FDIC Consumer News

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

SUMMER 1994 VOLUME 1, ISSUE 4

INSIDE

Young or Old: Financial Advice for the Generations

A crash course for 20-somethings starting to face the financial jungle

What do the finances of a typical 18-to-25-year-old look like? Scary.

A recent college graduate just starting up the career ladder, for example, is probably carrying a heavy debt load. Think about it. First, the U.S. Department of Education estimates that the recent college senior owes an average of $7,283 in student loans. Second, the graduate is likely to be buying a first car, adding another monthly expense to the debt load. Let's not even talk about the amount of rent being paid for that first apartment or the cost of furnishing it. Third, our college senior probably has had a credit card since freshman orientation, when the credit card issuer offered students possible scholarships and prizes for applying.

(Continued on page 3)

Smart banking in the '90s for people who've seen 60

So, you've reached your "golden years," when your kids' diplomas and weddings are all paid for. With any luck, you've got good health and enough wealth to retire, relax, travel, volunteer or even start a second career. But many older consumers are not so lucky. They may have poor health, and little in savings. Most others are somewhere in the middle – they've got enough money in the bank (or elsewhere) to be comfortable, but they're not quite sure how to protect it.

To help the approximately 33 million Americans age 65 or older – plus the relatives and friends who care about them – *FDIC Consumer News* has put together the following tips about how senior citizens

(Continued on page 6)

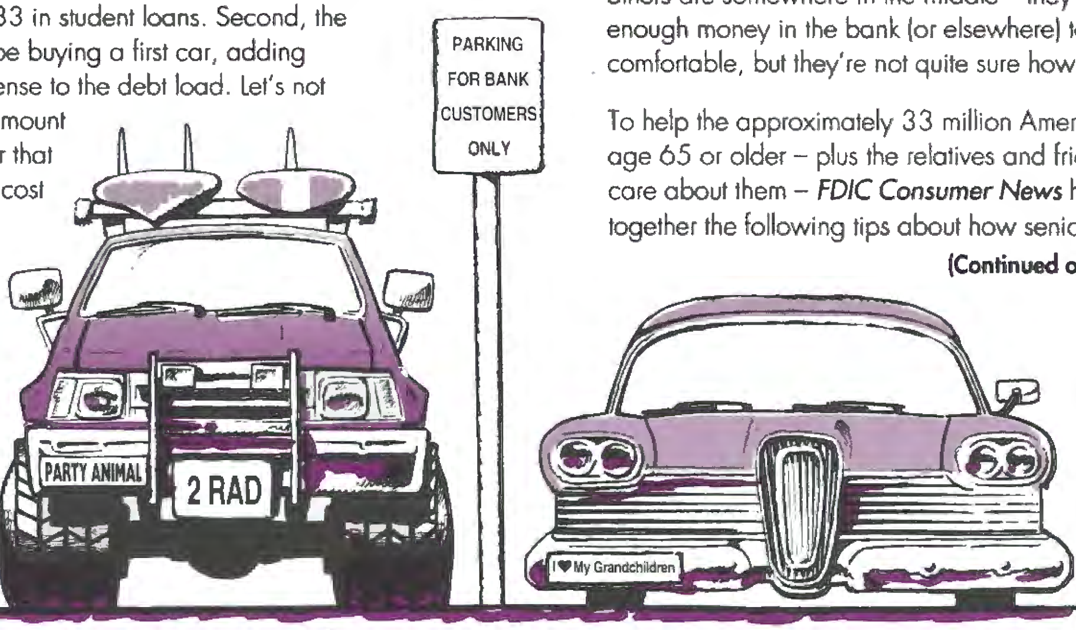

Illustration by: T.W. Ballard

BIF and SAIF — Washington's way of saying your deposits are insured

A look at the two FDIC insurance funds that protect your accounts

Whether you deposit your money in a bank or a savings association, it's most likely insured by the Federal Deposit Insurance Corporation. But have you ever asked yourself which fund backs your deposits, or whether it makes a difference?

