyer, accountant, financial planner, the media and other sources, and then put it to use when shopping for or using financial services. And anything you can learn from the bank about your rights and responsibilities as a consumer can help you avoid misunderstandings and get any problems solved quickly.

### Final Thoughts

It's a good idea to periodically shop for and compare financial services, just as you would any consumer goods. If nothing else, you'll want to know that the rates, fees and services at your existing bank are at least comparable to what's out there in the marketplace. We believe you'll get more satisfaction from your bank when you know the people there and the services they can provide. Every relationship has its ups and downs, but with a little effort, you might just feel more at home with your bank.

## Saving Money When You Borrow Money

- **Credit Cards**: You can save several hundred dollars each year by paying off your entire balance each month. If you are unable to pay off a large balance, use a card with a low annual percentage rate (APR). You can reduce credit card fees, which may add up to more than $100 a year, by getting rid of all but one or two cards and by avoiding fees for late payments or for going over your credit limit.

- **Auto Loans**: If you have a lot of money in a low-rate savings account, consider making a large down payment or even paying for the car in cash. This could save several thousand dollars in finance charges. If you're planning to get an auto loan, shop around for the best deal and perhaps save hundreds more in finance charges.

- **First Mortgage Loans**: You may save tens of thousands of dollars in interest charges by shopping for the shortest-term mortgage you can afford. Save thousands more by shopping for the lowest-rate mortgage with the fewest points. Look in your newspaper for surveys of mortgage rates, or call at least six lenders, and then ask an accountant to figure out the cost and tax implications of each option. Be aware of the impact of interest rate increases on an adjustable-rate mortgage.

- **Mortgage Refinancing**: Consider refinancing your mortgage if you can get a rate that is at least one percentage point lower than your existing mortgage rate and you plan to keep the new mortgage for several years. Ask an accountant to help you calculate how much the new mortgage (including up-front fees) would cost and how that compares to your current mortgage.

- **Home Equity Loans**: Be cautious taking out a home equity loan because it reduces the equity you've built up in your home and you could lose your home if you can't make the payments. Compare home equity loans offered by at least four banking institutions. Look at the APR as well as points, closing costs and other fees, and the index for changes to a variable rate loan.

*Source: "66 Ways to Save Money," a brochure published by a coalition of government agencies, consumer groups, business organizations and educational institutions. Single copies are available for 50 cents (check or money order) from the Consumer Information Center, Dept. 353E, Pueblo, CO 81009, or you can get the full text on the Internet (www.pueblo.gsa.gov).*

# You Can't Expect Something for Nothing...

## But often you can pay less in bank fees.

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

• Review your monthly mailings and see how much you're paying in fees. Then ask your banker about ways to reduce or eliminate those charges. If you write very few checks each month, for example, consider a cheap, no-frills checking account, sometimes referred to as a "basic" banking account. But always read the fine print and think through the costs of any move, such as what you might lose in interest by moving money from a savings account into a checking account just to meet the minimum balance requirement.

• Every few years, if not more frequently, compare your bank's costs to those of a few competitors. You may find a great bargain elsewhere or discover a better deal at your current bank. When comparison-shopping, concentrate on the accounts and services you actually use. Don't be concerned about analyzing every product or fee you see listed. Also be aware that a low interest rate offered on a credit card or another loan may just be an introductory "teaser' rate that could go up substantially after a few months.

• Your bank might give you a special deal on your checking account if you arrange for direct deposit of your paycheck. Having funds automatically deposited into your account also can help avoid bounced checks.

• Banks want to encourage customers to do most of their banking with them, so if you have more than one account at the bank, you may qualify for no-fee or low-fee offers. If you have money in both checking and savings accounts, ask whether the balances could be combined for purposes of meeting the bank's minimum balance requirements.

• Look into special deals if you keep a certain amount in your account, arrange for direct deposit, or do a lot of your banking electronically (ATMs, banking at home by computer).

• Some banks offer "clubs" with special offers or savings for certain groups, such as senior citizens. Check these out.

• Limit or avoid "surcharges" (access fees) at the automated teller machine by using your own bank's ATMs or those owned by institutions that don't charge fees to non-customers. If you do pay a fee, consider withdrawing larger sums each time so you'll cut down on the number of transactions. (For more tips on how to reduce ATM fees, see our spring 1998 issue.)

