

# FDIC Consumer News

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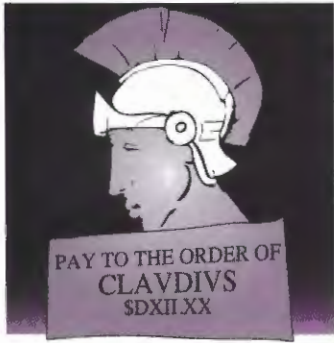
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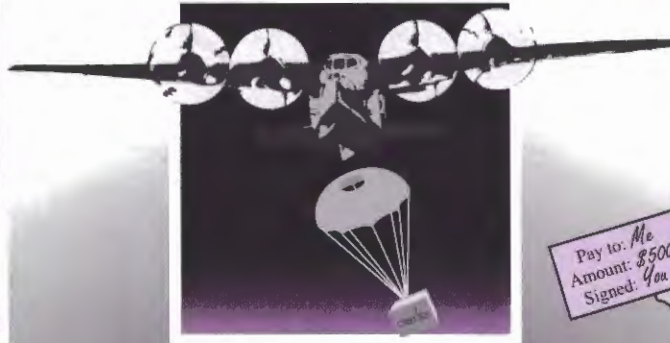
News and Information On Consumer Issues from the Federal Deposit Insurance Corporation

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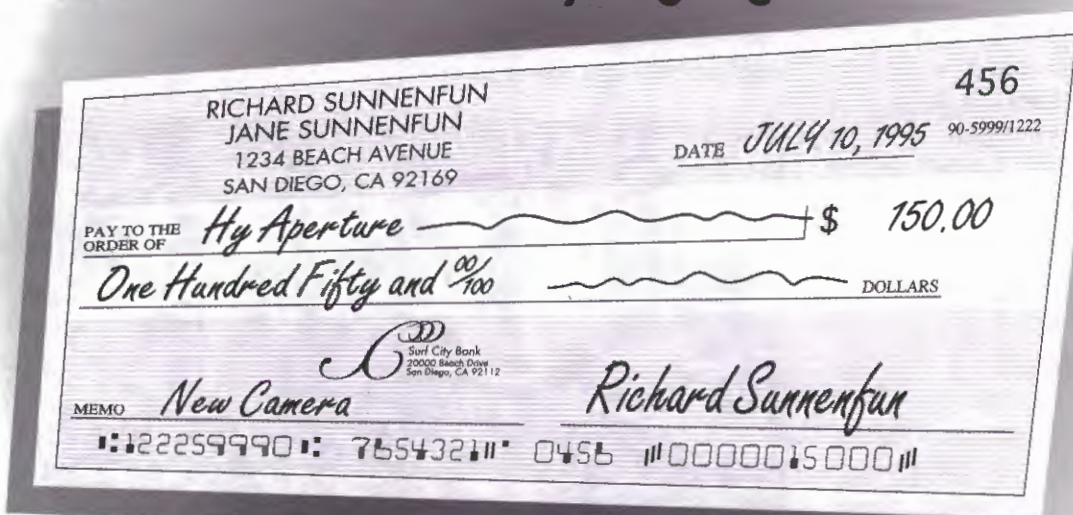
Where did they  
come from?



How do they get  
where they're going?



What can go  
wrong?



# CHECKS

Illustrations by T.W. Ballard

## Checking Out the Check

*You may write thousands of checks in your lifetime, so we've written one brief introduction to their history and usage*

Chances are that within the next day or two, you'll perform a magic trick. With the stroke of a pen, you'll make money move through thin air from one distant place to another. You'll be writing a check.

You may not think of checks as anything magical or special — we tend to take them for granted — but maybe after reading more about them you'll appreciate what bankers and the government go through to help pull off this amazing feat.

True, people increasingly pay for their purchases with "plastic" — credit cards, debit cards that automatically deduct funds from your checking account, or other alternatives to paper checks. Even so, checks still are a major form of payment in America because we're comfortable using them, they're widely accepted, they're helpful for recordkeeping, and for the most part they're pretty efficient.

Just how much do Americans like checks? *The Nilson Report*, a banking newsletter based in Oxnard, California, recently crunched the numbers (reprinted with permission). About 61 billion checks were written in the United States in 1994 (57 percent by consumers, 40 percent by businesses and three percent by the government). That's around 240 checks for every man, woman and child. (About 23 million adults, or 12 percent

of U.S. households, had no checking accounts.)

France, Canada, England and Brazil are the only other countries where checks are broadly accepted, according to *Nilson*. People in Japan, Switzerland and most other developed countries hardly ever use checks, for various cultural and economic reasons. These countries instead rely primarily on cash or, more recently, electronic forms of payment.

### Paper, Cotton, Leather...

Just what is a check? In basic terms, it's a written order instructing a bank to pay a particular amount to someone else out of funds in a particular account. (To keep things

simple, we'll use the term "bank" to include banks, savings associations and credit unions, and "checks" to include variations like NOW accounts and share drafts offered at credit unions.)

You may have heard about banks accepting checks written on underwear, fruit, napkins, cigarette packs and so on. These stories most likely are true, because by law checks don't have to be on paper. In England, humorist A.P. Herbert, who had a fondness for "off-the-wall" checks, was paid by his employer *Punch* magazine in 1970 with a check written on the side of a cow. But don't get the idea that these are common practices or that we encourage them. Your bank may be willing to go along with this in a



English humorist A.P. Herbert received a paycheck in 1970 written on the side of a cow, which he "walked" to a bank branch and got cashed.