There are two funds: the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF).

The two funds were created by Congress in 1989 and put under the FDIC as part of the legislation to clean up the S&L mess. The S&Ls had been insured by the Federal Savings and Loan Insurance Corporation (FSLIC), but its insurance fund ran out of money because of the number of S&Ls that failed in the 1980s.

Congress did away with the FSLIC and established the SAIF. The Permanent Insurance Fund, which had been in existence at the FDIC since 1934, was dissolved and the Bank Insurance Fund was established. The money for these funds comes from insurance premiums paid by insured institutions and earnings on the investment of these funds in government securities.

The BIF at the end of June had an estimated $17.5 billion balance, which is a rebound from a negative balance of $101 million at the end of 1992. The fund had dropped so low because of the cost of handling the high number of bank failures in the late 1980s and early 1990s. But it roared back because banks are making more money and a lot fewer of them are failing.

About 92 cents in the BIF stands behind every $100 of insured deposits, but Congress wants that amount to be $1.25 per $100 by the year 2006. It now looks like the BIF will reach $1.25 during 1996 – about 10 years ahead of schedule.

The SAIF is also starting to grow, but at a much slower rate. The reason is that not all the premiums S&Ls pay go to the insurance fund. Some also goes to cover part of the cost of the industry cleanup. Congress says, however, that if necessary the FDIC can turn to the Treasury Department to cover the cost of protecting depositors' money.

Regardless of which fund protects your deposits, the insurance coverage is the same and Congress has repeatedly indicated that federal deposit insurance is backed by the full faith and credit of the United States Government. And no depositor has ever lost even a penny of insured funds.

As a consumer, is there a sure-fire way of knowing know which fund protects your deposits?

Once you could tell by the decal on the door of the institution. Now that is not always the case.

Generally, if you see rectangular black and gold FDIC stickers at the entrance to the bank, and at each teller window, the institution is covered by the BIF. If you see a round black and gold sticker, with a border of stars and an eagle with outstretched wings, it's a SAIF–insured savings association. If you get close enough you can see that the eagle decal says "Deposits Federally Insured to $100,000" and "Backed by the Full Faith and Credit of the United States Government." Banks may display either the FDIC logo or the eagle decal, and savings associations may only display the eagle. (See logos below.)

Each depositor insured to $100,000
FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

Deposits Federally Insured to $100,000
Backed by the Full Faith and Credit of the United States Government

But there are also exceptions: some savings and commercial banks are insured by the SAIF; and because of acquisitions some institutions have deposits insured by both funds. As long as one of these decals appears on the door, you know your funds are federally insured.

Take a look the next time you stop at the bank.

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(Young Adults, from page 1)

When you consider a potential debt load like this, compared to the earnings of a recent college graduate, you can see that today's young people need to pay close attention to their finances and their banking relationships so they don't have problems in the future.

That's why we decided to offer some basic tips to anyone who may be graduating from high school, entering college or starting to work. While some of this advice may appear to be simple, it's all well worth remembering.

1. Select a financial institution that's right for your needs, not necessarily those of your parents.

Young people use a variety of methods to select a financial institution. While many tend to use the bank, savings institution or credit union that their parents use, it is important to meet your own needs as they arise and to keep in mind that not everyone's banking needs are the same. In some cases it may be to your advantage to do business with more than one institution.

When looking for a place to do your banking, try to understand how much your transactions would cost compared to what you would get. Ask yourself:

- Does the institution offer special services that would be attractive to young people with small accounts, such as free checking with a low minimum balance requirement?
- Does it have high fees or high minimum balance requirements that make transactions expensive?
- Is it conveniently located (an important matter for many young adults who may have limited transportation)?
- Does it offer competitive interest rates on loans?

These and many other questions can be answered easily by walking into a branch of a financial institution and taking available brochures and pamphlets that describe its services. (Be aware that in many larger cities, where business accounts may constitute the majority of the bank's business, special rates or terms, or other advantages, may be harder to find.)