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

• Avoid bounced checks by balancing your checkbook regularly so you can keep an eye on the bottom line. Jean Ann Fox, director of consumer protection for the Consumer Federation of America, says "it's getting harder and harder, especially for people with joint accounts, to keep track of an account balance because there are so many variables beyond just paper checks." She said, for example, that consumers should immediately deduct from their balance for ATM withdrawals, bank fees, and debit card purchases at stores.

• With "overdraft" protection, the bank will automatically honor a check you write even if you don't have enough funds in the account. While overdraft protection avoids bounced check fees (imposed by banks, stores, landlords, etc.), Fox notes that the service does come with costs, so be sure it really would save you money.

• Consider buying checks from mail-order companies, especially if you write a lot of checks each month and the cost-savings could be significant. Before placing your order, ask your local Better Business Bureau or state consumer protection office whether the company is legitimate.

• If you don't care whether you get your canceled checks back each month, you might qualify for a special deal on your account.

# If You Decide to Switch Banks...

Perhaps you're moving, getting married, or just unhappy with your current bank. Your switch to a new bank can be smoother if you do the following:

• Balance your checkbook and make sure all outstanding checks have cleared before you close your account. This will ensure that you and the bank agree on how much money is due you. Also, you won't get hit with fees for checks that bounce after you close the account.

• Open an account at your new bank before you leave your old bank. That way you can write checks, make ATM withdrawals or otherwise bank without interruption.

• If you've arranged for direct deposit of your pay or benefits, don't close the old account until you're sure the next scheduled payment will be going into the new account.

• If you arranged with your old bank to regularly transfer money from your account, such as to automatically pay your life insurance premiums or your mortgage, make arrangements for future payments through your new bank.

• If you're changing addresses, make sure your old bank has your new address and phone number. Do this in writing. Don't trust a phone call. Your bank may need to contact you weeks or months after you close your account.

• Be sure your financial records at home are clear about the fact that your account was closed. Otherwise, you or your heirs some day might believe there's money "forgotten" in an old bank account and waste time trying to recover it.

• Do you have anything in the bank's safe deposit box? Remember to clean it out and return the keys.

• Keep a copy of the list of helpful bank employees we suggested you compile (see Page 3). They still can help with a question or problem about your relationship with the bank, such as if you need assistance gathering old bank records.

# Coming to Grips with a Gripe

Not quite sure how to fix a problem with your bank? ***FDIC Consumer News*** asked Kathlyn Hoekstra, an FDIC attorney in Washington and a specialist in ways to resolve disputes, for her recommendations.

• Keep your cool. Don't turn your problem into a personal dispute with a bank employee. "Yelling generally doesn't help, and neither does trying to blame someone," Hoekstra says.

• Ask to speak with a manager, vice president or someone else with the authority to solve your problem.

• Start with a question, not an accusation. Example: "I'm confused about this charge. Can you explain it to me?"

• Before talking to the banker, summarize in your head or on a piece of paper what the problem is and what you'd like done about it. "This will help get your point across," she says.

• Think about your second and third choices for solutions. "Ask yourself what might make you feel better if the bank doesn't give you the exact solution you want but it will accommodate you in another way," Hoekstra says.

• If you've been a good customer over the years, point that out to the banker. "If the bank wants to have a continuing relationship with you," she says, "then resolving your problem is in its best interest."

If you can't resolve a serious problem that involves a lot of money, you probably need outside help. Consider contacting the bank's primary regulator (Page 15) if you believe the institution may be violating a law or regulation. But if your problem involves a disagreement over a transaction—the kind of dispute a regulatory agency isn't likely to get involved with—you have a few options. One is to hire an attorney, but be aware of the costs, especially if the matter were to go to court.

Hoekstra also suggests consumers look into using an independent mediator—a little-known, lower-cost alternative to hiring an attorney. The mediator listens to both sides and tries to help the parties reach a mutually acceptable solution. There's no guarantee the bank would agree to the mediation process or the recommendations of a mediator, but Hoekstra says it might be worth a try. She says mediators can be hired at little or no cost, and that you can find a reputable service in your area by calling your local bar association, state or local consumer protection agency, or Better Business Bureau.