(Photo: Punch)

true emergency (or for some good publicity), but cows and underwear don't fit too well in a bank's check-sorting machines or monthly statements.

## In the Beginning

No one is quite sure when the first checks appeared. Some experts think the Romans may have invented the check about 352 B.C. But even if that were true, the idea apparently didn't catch on. According to most history texts, it probably wasn't until the early 1500s, in Holland, that the check first got widespread usage. Amsterdam in the 16th century was a major international shipping and trading center. People who'd accumulated cash began depositing it with Dutch "cashiers," for a fee, as a safer alternative to keeping the money at home. Eventually the cashiers agreed to pay their depositors' debts out of the money in each account, based on the depositor's written order or "note" to do so.

The concept of writing and depositing checks as a method of arranging payments soon spread to England and elsewhere, but not without resistance. Many people in the 16th and 17th centuries still had doubts about trusting their hard-earned money to strangers and little pieces of paper. In the United States, checks are said to have first been used in 1681 when cash-strapped businessmen in Boston mortgaged their land to a "fund," against which they could write checks.

The first printed checks are traced to 1762 and British banker Lawrence Childs. The word "check" also may

have originated in England in the 1700s when serial numbers were placed on these pieces of paper as a way to keep track of, or "check" on, them.

As checks became more widely accepted, bankers discovered they had a big problem: how to collect the money due from so many other banks. At first, each bank sent messengers to the other banks to present checks for collection, but that meant a lot of traveling and a lot of cash being hauled around. The solution to this problem was found in the 1700s, according to banking lore, at a British coffee shop. The story goes that a London bank messenger stopped for coffee and noticed another bank messenger. They got to talking, realized that they each had checks drawn on the other's bank, and decided to exchange them and save each other the extra trip. The practice evolved into the system of check "clearinghouses" — networks of banks that exchange checks with each other — that still is in use. Today banks in the U.S. can present checks to the Federal Reserve System or private clearinghouses for regional and national check collection.

## Keep Reading

There's a lot more in this issue of *FDIC Consumer News* about managing your checking account and how checks are processed, so keep on reading. But for even more details, check out the offerings at your local library or order from the many free or low-cost publications (on checks and other banking topics) issued by the Federal Reserve

System. For the Federal Reserve's latest "Catalogue of Public Information Materials," write the Federal Reserve Bank of New York, Public Information Department, 33 Liberty Street, New York, NY 10045, or call 212-720-6134.



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## Two Glorious Days, Two Fun-Filled Nights...

Americans write 61 billion checks a year, but hardly anyone thinks about how checks or funds get transferred from one bank account to another. Here's a behind-the-scenes look at how one check journeys from coast to coast, and how payments are made.

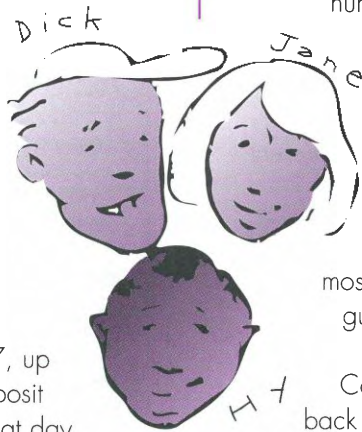
### Monday

#### 10 a.m. (Eastern Time)

Dick and Jane Sunnenfun, having recently moved to San Diego from Cape Cod, lose their camera on a return visit to the Cape. The Sunnenfuns stop by Hy Aperture's camera shop, where their old friend sells them a new camera for \$150 and accepts their personal check drawn on Surf City Bank of San Diego.

#### 1 p.m.

Hy Aperture makes a deposit into his account at Cape Cod Capital Bank, including the \$150 check from the Sunnenfun family. In general, under the Expedited Funds Availability Act of 1987, up to \$100 of his total deposit of checks at the bank that day is available to him on the next business day (Tuesday), but the rest can be held up to five business days after the deposit. This federal law, described in more detail in the box on Page 10 of this newsletter, protects against unreasonable delays in getting your deposited funds. Its



rules apply to personal as well as business accounts.

#### 4 p.m.

Cape Cod Capital Bank, using magnetic ink, encodes the dollar amount of the check on the bottom of the Sunnenfuns' check. This information, along with the Sunnenfuns' account number and their bank's special "routing" number (a form of I.D.) already printed at the bottom of their checks will be read by high-speed sorting machines to make sure the check gets to Surf City Bank in the most efficient way. (See our guide to check coding on Page 6.) The Cape Cod bank also stamps the back of the check with its name, location, routing number and the date of the transaction. This information is important for various reasons, such as if the check "bounces" because of insufficient funds and needs to be returned to the Cape Cod bank for collection.



#### 11 p.m.

Cape Cod Capital Bank, having decided earlier in the day to use the Federal Reserve System (a government entity) to clear the checks it has received, sends them via a private courier to a Federal Reserve office in Boston. There are 47 such Federal Reserve check-processing offices nationwide.