2. Know your rights and responsibilities if you want a loan.

The Equal Credit Opportunity Act prohibits age discrimination when applying for credit. A lender may ask the age of an applicant to determine if he or she is old enough to sign a binding contract. But, a creditor may not reject an applicant or offer less credit because of age. Keep this in mind when applying for home or car loans as well as other types of loans.

Student loans, the largest portion of loans obtained by young people, are obviously attractive because they help pay school and related expenses. Most student loans are government-guaranteed and are specially structured to be repaid with low interest when a student graduates, leaves school or falls below half-time status as a student. Always know your responsibilities when taking out a student loan. Your school usually will arrange seminars or briefings to inform you about your rights and responsibilities as a borrower.

There are currently four different types of federal loans available to students: the Federal Perkins Loan, Federal Stafford Loan, Federal PLUS Loan, and Federal Direct Student Loans. Contact your school's

(Continued on next page)

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financial aid office, your bank or the U.S. Department of Education (address and phone number on Page 5) for dollar limits, repayment terms and other conditions.

It's best to borrow only what you need and not what you are allowed. Annual loan amounts depend on what year of school you're in. Try to avoid using student loans to pay off credit card debt or other loans. Use the money instead to pay for your school or everyday expenses.

One important reminder: Always inform the lender if there is a change in your status as a student. If you graduate, drop below half-time status or leave school completely, your grace period might expire, requiring you to begin paying off the loan. If this happens, talk to your lender and try to work out a reasonable repayment schedule. Many young people receive student loans and other loans without knowing their responsibilities and end up in default. A default on a student loan can result in a bad credit history and be damaging when you apply for credit later in life.

3. Be careful with credit cards.

It is never too early to establish a credit history. Credit cards can help. You can make small purchases with the card and pay off the balance gradually while building a good credit history. You may be able to get your first credit card in your name by having a parent co-sign for it, but by maintaining a job and paying credit card bills on time, you should be able to get cards on your own eventually.

Many credit card companies pursue the business of young adults very aggressively. They arrive at college campuses on the first days of school and other events, giving away free gifts and in return asking the students to apply for credit cards. While these free gifts are attractive, you might consider shopping around for a credit card with a low interest rate and annual fees you can afford.

If you apply for credit cards only to receive a gift, be aware that you might qualify for the card and receive it in the mail. If you decide that you do not want the card, don't just throw it away. Cut it up first. Otherwise, someone might pick it up and use it to purchase items that you could be billed for. You should return the cut up card to the issuer with instructions to cancel the account. If you ever lose a credit card, be sure to notify the card company immediately.

4. Take steps to improve a bad credit history.

A good credit history will be essential when making a large purchase such as a home or an automobile. When debts go unpaid, all the interest and the amount owed can increase to enormous numbers. If you are having difficulty paying a bill, contact the bank or merchant where you made the purchase and ask to set up a more convenient payment plan. Creditors feel a lot more kindly toward people who acknowledge their obligations and try to restructure them, rather than ignore them as many people do. Failure to make regularly scheduled payments on a debt will be reflected on your credit record and can affect your future buying power and financial flexibility.

Watch out for marketing scams that offer easy credit, guaranteed credit approval or the chance to clean up your credit history for a fee. Many of these companies advertise through newspapers, magazines and mailings and ask that you call a "900" number or send money for information about their services. Instead, if you can't get a credit card because of a bad credit history, ask your bank about a "secured" credit card. These cards generally require a security deposit and sometimes application, processing and annual fees.

A secured credit card might be a good way to improve your credit. If your bank doesn't offer one, it can usually refer you to a legitimate company that does. The amount of credit is usually the amount that you put in an account "up front" (before they issue the card), which the card issuer keeps on deposit to guarantee your charges against the card. In some cases, card issuers will release your "deposit" to you after your payment record looks good for a certain period of time.

If you have questions about a particular credit card company, contact a state or local consumer protection agency or your state Attorney General's office, all of which should be listed in your local phone book.