# The Year 2000 Date Change: What It Means to You

There has been a lot of public attention lately concerning the impact that the Year 2000 date change could have on businesses, utilities, and other organizations that rely on computerized systems to help run their operations. Here we answer some questions you may have about the Year 2000 date change, its effect on companies like banks and savings associations, and steps that the banking industry and its regulators are taking to minimize the effect on consumers' financial transactions.

**Why is so much attention being paid to the Year 2000 date change?**

The Year 2000 date change can affect any system that uses computer software programs or computer chips, including automated equipment and machinery. For example, many software programs and computer chips store calendar dates as two-digit rather than four-digit numbers. These software programs record the year 1998 as "98." This approach will work until the Year 2000 when the "00" may be read as 1900 instead of 2000. Businesses, utilities, and other organizations are fixing their systems to make sure they will operate properly when the calendar changes.

**How could the Year 2000 date change affect services provided by my bank or savings association?**

Banks and savings associations use computer systems to perform financial calculations, track deposits and loan payments, transfer funds, and make direct deposits. Computer software and computer chips also are used to run security systems, vaults, communications networks, and other essential bank equipment. Because of their reliance on these systems, banks and savings associations of all sizes are placing great emphasis on making sure their systems are ready for the Year 2000 date change.

**What is my bank or savings association doing to make sure its systems will work correctly when the Year 2000 arrives?**

From the smallest to the largest, FDIC-insured banks and savings associations are taking steps to make sure their systems will operate smoothly in the Year 2000.

• Banks and savings associations are checking their systems to identify potential problems that could be caused by the Year 2000 date change.

• The Boards of Directors of banks and savings associations are adopting plans to ensure that their institutions are ready for the Year 2000 date change. These plans are detailed road maps that set out specific dates when critical steps must be taken. Banks and savings associations are expected to have critical steps completed well before the Year 2000.

• Banks and savings associations that rely on outside companies to support their operations are working closely with these companies to make sure the firm's systems will be ready for the Year 2000 date change.

• As part of the planning, banks and savings associations are establishing contingency plans that will provide for alternative methods of doing business, if needed.

**What are federal banking regulators doing to make sure my bank or savings association follows through on its plans?**

Four federal regulatory agencies share responsibility for supervising efforts by banks and savings associations to prepare for the Year 2000 date change. (See Page 15 for a listing of the agencies.) The agencies are conducting special examinations of insured banks and savings associations to make sure they are taking necessary steps now to get ready for the Year 2000 date change. The agencies are closely monitoring the progress made by banks and savings associations in completing critical steps required by their Year 2000 plans.

**Could the Year 2000 date change affect my deposit insurance coverage?**

No. The Year 2000 date change does not affect your deposit insurance

### Help Us Help Consumers Prepare for the Year 2000

Educating bank customers about the Year 2000 situation is a major priority for the FDIC. You can help us better understand and address your concerns. Please send your comments, suggestions or questions 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.

coverage. Your deposits at an FDIC-insured bank or savings association will continue to be protected up to $100,000 against loss due to the failure of the institution. For more information about FDIC deposit insurance coverage, call the FDIC's Consumer Call Center at 800-934-3342 (800-925-4618 for the hearing-impaired) or visit the FDIC's Web site on the Internet at www.fdic.gov.

**What if the Year 2000 date change causes an error in my account?**

Banks and savings associations are required to keep backup records for account transactions so they can recover this information in case of an emergency. These backup records could be used to identify and correct errors that might affect your deposit, loan, or other account due to a Year 2000 computer problem.

**What can I do to get ready for the Year 2000 date change?**

It is always a good practice to check your transaction receipts and periodic statements, and to keep records of your deposit, investment, and loan accounts. You may want to start keeping records of banking transactions made a few months before January 1, 2000, and beyond. These records will help you to resolve any account errors that might occur due to the Year 2000 date change.

**Are there any dates other than January 1, 2000, that could affect my bank or savings association's automated systems?**

Some other dates may affect some systems. As part of their Year 2000 readiness efforts, FDIC-insured banks and savings associations are taking steps to make sure that their systems are able to handle these calendar dates properly.