### Tuesday

#### 12:01 a.m.

The Federal Reserve office in Boston begins sorting hundreds of thousands of checks to be routed to the 46 other Federal Reserve offices. A machine that can handle 100,000 checks an hour scans the coding on the bottom of the Sunnenfuns' check and puts it in the pile headed for the Federal Reserve's Los Angeles office. The Boston office also makes preliminary plans to credit \$150 to the Cape Cod bank's own account at the Federal Reserve, which the bank would then add to Hy Aperture's account. The actual timing of the credit depends on when the Federal Reserve receives the money from the San Diego bank later in the day.

#### 1 a.m.

A plane chartered by the Federal Reserve flies the Sunnenfuns' check, and many thousands of other checks, from Boston to New York City (actually to a nearby airport in

Teterboro, New Jersey). New York is one of five current "hubs" that coordinate all air shipments, the others being Atlanta, Chicago, Cleveland and Dallas. Within minutes of arriving at the New Jersey airport, the Sunnenfuns' check is put on another chartered plane heading to Cincinnati, and minutes after arrival there on to another plane bound for Los Angeles.

## 5 a.m. (Pacific Time)

Checks arriving at a Los Angeles airport are delivered by ground courier to the Federal Reserve's check processing office, where the Sunnenfuns' check is sorted again.

## 2 p.m.

All checks going to Surf City Bank from the Federal Reserve are delivered by courier. Upon arrival, the Federal Reserve's Los Angeles office will deduct \$150 from Surf City Bank's account there, to compensate for the Boston office's credit to the Cape Cod bank. Surf City Bank will recover the money from the Sunnenfuns' account later.

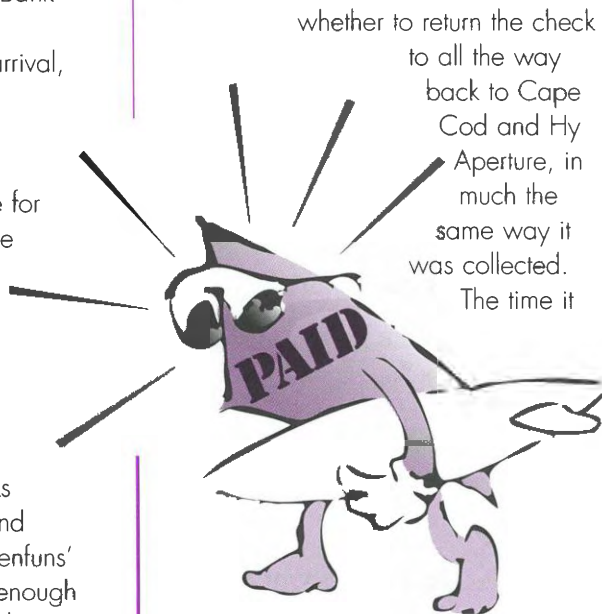
## 10 p.m.

Surf City Bank runs the checks through its sorting machine and deducts \$150 from the Sunnenfuns' account. If the account has enough funds, the check is considered "paid." But if the account doesn't have enough funds, or if there's some other cause for concern, Surf City Bank must decide by midnight of the next day (Wednesday)



(Photo: Federal Reserve Board)

Federal Reserve check-sorting machines can handle 100,000 checks an hour.



whether to return the check to all the way back to Cape Cod and Hy Aperture, in much the same way it was collected. The time it

takes to return a bounced check for collection is the reason the law allows extra time before funds must be made available to depositors.

## Final Thoughts

We've just described how a check can journey several thousand miles in about two days, and how the funds move safely from one account to another. But be aware that what we've described oversimplifies how a check is processed. Examples: (1) The Federal Reserve processes checks, but so do individual banks and about 140 "clearinghouses" or associations of banks. (2) There are many different ways checks and payments can be processed, no matter who does the job. (3) Days and times shown in our illustration are approximate only. But remember that no matter how a check is processed, federal law protects you against unreasonable delays in getting access to your deposited funds.



## Cracking the Code

Those printed numbers on our checks move billions of dollars daily

RICHARD SUNNENFUN  
 JANE SUNNENFUN  
 1234 BEACH AVENUE  
 SAN DIEGO, CA 92169

DATE JULY 10, 1995 90-5999/1222

PAY TO THE ORDER OF Hy Aperture \$ 150.00

One Hundred Fifty and <sup>00</sup>/<sub>100</sub> DOLLARS

MEMO New Camera

*Surf City Bank*  
 20000 Beach Drive  
 San Diego, CA 92112

Richard Sunnenfun

⑆122259990⑆ 7654321⑆ 0456 ⑆0000015000⑆

### Routing Number

The first four digits identify the Federal Reserve office that serves the check-writer's bank, and determine whether the check is "local" or "nonlocal" for establishing a "hold" on the check. The next four digits identify the bank responsible for paying the check. The last digit is part of a complex formula used by check-sorting machines to verify the first eight digits.

### Account Number

The number of the checking account from which the funds will be deducted.

### Check Number

The number of this particular check, also printed at the upper right of the check.

### Dollar Amount

The dollar value of this particular transaction, which is printed on the bottom by the first bank receiving the check or, in some cases, the merchant or utility that received the check.

### Just In Case...

Most checks also include the routing number printed in a different form here, as a "fall-back" if the numbers at the bottom are accidentally mutilated. When checks are damaged, banks sometimes attach a paper strip to the bottom of the check or put the check in a clear envelope that shows the necessary coding.