5. Don't wear out your automated teller machine (ATM) card.

ATM cards are used frequently by just about everyone. Most young people do not have large bank balances. They often have just enough money in their account to get by. An ATM card allows you to withdraw money fast or make certain purchases, but there are some hazards to this convenience. Unfortunately, those crisp bills from the ATM machine make the money appear to have come from somewhere else, rather than from your account. Also, there is often a fee attached to an ATM withdrawal that can make it cost you $11 instead of the $10 you get from the machine.

If you have a credit card or ATM card, never lend it or your card number to anyone. Remember, the money is coming out of your account, not theirs. And use by someone else could trigger an investigation by the card company if they notice (and they do!) purchases that are different from your buying pattern.

6. Start saving for your future.

Most young adults don't recognize the importance of building a nest egg. When in your 20s and 30s, it's a good idea to put a small percentage, maybe 10 percent, of your monthly income (after taxes) into savings and investments. If 10 percent is too much at first, pick a percentage that is best for you. As the years go on, even small amounts will build to larger ones, and will help you purchase a house or start a family or be prepared if you find yourself unemployed or temporarily unable to work.

Also consider putting some money toward saving for retirement. By investing in IRAs and company retirement plans you can save money on taxes and gradually add significant amounts to your investments.

7. Learn as much as you can about personal finance.

Many colleges, local governments and other organizations offer personal finance courses to help you make financial decisions. These classes can become more valuable from a practical standpoint than a lot of the required classes you've taken in school.

If you're looking for a summer or part-time job, consider applying at financial institutions. Working at a bank, credit union, brokerage firm or insurance company can familiarize you with how other people handle their personal finances. Co-workers and supervisors often can help if you have questions about managing money.

Visit your local library. There are plenty of books, magazines and other information that can prove helpful when trying to improve your finances. Local newspapers, as well as "big city" papers, often have personal finance columns, perhaps as a weekly feature or as a pull-out section. Invest time in your financial education and consider it part of your overall investment strategy.

Final thoughts: Dealing with bank accounts, credit cards and loans can be overwhelming. Don't even try to digest all the information out there. Just consider the different services that are available and decide which ones may be the most useful to you. You can always try something else if your first option doesn't work out. One rule of thumb that usually works: Think first, act second and take it one step at a time.

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Increase Your Knowledge

For more information that can help young adults handle their financial affairs, contact the federal regulatory agencies listed on Page 11 of this newsletter or the two listed below.

Federal Trade Commission

Public Reference Branch
Washington, DC 20580
Phone 202-326-2222

Publishes many brochures, including "Using Plastic: A Young Adult's Guide to Credit Cards." Also responds to questions or complaints involving loans, credit cards and financial fraud.

U.S. Department of Education

Federal Student Aid
Information Center
P.O. Box 84
Washington, DC 20044
Phone 800-433-3243

Call their toll-free "hotline" or write for information about financial aid, including student loans, grants and work-study programs.

(Senior Citizens, from page 1)

can be smarter, safer banking customers. Of course, there's no one-size-fits-all advice, but we've tried to address many of the main concerns about banking in the '90s for people in their 60s, 70s, 80s and beyond.

1. Guard against con artists who target the elderly.

Swindlers, often posing as legitimate business people, will do almost anything to trick someone into giving up cash, checks, or valuable information such as credit card numbers. But these crooks especially like to target the elderly with scams like those in the box on the right.

Why the elderly? Monroe Friedman, a psychology professor at Eastern Michigan University in Ypsilanti who studies financial swindles against senior citizens, says: They are easy to find at home or at shopping malls, medical buildings and other public places; many seniors live alone and want to socialize, even with a stranger; declining physical and mental conditions make them less able to recognize and resist a con artist; and crooks know the elderly often have substantial sums in a bank just down the road.