**How can I get more information?**

Your bank or savings association is the best source of information about its plans to get ready for the Year 2000 date change. Many banks and savings associations have prepared information for customers describing their efforts.

If you ask your bank or savings association for information about its Year 2000 readiness plans, be sure to ask the right person. If the person you ask is not aware of the institution's plans, ask to be directed to someone who can answer your question.

## Y2K Brochure Available

This article on the Year 2000 (Y2K) is a reprint of a brochure issued by the FDIC in June. Single copies of the brochure, entitled "The Year 2000 Date Change," are available by writing, faxing or e-mailing your request to the FDIC's Public Information Center (listed on Page 3). The brochure also appears on the FDIC's Internet site at www.fdic.gov/consumer.

## New Law Gives Homeowners the Right to Cancel Private Mortgage Insurance

President Clinton has signed into law a bill that, starting next year, will result in considerable savings for many consumers who buy a home with a low down payment but later build up substantial equity in the property. In general, the new law will make it easier for homeowners to cancel private mortgage insurance (PMI). Eliminating those payments could mean savings of several hundred dollars a year. The law will apply to new residential mortgages and mortgage refinancings entered into on or after July 29, 1999.

PMI is an insurance policy that protects the lender from losses when a mortgage with a low down payment goes bad. The lender usually requires PMI if the borrower makes a down payment of less than 20 percent of the home's value. Without PMI, many lenders would be reluctant to make a loan at market interest rates to these borrowers. (PMI is not the same as credit life insurance, which pays off a consumer loan or mortgage if the borrower dies.)

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, a borrower with a good payment history may request that PMI be cancelled when he or she has built up equity equal to 20 percent of either the purchase price or the appraised value. The law also requires lenders to inform borrowers of their right to cancel PMI. Prior to the new law, a lender could continue to require monthly PMI payments long after the borrower built up substantial equity in the home and the mortgage lender no longer faced losses from default.

The new law does not cover mortgages under some government mortgage guarantee programs, such as Federal Housing Administration (FHA) loans. Also, some high-risk mortgages are exempt from automatic cancellation.

# Your Bank is Merging... Now What?

## A checklist of questions to ask and factors to consider

Is your bank about to merge with another institution? Or are you just wondering what would happen if your bank were acquired by another institution? What a particular merger might mean for you will depend largely on the individual institution… and on what's important to you. We want to help you sort things out. So, before you jump to conclusions… and maybe even jump to another bank… take a look at our checklist of questions to ask and factors to consider if your bank or savings association merges:

### Branches and ATMs

✓ Does the new bank have branches closer to your home or office or even in other states or regions of the country?

✓ Was your favorite branch closed? Was the branch shut down because the other bank already has a branch in the same area (and therefore you might not be inconvenienced)? Can you use automated teller machines (ATMs) for many of the same services?

✓ If you use ATMs a lot, does the new bank have more or fewer machines you can use without having to pay the fee charged to non-customers?

### Products and Services

✓ Is the bank trying hard to keep existing customers by offering special incentives? Are other banks in your area offering special deals to lure you and other customers away from the merged bank?

✓ Does the new bank offer more or fewer choices for loans, credit cards, deposits and other banking services you need or want?

✓ Are the checking or savings account fees and terms better or worse than before? For example, are fees, minimum balance requirements or transaction limits higher than what you've been used to and will they make it difficult for you to keep an account at the bank? Is there a no-frills account or similar arrangement that you'd find attractive? How do your bank's fees and requirements compare with those at other banks?

✓ Do the terms for new loans (the repayment schedule, the amount pledged as collateral, any insurance you'll need to get, etc.) appear reasonable or do they seem too stringent? Have you talked to a loan officer about them? Have you compared the terms to those of other lenders?

## Deposit Insurance After a Merger

What happens to your deposit insurance coverage if, because of a merger of two insured institutions, you end up with more than $100,000 in the resulting institution? Under the FDIC's rules, you're in no immediate risk of having funds over the insurance limit. In general, deposit accounts you had at the two institutions before the merger would continue to be separately insured for six months after the merger—and longer in the case of some certificates of deposit (CDs). This six-month grace period is to give you time to restructure your accounts so they stay within the $100,000 limit or to transfer some of the excess funds to another insured institution.