## A Checklist for Stopping Check Fraud

*Bogus checks cost YOU money, so learn how to stop them*

Store and bank robbers still use weapons and notes to pull off their heists, but more and more they're using sophisticated chemicals, copy machines and computers. Armed with new devices, the modern thief can produce, among other things, near-perfect counterfeit checks.

In New York City, con artists recently "borrowed" outgoing mail sacks from businesses and carefully removed checks from the envelopes. They then made copies of the checks and sealed the originals back in the envelopes. As the legitimate checks went on to their destinations, altered copies were being cashed by the crooks.

In Los Angeles, swindlers broke into mailboxes to steal checks made out to utilities, department stores and other payees. Using special acids, the crooks erased who the checks were payable to, and for how much. They then wrote in new names and amounts and cashed the checks.

In Atlanta, thieves picked through garbage for checks, deposit slips and credit card receipts, and then recycled this trash into a \$10 million check fraud across a dozen states.

It's hard to say exactly how much money U.S. merchants and financial institutions lose because of stolen, forged and counterfeit checks, but most experts say the dollar amount has been on the rise, now up to

a staggering \$10 billion a year or more.

Why should you care about check fraud? Because a large part of these heavy losses are passed along to consumers, through higher costs for goods and services from businesses and financial institutions.

And what if it's your checking account that a thief has written checks on? Are you liable for losses? Not in most cases, but it can happen. That's because bank customers are responsible for paying "reasonable" attention to their accounts and for protecting them against misuse. Eugene Seitz, a criminal investigator with the FDIC's Division of Supervision in Washington, offers this advice: "Promptly reconcile your bank statements, at least within a month of receiving them, and immediately notify the bank of any suspicious or unauthorized checks or withdrawals."

### Prevention is Key

Banks and check printers are adding new security features on checks, including special inks and paper that will show if a check has been copied or altered. But security features alone won't deter or prevent all check fraud. That's where you come in. Individuals and businesses can help fight check fraud by taking a few simple steps.

### 1. Take precautions when ordering checks.

Don't have your Social Security or driver's license number imprinted on your checks. These numbers, combined with other information on your checks (your name, address, account number, telephone number) could supply a thief with enough details to apply for a loan, credit card or a phony bank account in your name.

Notify your bank if you ordered checks and haven't received them in a reasonable time period, or if some checks are missing. These could be signs the checks have been stolen.

### 2. Know the safest ways to write and deposit checks.

When writing checks, don't leave blank spaces on the lines designating who the check is payable to and the amount. Better to write details as close together as possible, avoid abbreviations and draw lines to fill any gaps. Otherwise, a criminal can easily change what you've written — such as, a check payable to I.B.M. could be doctored to read I.B. Mooney.

Use dark ink, never light colors (green, pink) or pencil that can easily be erased or covered over. And if you change your mind after writing

**Continued on next page**

all or part of a check, first mark "void" across the front and then shred it to pieces.

Most experts advise against writing your credit card number on a check to a merchant, even if the merchant asks for this information. If possible, don't make a check payable to "cash" (it's too easily cashed by just anyone). And never endorse a check until you're ready to cash or deposit it. Preferably, deposited checks should be endorsed "For Deposit Only" and your account number should be included. That way, if the check is stolen it can't be cashed.

Try to use your own pre-printed deposit slips. If that isn't possible, make sure the deposit slips stacked in the bank lobby don't have someone else's account number already written or printed on them. Believe it or not, many depositors don't pay attention to what's on deposit slips — a mistake some thieves have used to enrich their own accounts.

### 3. Closely guard your checks and your account information.

Keep checks in a safe place. In fact, treat them as if they were cash. You may not ultimately be responsible for checks stolen and forged against your account, but it can take a long time to clear up the problems. Contact your bank immediately if your checkbook or individual checks are lost or stolen. And if you use signature stamps, check imprinters or personal computers to make your check-writing easier, keep them secure so

you know who has access to them.

Don't just throw out cancelled checks, unused deposit slips, old bank statements, or credit card and automated teller machine (ATM) receipts. Shred and destroy them as best you can. These items could be used by a thief to make new checks or order them from a mail-order check printing firm.

When balancing your checkbook, be alert to paid checks that are out of sequence or any other unusual items. For example, if your newly cancelled checks include one numbered in the 400s when the rest are in the 200s, that could be a sign that a thief got to your supply.

Also notify your bank if you don't receive your statement within a reasonable time. A bank statement contains account numbers, balance information and other details that could be useful in a fraud. Many depository institutions (and their customers) also prefer not to have cancelled checks sent in bank statements as one way to prevent thieves from stealing the actual checks or getting examples of signatures. (Institutions that don't return checks generally microfilm them and can supply a copy of a check, for a nominal fee, if requested to do so.)

Don't give out any personal information, like account numbers and Social Security numbers, to anyone over the telephone unless you initiate the call and you know you're dealing with a reputable organization or firm. A common telemarketing scheme is to get you on the phone, supposedly to discuss

a gift you've "won," but really to obtain your checking account information. If successful, this person can use the information to issue a bank draft that deducts funds from your account.

### 4. Protect your mail, which could include checks or important financial information.

**Incoming mail:** Remove it from your mailbox as soon as possible. If you're going to be away for an extended period, have a neighbor pick up your mail or have it held at the post office. If you're expecting a check in the mail and it doesn't arrive within a reasonable period, notify the sender and a postal inspector at your local post office. Notify the post office if you find any suspicious activity around your mailbox.