Friedman and associates recently conducted a study of 304 elderly consumers who were fortunate enough to spot a swindle coming and escape in time. Their research, sponsored by the American Association of Retired Persons (AARP), identified 25 "danger signals" that include: an offer that sounds too good to be true; the use of a company or association name that is close to, but not the same as, a reputable organization; unwillingness to send you written information about the firm; requests for money before a product or service is delivered; and pressure to accept an offer fast. As Friedman told *FDIC Consumer News*, any one of these 25 conditions may not be enough to sound an alarm in your head, "but two or three in combination should tell you something isn't right."

If you're suspicious about an unsolicited offer, don't send money and don't give out personal information, like your credit card number, at least until you've had a chance to check out the company with agencies like the Better Business Bureau (listed in your local phone book). If you think you've already been victimized, immediately contact the Better Business Bureau, your state Attorney General (also in the phone book) or the National Fraud Information Center at 1-800-876-7060 (a nonprofit organization in Washington that forwards reports of fraud to law enforcement authorities).

2. Take precautions against theft and personal injury.

It's a good idea to arrange for the direct deposit into your bank of Social Security checks and other regular income payments. This way, the check can't get lost or stolen on the street or from your mailbox.

Automated teller machines (ATMs) are a great convenience, but use them safely. It's best to use an ATM during daylight hours, but if you *must* use one after dark, choose an ATM that is well-lit and free of bushes or other places where a thief can hide. If you spot someone suspicious standing or parked near the ATM, or if a stranger tries to strike up a conversation, get away to another, safer ATM.

Don't needlessly expose your cash after you've made a withdrawal from a bank or ATM. You can always count the money later in a safer place, even inside your locked car.

Frequent Frauds Against Seniors

Bad "Great Deals":
Unsolicited phone calls about prizes or bargains for goods, services or travel, but the real reason is to get your credit card number, checking account information or check.

The Bogus Banker:
Person claims to work for your bank and asks to "verify" account information, really just to get your credit card number or similar details. Or the crook impersonates an investigator who says you can help catch a dishonest bank employee if you provide money from your account.

Home Equity Scams:
Unscrupulous lenders lure elderly homeowners into borrowing on the equity in the house to pay for medical bills or home repairs, but hide the hefty fees, outrageous interest rate (some are 40 percent or higher) and the risk of foreclosure. (Note: Congress is cracking down on these scams with new restrictions and consumer disclosures.)

If your ATM card or credit card is lost or stolen, call your bank or credit card company immediately and even follow up with a letter. And always take your ATM and credit card receipt with you. Don't just leave the receipt anywhere or toss it in the trash. The receipt contains important information about your account that can be valuable to a thief.

3. Know which bank products are insured and which are not.

Deposits, like savings accounts and certificates of deposit (CDs), are FDIC-insured up to $100,000. But mutual funds, stocks and annuities, even if sold by banks, are ***NOT*** FDIC-insured. These are investment products that can rise or fall in value, depending on the ups and downs in the market. This distinction is especially important for older consumers.

Many seniors have worked all their lives to put aside money to supplement Social Security or pensions. If they invest in uninsured investment products, and they aren't prepared financially or emotionally for the impact of a market crash or other economic shocks, the results could be terrifying. All this doesn't mean that older or other consumers should avoid investment products, or not buy them from banks. Depending on your needs and goals, investments can be an important part of your overall financial strategy. But you should read all about a product's risks and fees before you invest.

Learn more about the differences between deposits and investments by getting a copy of the FDIC's new booklet "Insured or Not Insured," available free by writing: FDIC, Room 7118, Washington, DC 20429. Your bank also may have a copy for you.

4. Make sure your deposits stay within the $100,000 FDIC insurance limit.

It's important for ***every*** depositor to occasionally check up on whether their accounts are fully protected if the institution fails, but it's especially important for senior citizens. Why? The elderly, many of whom still carry painful memories from the Great Depression, put larger chunks of their assets in FDIC-insured institutions than do younger people, who tend to put some in banks and some in stocks and other investments.