As for a CD account opened at one institution but assumed by another institution, it will continue to be separately insured until the earliest maturity date after the end of the six-month period. So, if you have a three-year CD of this type that matures two years after the merger, it continues to be separately insured for the remaining two years. But let's say you have such a CD that matures during the first six months after the merger. If you renew the CD for the same term and the same dollar amount (with or without accrued interest), it will continue to be separately insured until the first maturity date after the six-month grace period. But if you renew the CD for a different term or dollar amount, it will be separately insured only until the end of the six-month grace period.

The insurance rules for mergers can be confusing, so if you have questions about the coverage of your accounts after a merger, contact your bank or the FDIC's deposit insurance experts in our Division of Compliance and Consumer Affairs (see Page 15).

✓Do you want access to a broad range of financial services (not just traditional banking products) under one roof? If so, does the new bank offer the kinds of insurance, investments or other nondeposit products or services you want? (See the box at right about what is and is not protected by FDIC insurance.)

**Was your favorite branch closed? Is there another branch in the area? Can you use ATMs for many of the same services?**

✓Does the new bank offer "package deals" of some sort? Can you get a combination of products or services at a discount? (A discount package can be a great deal, but if the bank requires you to accept one product or service you *don't* want just to be able to get another one you really *do* want, that may be illegal under "anti-tying" laws. For example, it's improper for a bank to say it would only give you a mortgage if you got your homeowners' insurance from a subsidiary of the bank. Illegal tying arrangements aren't common or widespread, but if you suspect a violation of the law or if you want more information, contact the institution's federal regulator listed on Page 15.)

✓Do you do a lot of banking from home by personal computer? Is the new bank's high-tech service better or worse than the one you used to use? If you're not satisfied with the new bank's system, have you talked to a customer service representative to make sure you're using the service properly? Have you asked if the bank is considering improvements? Have you checked out what's offered at other banks?

## Interest Rates

✓How are the rates on your savings and checking accounts? How do they compare with the rates at your old bank or what's being offered by competitors?

*Note:* Even your old bank could have reduced its rates for passbooks or interest-bearing checking accounts. But in most cases, you don't need to worry about the rate being reduced on an existing certificate of deposit (CD). FDIC attorney Mark Mellon explains that in the typical merger of two healthy institutions, the new bank will honor the interest rate at least until the CD matures. Sometimes a merger is the result of a healthy bank acquiring a failed institution. If that's the case, your CD rate could be lowered by the acquiring institution. Why? "One party to your original deposit contract—your institution—no longer exists," Mellon says. "That means you no longer have a contract." If your CD rate is reduced, he adds, you probably will have about a two-week period to withdraw your money without paying an early withdrawal penalty.

✓How are the interest rates on credit cards or other loans? How do they compare with the rates being charged by other lenders?

*Note:* If you need a new loan or credit card and the rates or terms aren't as good as in the past, Ken Baebel of the FDIC's Division of Compliance and Consumer Affairs suggests that you "do some old-fashioned comparison-shopping to see if other institutions can provide you with a better deal. You may be surprised when you share your results with the loan officer at the bank. They may very well match or beat the best quote you receive." Also, a very attractive interest rate being offered by your bank or by a competitor may just be an introductory "teaser" rate that will only last a few months, so be sure to read the various terms and

*continued on next page*

## What is and What is Not Insured?

Are you confused by all the new and different types of products offered by your bank after its merger with another institution? "With all the diverse products a bank can offer—deposits, securities, insurance—the potential exists for consumer confusion over which products are insured and which are not insured if the bank doesn't make the appropriate consumer disclosures," says Marilyn Anderson, a senior counsel at the FDIC.

That's why we're reminding you that nondeposit investment products are not insured by the FDIC against loss. The FDIC and other federal regulators, starting in 1994, have sought to ensure that banks and savings associations explain to consumers that nondeposit investments aren't insured. Learn more by getting a copy of the FDIC brochure "Consumer Facts about Investments," available from the Public Information Center listed on Page 3 or on the Internet at www.fdic.gov.

conditions. Remember, too, that a bank can raise the interest rate or change the terms on your credit card after giving the required notice, typically at least 15 days. But rates and terms of other existing loans, such as a mortgage or car loan, typically can't be changed by the new bank. When in doubt, check your loan contract.