**Outgoing mail:** Don't tempt thieves by leaving it in your door or mailbox for the postal carrier to pick up later in the day. Take it to the post office or put it in a collection box.

### Final Thoughts

We can't guarantee that you won't be a victim of check fraud but we think your chances will be greatly reduced by following the steps provided in this story. And if you think you've already been victimized, notify your financial institution immediately.

...



## Collecting Checks for Fun, Profit ...and the IRS

Many of us keep cancelled checks around the house far too long (unless you find one dating back to 352 B.C., in which case you've just settled the dispute about whether the Romans or the Dutch invented the check). But some of us don't keep cancelled checks long enough.

You should ask your accountant or lawyer about your own circumstances, but here are some rules of thumb. To be prepared in case the IRS audits your tax return, you should keep your cancelled checks and bank statements for at least four years, to cover the last three tax years' returns. (Many pros recommend keeping six or seven years of records, just in case the IRS finds a special reason to audit your older returns.) And if you own a home, you should keep indefinitely any receipts and cancelled checks for improvements to the property, again in case of an IRS audit.

Here's another reason to hang on to old checks, though not necessarily your own. Those little pieces of paper could be worth big bucks as collectors' items, depending on who a check is from, why it was written, what condition it's in, and whether the handwriting is in short supply.

"Checks that Presidents have sent to their wives or children, and checks that had a bearing on their financial life — perhaps a major purchase or investment that was good or bad — are very rare and very valuable," says James Lowe, a New York-based appraiser and a consultant to auction houses. He said some checks written by Abraham Lincoln and George Washington (in that order) command top dollar, even well over \$20,000. Checks from more recent Presidents are available for closer to \$300. Other popular checks worth hundreds or thousands of dollars often are from deceased

entertainers, writers, inventors and criminals. Why such interest? "For many people," Lowe says, "these checks are a way to touch hands with the past."

To learn more, talk to coin and memorabilia collectors in your area. Ask about publications, collector groups, historical associations, and upcoming shows and auctions. Many regional and national museums — including the Smithsonian Institution in Washington, the Museum of American Financial History in New York City and the history departments of individual banks — have check collections and staff experts. The Smithsonian's collection, which includes extremely rare checks from the U.S. Presidents plus Ben Franklin, Howard Hughes and other Americans, occasionally travels outside of Washington for showings.



Not many Americans besides industrialist John D. Rockefeller could write a check for \$130,000 in 1884.



This check from George Washington to his physician had enough rare qualities to sell for \$22,000 at an October 1995 auction.



(Photo: Museum of American Financial History)

## How the Banking System Deals with Disasters

One of the most important functions of the banking system is to quickly and safely move checks and payments. But sometimes disasters strike.

Courier planes have crashed, causing thousands of checks to be lost or damaged. Fires, floods, hurricanes, earthquakes and other disasters have ruined checks or checking account information. The system even has to be prepared for terrorist attacks, like the April 1995 bombing of the federal building in Oklahoma City, Oklahoma. That tragedy severely damaged a credit union (killing 18 employees and two

volunteers) and caused enough damage to Federal Reserve and individual bank offices in the area to create some temporary check clearing problems.

Fortunately, security procedures in place for years have prevented checks and checking account information from being lost entirely in emergencies. Depository institutions typically keep all checks in fireproof cabinets and rooms. Federal regulators require institutions to have written plans in place to resume operations after a disaster. Banks also microfilm checks, deposit slips and other records to help recreate

transactions if the originals are lost. Says Stephen White of the FDIC's Division of Supervision in Washington, "Copying checks is routine in the banking industry, as automatic as locking the doors at night."

Disaster prevention and recovery are just a part of what the banking system does quietly and behind-the-scenes to ensure that, even in an emergency, your account information is accurate, delays in service are minimized, and you can continue to bank with confidence.



### When Can I Get My Money?

One way depository institutions protect themselves against losses from "bad checks" — especially fraud or insufficient funds — is to put a "hold" on certain checks when they are deposited. This means there's a delay imposed before a check you deposit in your banking institution becomes available for withdrawal, to give time to collect the funds. After consumers complained that institutions were putting unreasonably long holds on checks, Congress passed the Expedited Funds Availability Act of 1987 (effective September 1, 1988), which requires financial institutions to make deposited funds available to their customers by specified deadlines.

Under the law, if you deposit a check drawn on another "local" bank (one in

the same check-processing region as your bank, even if it's in a different city or state), all your funds must be available to you by the second business day after your deposit. If you deposit a "nonlocal" check, all funds must be available by the fifth business day. But whether the check is local or nonlocal, the first \$100 of your total deposit at the bank that day must be available to you after one business day.

Institutions can and do make funds available sooner than the law requires, sometimes even immediately. However, funds can be held longer than the basic deadlines if, for example, you're depositing more than \$5,000 or you've had the account less than 30 days.

The Expedited Funds Availability Act governs only checks drawn on banks in the United States and in U.S. dollars. Many American depository institutions will accept a customer's check drawn on a foreign bank or in foreign funds, but you may have to wait weeks or even months before you'd have access to the money.