Seniors should be particularly aware of the insurance coverage of joint accounts and other accounts where someone else can have access to the money. Examples:

- If a husband and wife have joint accounts and one spouse dies, under most state laws that money automatically would be reclassified as being owned only by the surviving spouse. That money would then be added together with any other individual accounts owned by the surviving spouse, possibly exceeding the $100,000 insurance limit.

- Seniors often want someone else's name added to an account ***only*** to access the money if they become physically or mentally incapable of doing so. But unless the bank's records clearly indicate that this other person is only to handle emergency situations and is ***not*** a co-owner, the money could be classified as a joint account, which in turn could reduce the original owner's insurance coverage.

Don't wait until there's a death or illness in your family to review your deposit insurance coverage. "Prepare for changes in advance, so that the ramifications can be thought through calmly and not in a crisis situation," says Cris Naser, an FDIC attorney in Washington. For more information about the insurance rules, read the FDIC pamphlet "Your Insured Deposit" (copies are free from your insured institution or the FDIC) or contact an FDIC office listed on Page 11 of this newsletter.

5. Know your rights, and your risks, if you want to borrow money.

If you think you've been denied a loan because of your age, or if the amount you can borrow was dramatically reduced when you retired, you may have a legitimate complaint under the Equal Credit Opportunity Act (ECOA). This law doesn't give anyone the right to a loan, but it ***does*** prohibit a lender from discriminating against someone because of age, sex, race or other factors.

Under the ECOA, for example, a lender ***cannot*** turn your loan application down or offer you less credit just because of your age, refuse to consider your Social Security income in judging your application for a loan, close your loan account, change the terms of the account or require you to reapply just because you reached a certain age or retired.

(Continued on next page)

If you've been denied credit, the lender must notify you in writing, explain the reasons why and give you the name and address of the appropriate government agency to contact if you think you've been discriminated against. Try working out problems with the lender first. But if that doesn't work, you may contact the government agency, which can decide to investigate. You're also entitled to bring a lawsuit for actual damages plus a penalty, and perhaps recover attorneys' fees and court costs.

Another important option: tapping the built-up equity in a home to pay off medical expenses, home repairs and so on. Many seniors owe very little on their mortgage or own the property free and clear. But in many cases, these elderly are "house-rich and cash-poor." A number of home equity programs are being offered, some by private lenders and some by government agencies, each with their own advantages and disadvantages.

One type of home equity loan geared for seniors is the "reverse mortgage." It's called a reverse mortgage because instead of the homeowner making monthly payments to the lender, the lender makes monthly payments to the homeowner. Lump sum payments and lines of credit also are possible. Repayment of this kind of loan varies depending on your arrangement with the lender. Check with your financial institution if you want more information about a reverse mortgage.

As with any loan, shop around for the best deal on a home equity loan. Closely study the interest rates and fees, and know your risks and obligations. Perhaps the biggest risk: You can lose your home if you default on a home equity loan.

If you don't already have a major credit card, such as a Visa or MasterCard, consider getting one. According to the AARP, a credit card offers the following advantages to senior citizens: It is safer to carry than cash; it can cover emergency expenses, such as medicine not covered by insurance and repairs for a car or home appliance; and a credit card can be required if you need to rent a car. For divorced or widowed women in particular, having your own credit card can give you a credit history that will help if you ever need a loan for a home, car or other purpose.

6. Get your financial records in order.

Financial recordkeeping is probably not fun. But it's one of the most important things you can do for yourself and your loved ones if you become ill or die and they must deal with your finances.

The National Institute on Aging, which is part of the U.S. Department

Government Help for Golden Agers

Here are just a few of the government agencies that can help senior citizens with financial questions or problems.

The Administration on Aging: 330 Independence Avenue, SW
Washington, DC 20201
Phone 202-619-0057

Part of the U.S. Department of Health and Human Services, it helps fund state and local Area Agencies on Aging (in your phone book under city or county government offices) and a toll-free service (800-677-1116) that will refer you to government agencies that can answer your questions.