## Personal Service

✓ Is the personal service better or worse than you're used to? Have bank employees you know and trust the most—a branch manager, a loan officer or a favorite teller—been replaced? Before reaching conclusions about the service, have you met or talked with bank employees to express any concerns you might have?

✓ Are loan decisions being made faster or slower? Have you talked to a loan officer and asked whether service can be improved?

✓ Does the new bank cater to a special group you belong to, such as senior citizens or small business owners?

✓ Are your transactions being handled smoothly? Or are there mistakes or delays in service as the two banks merge their computer systems, shuffle personnel or do business as a new entity? (Mistakes do happen, so keep good records and work with bank personnel who'll make the necessary corrections.)

## Final Thoughts

No matter what might cause banks to merge, it's important for customers to pay close attention to any mailings about the situation. There could be important information from the new bank about changes in services or interest rates, how to use your old checks or ATM cards, what's going on with loans or loan applications, and so on.

As you can see from our checklist, there are many factors to consider if your bank merges. Don't immediately assume the worst. As we said, the new bank will be trying to keep you as a customer and present a good image in your community. So check things out for yourself, even visit the bank and talk to a manager to get a sense of how things might change. Do some comparison-shopping at other banks. Then make up your own mind, based on what's important to you. Our story that begins on Page 2 also can help you get the most out of your banking relationship. When all is said and done (and merged), if you're still not happy you'll have many other banks to choose from.

**Pay close attention to any mailings. There could be information about changes in services or interest rates.**

## Law Aims at Protecting Consumer Privacy After a Bank Merger

Some consumers might like the idea that if their bank becomes part of a "financial conglomerate" (one company that owns a bank, an insurance company, a brokerage firm, etc.) they may find a wider array of financial products and potentially lower prices. But other consumers have concerns about these companies sharing personal financial information and following up with unsolicited sales calls or mail. To address these questions, Congress in 1996 adopted amendments to the Fair Credit Reporting Act. The amendments require companies to give consumers advance notice of plans to share personal financial information with other parts of the company. If a consumer objects, his or her personal information cannot be shared.

As FDIC Vice Chairman Andrew C. Hove, Jr., told Congress in April, "this mechanism has not been tested long enough to assure consumers that it can adequately protect the privacy of their personal financial information." If you have concerns that a bank or bank affiliate is sharing personal financial information without your permission, contact the institution directly. If you're still not satisfied, you may get in touch with the institution's primary federal regulator listed on Page 15.

Also, for various tips about limiting unsolicited offers of credit cards, insurance and other products and services, see our winter 1997/98 issue, which is available from the Public Information Center (listed on Page 3) or on the Internet.

# Click on FDIC Web Site to Help Fend Off Fraudulent Internet Banks

The FDIC has developed a new, "user-friendly" service that enables Internet users to check the validity of a bank on the 'Net and to report suspicious sites to the FDIC via e-mail. Just go to the FDIC's homepage (www.fdic.gov), click on "Consumer News" or "Banking News" and then "Suspicious Internet Banking." (In the spring 1998 issue of ***FDIC Consumer News***, we said the new service was on the way.)

The "Suspicious Internet Banking" site gives you new ways to avoid being victimized by a fraudulent Internet operation that may be luring innocent victims with unusually attractive offers, such as 20 percent interest on a deposit (which you may never see again) or an unbelievably good deal on a credit card (perhaps just a ploy to get you to divulge personal financial information that later can be used fraudulently).

"It's true that an Internet bank may be able to offer consumers higher interest rates on deposits due to their lower overhead costs, but their costs are not so low that they can pay 20 percent when everyone else is paying six percent," says Jeffrey Kopchik, an attorney in the FDIC's Office of Policy Development. "Our goal is to protect consumers by finding these sites and getting them off the 'Net before they do any harm."

The FDIC's new "Suspicious Internet Banking" site can help in two main ways if you want to shop the Internet for deposit interest rates, credit cards or other banking services.