If you need funds from a deposit fast, or if you're unsure about your bank's check-hold policies, talk to a manager at the bank. For more information about funds availability rules, contact your nearest Federal Reserve Bank (in the telephone book under the U.S. Government listings) or the Federal Reserve Board's Division of Bank Operations in Washington (202-452-2660).

## Checks and Balances *Why and how to keep good records*

There are many reasons for a check to bounce, including insufficient funds and stop-payments. But many of these problems could be prevented if people paid closer attention to the numbers they write down and the records they keep.

One Illinois banker told us about a customer who bounced a check when she wrote it out for the balance shown in her checkbook, not the amount of the bill due. The same banker told us of another customer who couldn't figure out why he sent in a loan payment that was three times too high, until he realized the amount of the check was the same as the bank's zip code. These kinds of mistakes are more common than you'd think. *Forbes* recently reported that in 1993 Barry Stoler of Auburn, WA, paid \$1.99 for some Ex-Lax that didn't do the job so he demanded his money back from the company. He got that, plus an extra \$98,000, when Ex-Lax printed the refund check in the amount of his zip code. The report said Stoler deposited the money, closed his account eight days later and has eluded detectives ever since.

As much as you may not want to hear this advice, we have to be honest: You should balance your checkbook as soon as possible after your bank statement arrives in the mail, certainly within a month. You have a responsibility to make sure your records agree with the bank's, and to promptly notify the bank of an error in your account.

If you're having problems balancing your checkbook, various consumer books and guides, and many bank statements, include a checklist of things you can do to reconcile your account and develop good recordkeeping habits. There's also computer software that helps you balance your checking account and even writes checks.

People have found many different ways to balance a checkbook. Here's a suggestion by one of our readers.

First, compare the number and amount of the checks returned (or listed on the statement, if you bank where checks are not returned) to the statement information. Next, take a "trial balance" by adding the balance in your checkbook, the total amount of checks that haven't cleared and any interest paid on the account. Subtract any service charges as well as recent deposits that aren't on the statement. Compare the result with the balance on the statement. If they match, congratulations! If not, you probably need to try again. After all, it's much more common for customers to make simple arithmetic errors than for banks' computers to goof. If there are transactions on the statement that don't agree with your records, notify your institution as soon as you can.

...

### Checking Your Insurance

A quick test: You and a relative have \$105,000 on deposit in a bank or savings association, consisting of \$95,000 in jointly owned savings accounts (certificates of deposit and passbook accounts) and a joint checking account with \$10,000 in it. You assume savings and checking accounts are separately insured from each other, so the full \$105,000 is protected. Are you right?

A quick answer: No, you're wrong, and \$5,000 plus interest would be uninsured. Under the rules in effect for many years, checking and savings accounts would be added together for insurance purposes. In our example, all jointly owned checking and savings accounts held by the same group of people would be added together and insured up to \$100,000, leaving \$5,000 over the limit.

The insurance rules, especially those for joint accounts, are a lot more involved than this. If you've got a question about how your checking accounts or other accounts are protected, ask for a free copy of the FDIC's pamphlet "Your Insured Deposit," which is available at financial institutions or by writing to the FDIC, Room 7118, 550 Seventeenth Street, NW, Washington, DC 20429. If after reading the published material you still have questions, contact an FDIC office listed on Page 15 of this newsletter.

## Answers to your questions about deposit insurance and other consumer protections



### Traveler's Checks

*"Recently I spent two wonderful weeks in Alaska. My plan was to spend my cash first and my traveler's checks last, but when I reached that stage my checks were missing. The company told me the checks had already been cashed before I called them and therefore were not reimburseable. This is never in their advertising! If it is clear that the signature on the checks is not mine, what are my rights?"*

- Worcester, MA

*"When my son was in Los Angeles, the largest bank in California would not cash his traveler's check because he did not have an account at the bank. Several other establishments insisted on charging a fee — in one case 25 percent. Frankly, my son found the transaction fee for the use of the ATM system to be a much better bargain at some of these locations."*

- Silver Spring, MD

*"While in Austria, I was charged a \$10 service fee for cashing traveler's checks. The convenience, locations and 24-hour cash availability of ATM machines greatly outweighed any service charge imposed for using my cash card. On my next European trip, I'll bring a minimum amount of traveler's checks, and yep, I'll bring my plastic."*

- St. Peter, MN

Our Spring 1995 issue, which featured financial tips for travelers, recommended traveler's checks as a relatively safe, low-cost alternative to cash and certain other forms of payment. We stand by that recommendation, but as these readers point out, traveler's checks have potential costs and limitations you should consider when deciding on the amount of cash, traveler's checks or credit you may need on a trip.

One reason we mentioned traveler's checks favorably is your ability to get a quick refund if they're lost or stolen. But to receive this protection, you must meet various conditions spelled out in the written agreement or contract provided to you when you bought the checks. Read the agreement carefully. Some of your obligations are clearly described, such as signing the check in the right places and at the right times to prevent a thief from cashing it. Other obligations may be more general, such as requirements that you notify the company "immediately" if your traveler's checks are missing.