The Consumer Information Center:
Pueblo, CO 81009
Phone 719-948-4000
A clearinghouse for free and low-cost booklets published by more than 40 federal departments and agencies. Call or write for the free catalog.

Federal Deposit Insurance Corporation:
Division of Compliance and Consumer Affairs
550 17th Street, NW
Washington, DC 20429
Phone 800-934-3342 or 202-898-3773
Responds to written and telephone inquiries on subjects ranging from deposit insurance to equal credit opportunity at banks.

Federal Trade Commission:
Public Reference Branch
Washington, DC 20580
Phone 202-326-2222
Publishes numerous brochures on preventing credit problems and financial fraud. Also responds to inquiries and complaints from consumers.

of Health and Human Services, suggests that you put together a list of information that includes: your sources of income and assets, such as pension funds, bank accounts and investments; Social Security and Medicare information; life, health and property insurance information, with policy numbers; the location of safe deposit boxes; a list of what you owe to others and when payments are due; credit card account names and numbers; and the location of valuables, such as jewelry. Don't leave this list out in the open for just anyone to see, but know where it is and make copies for selected friends or relatives. Put the information in one safe place, preferably a fireproof box.

Also check with your attorney or another trusted adviser about a "durable power of attorney," a legal document that gives a relative or someone else the authority to handle your personal or financial matters should you become mentally or physically unable to do so.

7. Don't be afraid to ask for help.

It isn't easy for people to know what financial institution or financial product is best, or to understand their rights under the laws. So, when in doubt, seek out the advice of someone you trust.

A relative or a friend might be able to help answer basic questions or guide you to someone more knowledgeable. Talk to your lawyer or accountant, the bookkeeper at your doctor's office, one of the many private associations for the elderly, or a government agency (some are listed on Pages 8 and 11 of this newsletter). Many people pay for the services of a financial planner. But first check out this person's credentials and whether he or she gets a commission for steering you into a particular product (this may affect their objectivity).

Get to know someone at your bank (or savings institution or credit union) who can help you sort through its services. Those services may include special deals for senior citizens on banking and insurance products, travel services, discounts on medical care, and even social events. A banker who knows you also can be of extra help in an emergency.

Final thoughts: All of this appears to be a lot of work. But you've worked too hard over the years to save for "tomorrow," so a little extra effort "today" to protect those savings will be well worth it.

News Briefs

Consumer Legislation

Congress has recently passed a banking bill with some provisions of interest to consumers: special funds for community development and small business lending; new disclosures required for mortgages and home equity loans that have unusually high interest rates or fees, as defined in the legislation; and requirements that more homes and businesses in flood hazard areas purchase flood insurance. President Clinton is expected to sign these items into law soon. Also, the "crime bill" already signed by the President increases penalties for people convicted of telemarketing or credit card fraud.

Scam Alert

The FDIC wants you to beware of a variety of frauds turning up around the country. One involves phony "certified money orders," usually sold as part of $200-$600 kits that con artists say you can use to pay off your mortgage or other debts. The so-called "certified" money order is bogus. Another scheme involves "prime bank notes" that promise an unrealistic interest rate of 30 percent or more for investing in financial instruments of elite (thus "prime") foreign banks. Even if you receive an interest payment or two, the notes are worthless.

In yet another growing scam, fake companies try to pass themselves off as legitimate banks, even claiming to be FDIC-insured, just so they can solicit funds from the public. (To verify that an institution is insured, see the first item in "Mailbag" on the next page.)

Finally, the U.S. and Nigeria are warning about letters from fictitious Nigerian government officials or businesses offering lucrative contracts or other opportunities if you first send money or bank account information. Such letters, which have been widely distributed in the U.S., are totally fraudulent.

If you encounter any of these scams, call the local office of the Federal Bureau of Investigation listed in your phone book.

The Mailbag

Answers to your questions about deposit insurance and other consumer protections

Insurance Verification

Q: How can a person be sure a bank is really insured by the FDIC?