**1. You have access to a database of legitimate banking institutions.** Let's say you find a bank Web site that's offering something that sounds too good to be true. As a first step, check the "Special Alert" list on the "Suspicious Internet Banking" page. There we name banks already identified by government authorities as not authorized to conduct banking business (or otherwise being fraudulent).

Also, you can click on "FDIC Institutions Search Engine" to check out our database of banks and savings associations that are legitimately chartered and FDIC-insured. Why is this list helpful? Because to conduct banking business in the United States, a bank or savings association must get permission from a federal or state agency. So, if you don't find an Internet bank in our database, be very careful before sending money or doing any business with it. (Note: Credit unions aren't in the FDIC database. To check out a credit union that has a Web site, contact the National Credit Union Administration listed on Page 15 of this newsletter.)

**2. You can tip us off to suspicious Web sites and help the FDIC try to get fraudulent banks off the Internet.** Let's say you don't see your bank Web site listed on either of the lists mentioned previously. You may have found a fraudulent Internet bank unknown to the FDIC and law enforcement agencies. You can help bring the bogus "bank" to the FDIC's attention by filling in an online report form and e-mailing it to us. (Just click on "Report Suspicious Internet Bank Sites.") The FDIC will investigate what you've found.

If it turns out that the Web site is fraudulent, the FDIC will work with federal law enforcement agencies to get that site off the Internet. Kopchik explains that shutting down a fraudulent Web site isn't always easy, especially if it originates outside of the U.S. The FDIC will add the entity's name to our "Special Alert" list, so that other consumers will be warned not to do business with it.

John Jackwood, Special Assistant to the Director of the FDIC Division of Compliance and Consumer Affairs, sums up the benefits of the new Web service this way: "An Internet user now has a simple and quick way to help guard against becoming a victim of Internet banking fraud. At the same time, one consumer can help many other consumers by reporting suspicious banking activity on the Internet to the FDIC."

In a related development, the FDIC recently began a pilot program to search the Internet for institutions that may be misrepresenting themselves as legitimately chartered or federally insured. Employees from the FDIC, as well as from other federal and state bank regulatory agencies, spend time each week "surfing" the 'Net looking for fraudulent banks. Suspicious banks will be referred to the appropriate law enforcement authorities and, if possible, put out of business. Their names also will be added to the FDIC's "Special Alert" list.

# FDIC Considers Simpler Insurance Rules for Joint Accounts and Payable-on-Death Accounts

The FDIC wants to further simplify the deposit insurance rules to make them easier for consumers and bankers to understand. A proposal, which was issued for public comment in July, would revise and clarify the insurance rules for two common types of accounts—joint accounts and "payable-on-death" (POD) accounts.

"The FDIC is considering this simplification of the insurance rules as part of our ongoing effort to help depositors know whether they have funds over the $100,000 insurance limit and act, if necessary, to protect their savings," said FDIC Chairman Donna Tanoue.

Consumers run the risk of losing money in a bank or thrift failure if they mistakenly believe their funds are within the $100,000 insurance limit. Joe DiNuzzo, an FDIC attorney in Washington, says the proposed changes to the rules for joint accounts and POD accounts "would strike at the source of the remaining confusion that bankers and consumers have about deposit insurance."

**Remember, these are only proposed changes. The current rules for joint accounts and POD accounts will remain in effect until any changes are final.** Also, if you and your family have less than $100,000 in deposits at any one institution, you don't need to be concerned about the specifics here. Your money certainly will be fully protected within the $100,000 limit. In general, here's what's under consideration...

- **Joint accounts** are owned by two or more people. Let's say two people own joint accounts totaling $200,000. Under current rules, the funds would be insured to $100,000, not $200,000, as many people mistakenly believe. That's because the rules say that all joint accounts owned by the same combination of people at an insured institution are added together and insured up to $100,000 in total. To deal with this confusion, the FDIC is considering changing the maximum insurance coverage that one group of people can have in joint accounts—from $100,000 in total to $100,000 for each person. However, what would not change is another part of the joint account rules—one that says each person's shares in all joint accounts at that same institution are added together and insured up to $100,000.