Reimbursement of lost or stolen traveler's checks isn't 100 percent guaranteed; it will depend on the facts of your case and whether the check issuer believes you've upheld your end of the contract. If you are unsatisfied with the traveler's check company's actions, consider contacting your state attorney general (usually listed in your telephone book and other directories) or the Federal Trade Commission (write the FTC's Public Reference

Branch, 6th Street and Pennsylvania Avenue, NW, Washington, DC 20580, or phone 202-326-2222). You also may wish to consult a private attorney. The FTC also is the place to go if you have complaints about a company's advertising.

As for fees on traveler's checks or policies about whether to cash them for customers only, state and federal law essentially leaves these business decisions up to each financial institution or merchant.

Whether you're traveling in the U.S. or abroad, it's good to do some advance homework on the costs and limitations of traveler's checks, ATMs and credit cards, and then decide what's best for you. Our special travel issue has phone numbers and other information that can help. If you'd like a copy, write to the FDIC, 550 17th Street, NW, Room 7118, Washington, DC 20429.



#### **Please Write!**

Is there an issue you'd like addressed or a question you'd like answered in *FDIC Consumer News*? Please send your thoughts and suggestions to:

**Jay Rosenstein**  
Senior Writer-Editor  
Federal Deposit  
Insurance Corporation  
550 17th Street, NW  
Washington, DC 20429

## Got a Problem with the FDIC ?

*You've also got a problem solver here, too, in our Office of the Ombudsman*

The FDIC works hard to protect consumers from the effects of bank failures and other problems. For the most part, we think we do a good job. But with any job, we also know that there's room for improvement...that mistakes happen...and that we need feedback from the public to help us improve.

If you've got a gripe, suggestion or question involving the FDIC, contact our Office of the Ombudsman. It's designed to be a neutral, independent source of public assistance by advocating fairness in FDIC programs and the way they are carried out.

Carmen Sullivan, the FDIC's Ombudsman, says the office is

committed to resolving individual cases as fairly and quickly as possible, and to analyzing these individual problems for broader trends that FDIC management should address. "The public must know that the FDIC Ombudsman will treat them in a fair, impartial and timely manner," she says. "Doing our job right is important to maintaining public confidence in the FDIC."

The most commonly asked questions and frustrations involve failed banks and savings associations. These often are from: depositors who lost funds over the \$100,000 federal insurance limit; borrowers whose loans were acquired by the FDIC and who are experiencing repayment problems; and people

who want to buy real estate and other bank property for sale by the FDIC. The Ombudsman's Office also hears from and responds to consumers (and bankers and others) who find FDIC policies or programs ineffective or inconsistent.

Addresses and phone numbers for the Ombudsman's Office are printed here. Remember, the Ombudsman's Office handles questions or complaints involving the FDIC. If you've got a problem involving a specific financial institution, or a question about your deposit insurance coverage, see our instructions on Page 15 of this newsletter.



### **Western Service Center**

(Alaska, Arizona, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, Wyoming)

P.O. Box 7549  
Newport Beach, CA 92658  
714-263-7600  
800-756-3558

### **Southwest Service Center**

(Arkansas, Colorado, Louisiana, New Mexico, Oklahoma, Texas)

5080 Spectrum Drive, Suite 1000E  
Dallas, TX 75248  
214-455-4500  
800-319-1444

### **Midwest Service Center**

(Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin)

500 West Monroe St., Suite 3200  
Chicago, IL 60661  
312-382-5700  
800-944-5343

### **Southeast Service Center**

(Alabama, Delaware, District of Columbia, Florida, Georgia, Kentucky, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia)

1201 W. Peachtree St. NE  
Atlanta, GA 30309  
404-817-8990  
800-765-3342

### **Northeast Service Center**

(Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, Virgin Islands)

101 East River Drive  
East Hartford, CT 06108  
860-291-4500  
800-873-7785

### **Office of the Ombudsman**

(Headquarters)  
550 17th Street, NW  
Washington, DC 20429  
202-416-7076  
800-250-9286  
Internet: [ombudsman@fdic.gov](mailto:ombudsman@fdic.gov)

## Reminder! Grinches Lurk Midst Holiday Revelry!

### *Foil those pickpockets and other lowlife*

It's that time again. Meanies are waiting to grab your wallet, steal your purse, filch your credit cards and do other bad things to spoil your holidays.

Here's a quick rundown of situations we've cautioned against before, just so you don't forget them and so you can (we hope) avoid being a victim of any of these unfortunate possibilities:



**Snatched wallet or purse:** Keep it close to your person, keep it closed and keep it

hidden as much as possible. Don't let it leave your hand. Put it away immediately after using it. And DON'T leave it in the glove compartment of your car.



**Stolen car and/or contents:** Park in a well-lit area, lock your car, be alert to surroundings

and don't put bundles in the trunk and then go back for more — move the car to another spot. If a carjacker wants your vehicle, give it to him. Your car is replaceable; you're not.



**Ripoff at the cash machine:** Use cash machines in well-lit areas, preferably inside

of a store or shopping mall. If you must use outside machines, check out the surroundings before you get your money. TAKE YOUR RECEIPTS. Crooks can use them to their advantage.



**Credit card calamity:** Treat those credit cards like cash. Know where they are at all times.

Don't display them in public places more than absolutely necessary. Notify issuers immediately if they're stolen.



**Invasion of the check-snatchers:** Treat your checks like cash, too. Know where they are at

all times. Don't flash them around in public places. Notify your financial institution right away if they're taken.