- New Orleans, LA

A: Banks and savings associations insured by the FDIC must display an insurance logo on doors and at teller stations. These decals state that deposits are insured up to $100,000. It is a violation of federal law, punishable by a fine of up to $1,000 and up to one year in jail, to falsely represent that an institution is insured by the FDIC.

To verify whether an institution is FDIC-insured, you can call or write the FDIC's Division of Compliance and Consumer Affairs in Washington (see Page 11 for address and toll-free phone number). Phones are staffed Monday through Friday, 9:00 a.m. to 5:00 p.m. Eastern time.

Savings Bonds

Q: Why are so few banks and savings associations selling U.S. Savings Bonds? I thought all banks offered this service for their depositors?

- Boca Raton, FL

A: Depository institutions are not required to take orders for U.S. Savings Bonds, and many decide not to do so for any number of reasons. Most banks and savings and loans, however, *do* take orders for Series EE Bonds. Series HH Bonds can be obtained at any of the 12 Federal Reserve District Banks or from the U.S. Treasury Department's Bureau of Public Debt.

Series EE Bonds are sold in denominations of $50 to $10,000, and Series HH Bonds are sold in denominations of $500 to $10,000. With Series EE Bonds, interest is accrued semiannually but you are paid the interest only when the bonds are cashed. With Series HH Bonds, you receive interest payments semiannually via direct deposit to your bank account.

For interest rate information on U.S. Savings Bonds, call 1-800-487-BONDS (2663). For more information, contact a participating institution or write to: U.S. Savings Bonds, Department of the Treasury, Washington, DC 20226.

Bounced Checks

Q: I recently had a check bounce even though I made a deposit the same day the check cleared. How is it possible for this check to bounce?

- Monmouth Junction, NJ

A: Banks credit deposits at different times during the day, so a check that clears before a deposit that same day can still cause an account to have insufficient funds. Many institutions also have a policy that any deposit taken after a certain time of day, such as 2:00 p.m., may not be added to the account until the next business day. This record-keeping procedure can mean at least a one-day delay in increasing your balance.

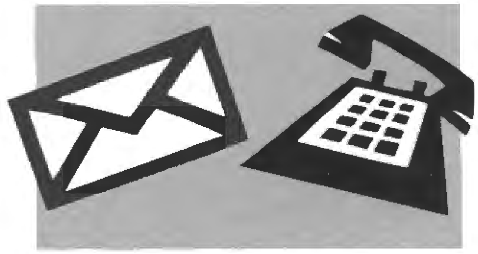
It also is important to note that a 1987 law passed by Congress limits the number of days a bank can "hold" a deposited check before it is added to an account balance. Generally, banks and savings associations can place a hold on the deposit of a "local" check for no more than two business days and an "out-of-area" check for no more than five business days while the check clears the system. So depositing a check into your account the day before other checks clear is not a guarantee that the funds will be available to cover those checks.

We suggest you contact the bank to resolve your situation, if you haven't done so already, and inquire about your bank's "check hold" policy.

Got a question about banking or deposit insurance you'd like answered in this column? Send it to *FDIC Consumer News*, Office of Corporate Communications, 550 17th Street, N.W., Washington, DC 20429. We'll answer as many as possible.

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, 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. Washington and regional offices are 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 St., SW, Washington, DC 20219
Phone 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

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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 world "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
202-898-3773

Atlanta Region (Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia):
245 Peachtree Center Avenue, NE,
Atlanta, GA 30303
404-525-0308

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

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

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

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

Memphis Region (Arkansas, Kentucky, Louisiana, Mississippi, Tennessee):
5100 Poplar Avenue, Suite 1900,
Memphis, TN 38137
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
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
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.

Coming Soon...

- ***A guide to all those loan documents you're asked to read or sign, and why they're important...***

- ***How to tell if your joint accounts are fully protected under the insurance rules...***

Read future issues of FDIC Consumer News for news and information on these and other topics of interest to consumers from the Federal Deposit Insurance Corporation.

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
Office of Corporate Communications
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Federal Deposit Insurance Corporation
Washington, DC 20429-9990

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