- **Payable-on-death accounts** (also known as "in trust for" accounts or revocable trust accounts) are those where the funds will be paid to one or more named beneficiaries upon the death of the owner. The current rules say that a person's POD accounts will be insured up to $100,000 for each "qualifying" beneficiary, defined as the owner's spouse, children or grandchildren (including adopted and "step" children and grandchildren). This means a POD account that lists a spouse and two children as the beneficiaries would be insured for up to $300,000, not just $100,000. But to clarify who can be a qualifying beneficiary on a POD account (and thus make the account eligible for special insurance coverage), the FDIC has proposed to add parents and siblings to the list.

To see the proposed rules, contact our Public Information Center (Page 3) or view them on the Internet (www.fdic.gov/lawsregs/fedr and click on "proposed rules"). Written comments are due by October 15, 1998.

## FDIC Decides Insurance Coverage of Medical Savings Accounts

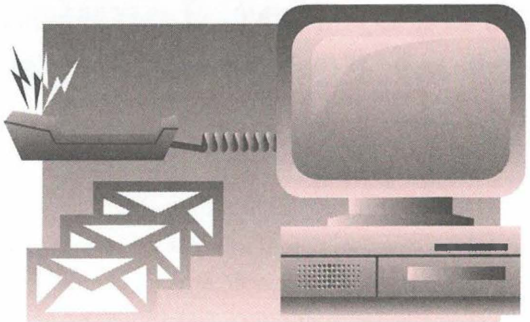
The Medical Savings Account (MSA) is a relatively new type of trust account that people who are self-employed or work for a "small employer" (maximum 50 people) can use to pay for certain medical expenses if their health insurance plan has a high deductible. The benefit of an MSA is that contributions up to a set amount are tax-deductible. The FDIC's Legal Division recently issued an opinion on the insurance coverage of MSAs held at banks and savings institutions.

In general, an MSA will be considered an individual account for insurance purposes. So, typically, any funds in your MSA at an insured institution would be added to any other funds you hold in other individual accounts at the same bank or thrift and be insured to a limit of $100,000. Under certain circumstances, though, your MSA may be treated differently.

For more information on the insurance coverage of an MSA, contact the FDIC's Division of Compliance and Consumer Affairs listed on the next page.

# For More Information

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



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

## Federal Deposit Insurance Corporation

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

**FDIC**
**550 17th Street, NW**
**Washington, DC 20429**

**Home Page: www.fdic.gov**

***For information about consumer protections, including deposit insurance:***

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

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

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

**E-mail: consumer@fdic.gov**

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

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

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

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

**E-mail: ombudsman@fdic.gov**

## Other Key Regulators

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

**Customer Assistance Unit**
**1301 McKinney St., #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 St. and Constitution Avenue, NW**
**Washington, DC 20551**

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

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

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

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

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

**Home Page: www.ncua.gov**

**E-mail: pacamail@ncua.gov**

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

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

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

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

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

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

# Treasury to Encourage, Not Require, Electronic Payment of Federal Benefits

The U.S. Treasury Department has decided to encourage recipients of federal benefit checks to receive their payments electronically, not require them to do so.

Readers of ***FDIC Consumer News*** will recall that a 1996 law requires the electronic payment of most Social Security, disability, veterans' and other federal benefits starting in 1999. Congress passed the law to make payments safer and more reliable because paper checks frequently get lost, stolen or forgotten. Also, it would substantially cut the government's processing costs. The Treasury, which is responsible for carrying out the law, issued a proposal in September of 1997 that would have required electronic payments in most cases, but would allow people facing certain "hardships" to apply to continue receiving paper checks in the mail.

After hearing from consumer organizations and other groups concerned about a program that mandates electronic payments, the Treasury announced in June it would greatly broaden the waiver categories for people who wish to continue receiving paper checks. Treasury Under Secretary John D. Hawke, Jr., said the final rule will ensure that "recipients are not forced into choices that are not right for them." The Treasury Department also will conduct a major education campaign emphasizing that no payment will be withheld or delayed because of the new rules, and explaining to recipients their options (including continuing to be paid by paper check).

For more information, contact the Treasury's Financial Management Service, 401 14th Street, SW, Room 420, Washington, DC 20227, phone (202) 874-6540 or go to the Treasury's Internet site (www.fms.treas.gov and click on EFT '99.)



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