**Deceit with receipts:** Crooks can use receipts — from ATMs, stores, gas stations,

anywhere — to create fake cards,

raid bank accounts and commit various other misdeeds. Stop them in their tracks — hold onto those receipts until you can dispose of them safely somewhere else. (You should probably save them until you receive your bank and credit card statements anyway, to make sure the statements are correct.)

Regrettably, there are other dishonorable activities like these that increase significantly during the holiday season. So, even though you're conscientious and careful, turn up your "alert quotient" a couple of notches during this time of the year. And "Crimeless Holidays" to all!

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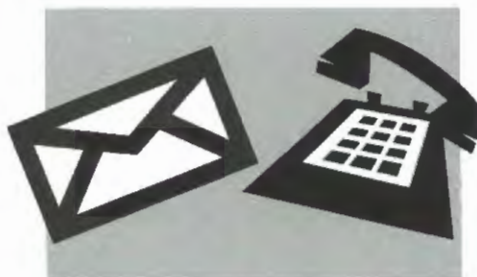
### FTC Offers Booklet on Shopping by Mail or Phone

The Federal Trade Commission offers a very helpful booklet on ordering items by mail or telephone. It describes what merchants must do and what you as a customer can do to ensure proper handling of your order. For example, merchants must ship mail orders within 30 days of receiving a completed order unless a longer time is clearly specified in advertisements or catalog listings. Advice to customers includes making sure you know the company's return policy before you order something. The booklet also discusses how to deal with problems.

For a copy, write or call the FTC's Public Reference Branch, Room 130, Federal Trade Commission, 6th Street and Pennsylvania Avenue, NW, Washington, DC 20580. Phone 202-326-2222; TTY 202-326-2502.

## For More Help

The FDIC offers protection to consumers by insuring deposits up to \$100,000. The FDIC, as well as other regulatory agencies, enforces rules that promote sound banking practices, and compliance with consumer protection and civil rights laws. These protections include: 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:** Contact the FDIC's Division of Compliance and Consumer Affairs at the Washington or regional offices listed below.

**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.

### Office of the Comptroller of the Currency

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

Compliance Management Division  
250 E Street, SW  
Washington, DC 20219  
Phone 800-613-6743 or  
202-874-4820

### 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 Avenue, NW  
Washington, DC 20551  
Phone 202-452-3693

### Office of Thrift Supervision

Supervises federally and state-chartered savings associations as well as federally chartered savings banks. (The names of these institutions 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.)

OTS Consumer Affairs Office  
1700 G Street, NW  
Washington, DC 20552  
Phone 800-842-6929 or  
202-906-6237

### Federal Deposit Insurance Corporation

Supervises state-chartered banks that are not members of the Federal Reserve System. Operates the Bank Insurance Fund and the Savings Association Insurance Fund.

#### Division of Compliance and Consumer Affairs

550 17th Street, NW  
Washington, DC 20429  
Phone 800-934-3342 or  
202-942-3100  
Internet: [consumer@fdic.gov](mailto:consumer@fdic.gov)

**Atlanta Region** (Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia):  
1201 W. Peachtree St., NE, Suite 1600  
Atlanta, GA 30309  
Phone 404-817-1300

**Boston Region** (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont):  
200 Bowdoin Brook Drive, Suite 3100  
Westwood, MA 02090  
Phone 617-320-1600

**Chicago Region** (Illinois, Indiana, Michigan, Ohio, Wisconsin):  
500 West Monroe Street, Suite 3600  
Chicago, IL 60661  
Phone 312-382-7500

**Dallas Region** (Colorado, New Mexico, Oklahoma, Texas):  
1910 Pacific Avenue, Suite 1900  
Dallas, TX 75201  
Phone 214-220-3342

**Kansas City Region** (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota):  
2345 Grand Avenue, Suite 1500  
Kansas City, MO 64108  
Phone 816-234-8000

**Memphis Region** (Arkansas, Kentucky, Louisiana, Mississippi, Tennessee):  
5100 Poplar Avenue, Suite 1900  
Memphis, TN 38137  
Phone 901-685-1603

**New York Region** (Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania, Puerto Rico, Virgin Islands):  
452 Fifth Avenue, 19th Floor  
New York, NY 10018  
Phone 212-704-1200

**San Francisco Region** (Alaska, Arizona, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, Wyoming):  
25 Ecker Street, Suite 2300  
San Francisco, CA 94105  
Phone 415-546-0160

Some banking matters may involve state laws. For assistance on these matters, please contact the appropriate state financial institution regulatory agency or state Attorney General's office. These state offices usually are listed in your telephone book and other directories.

For information about credit unions, contact the National Credit Union Administration, Office of Public and Congressional Affairs, 1775 Duke Street, Alexandria, VA 22314-3428. Phone 703-518-6330

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**Coming Soon...**

**Technophobia !!**

Information about overcoming your terror of automated teller machines, phone banking, Internet and other electronic mysteries.

There is still time to send in your anecdotes about how you conquered — or didn't — fear of gadgets.

Send them to: Jay Rosenstein, Senior Writer-Editor,  
Office of Corporate Communications, Federal Deposit Insurance Corporation,  
550 17th Street, NW, Washington, DC 20429.

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Penalty for Private Use, \$300

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**Federal Deposit Insurance Corporation**  
Washington, DC 20429-9990



**BULK RATE  
MAIL**  
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No. G-36