

Spring 2013



Consumer News

Banking in a High-Tech World

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How to help keep your credit and debit cards safe

While many consumers still like to use paper money and coins, more and more people are pulling out credit or debit cards to make purchases. And, as the popularity of payment cards has grown, so has the number of criminals trying to steal very valuable details, including the cardholder's name and the card's account number and expiration date, which are printed on the card itself as well as encoded (for machine readability) in the magnetic stripe or a computer chip.

"No matter how your card information is stored, it is in high demand by criminals who would like to retrieve that data to create a counterfeit version of your card or use the information to make purchases online or over the phone," said Michael Benardo, manager of the FDIC's Cyber Fraud and Financial Crimes Section.

If you're ever the victim or target of credit or debit card theft or fraud, catching it fast and reporting it to your card issuer are key to resolving the situation. And while federal laws and industry practices protect consumers in these situations, there are important differences depending on the type of card.

In general, under the Truth in Lending Act, your cap for liability for unauthorized charges on a credit card is \$50. But under the Electronic Fund Transfer Act, if your debit card or ATM card is lost or stolen or you notice an unauthorized purchase or other transfer using your checking or savings account, your maximum liability is limited to \$50 only if you notify your bank within two business days. If you wait more than two business days, your debit/ATM card losses under the law could go up to \$500, or perhaps much more. With either card, though, industry practices may further limit your losses, so check with your card issuer. To learn more about your consumer protections, see the Fall 2009 *FDIC Consumer News* (www.fdic.gov/consumers/consumer/news/cnfall09/debit_vs_credit.html).

What else can you do to keep thieves away from your cards...and your money?

Never give out your payment card numbers in response to an unsolicited e-mail, text message or phone call, no matter who the source supposedly is. An "urgent" e-mail or phone call appearing to be from a well-known organization is likely a scam attempting to trick you into divulging your card information. It's called "phishing," a high-tech variation of the concept of "fishing" for account information. If they get confidential details, the criminals can use the information to make counterfeit cards and run up charges on your accounts.

Take precautions at the checkout counter, ATM and gas pump.

"Be on the lookout for credit and debit card reading devices that look

suspicious, such as a plastic sleeve inside a card slot," Benardo said. "Crooks are getting very good at attaching their own devices over legitimate card readers and gathering account information from the cards that consumers swipe through those readers."

Also be alert when you hand your payment card to an employee at a restaurant or retail establishment. For example, if he or she swipes your card through two devices instead of one, that second device could be recording your account information to make a fraudulent card. Report that situation to a manager and your card issuer.

To help combat payment card fraud, many card issuers have turned to the technology known as radio frequency identification (RFID). This uses wireless radio signals to identify people or objects from a distance. It is also being used with items such as highway toll passes, subway fare cards and pay-at-the-pump cards to add convenience and speed up many

What to Know If Criminals Disrupt a Bank's Internet Services

You may have seen recent news reports about financial institutions' Web sites and online banking services being temporarily disrupted due to cyberattacks from a variety of sources. These assaults, generally referred to as denial-of-service attacks, occur when criminals deliberately inundate computers that handle Internet traffic (also called Web servers) with so many requests at the same time that they cause a financial institution's site to "crash" for anywhere from a few minutes to several days.

"The motive behind most denial-of-service attacks to date has been to damage the targeted institution's reputation by keeping customers from accessing its Web site or online banking system and causing people to believe something is seriously wrong with the bank," said Michael Benardo, manager of the FDIC's Cyber Fraud and Financial Crimes Section. "In reality, denial-of-service attacks to date have done little more than temporarily inconvenience Internet banking

customers. The financial industry has responded well to these attacks, and customer information and accounts have remained secure."

Benardo also noted that federal banking regulators review how individual institutions carry out security measures and manage denial-of-service incidents. Part of that is making sure every bank has contingency plans for how to handle a prolonged service interruption.

Also, the regulators require that banks issue notices if there has been unauthorized access to sensitive data, including Social Security numbers, account numbers, passwords and other information that could result in "substantial harm or inconvenience to any customer." Benardo added that "if you receive one of these notices, your financial institution will explain what you should do to protect yourself."

If you have questions or concerns about cyberattacks, speak with a bank representative. 🏠

routine transactions. While some news reports indicate that payment cards with RFID chips may be more vulnerable to fraud than traditional cards with magnetic stripes on the back, Benardo said that's not the case.

"Today an RFID card is nearly impossible to breach because the chip in it creates an encrypted signal that is extremely difficult to hack or compromise," he said. "If you have questions or concerns about a payment card that is RFID-enabled, ask your bank about the precautions it takes to safeguard your card information."

Closely monitor your bank statements and credit card bills.

"Look at your account statements as soon as they arrive in your mailbox or electronic inbox and report a discrepancy or anything suspicious, such as an unauthorized withdrawal," advised FDIC attorney Richard M. Schwartz. "While federal and state laws limit your losses if you're a victim of fraud or theft, your protections may be stronger the quicker you report the problem." These days, it's also easy to monitor your accounts using online banking or even your mobile phone (see the next article).

Also, don't assume that a small unauthorized transaction isn't worth reporting to your bank. Some thieves are making low-dollar withdrawals or charges in hopes those will go unnoticed by the account holders. In one recent example, a federal court temporarily halted an operation that allegedly debited hundreds of thousands of consumers' bank accounts and billed their credit cards for more than \$25 million—in small charges—without their consent.

And, contact your institution if your bank statement or credit card bill doesn't arrive when you normally expect it because that could be a sign that an identity thief has stolen your mail and/or account information to commit fraud in your name.

Periodically review your credit reports for warning signs of fraudulent activity. Credit reports, which are prepared by companies called credit bureaus (or consumer

reporting agencies), summarize a consumer's history of paying debts and other bills. But if a credit report shows a credit card, loan or lease you never signed up for, this could indicate you are a victim of ID theft.

You are entitled to at least one free credit report every 12 months from each of the nation's three major credit bureaus. To maximize your protection against fraud, some experts suggest spreading out your requests throughout the year, such as by getting one free report every four months

instead of all three at the same time. To request your free report, go to www.AnnualCreditReport.com or call toll-free 1-877-322-8228.

For additional information on how to protect your credit or debit card from fraud, start with consumer information about identity theft on the Federal Trade Commission Web site at www.consumer.ftc.gov/features/feature-0014-identity-theft. Resources from other federal agencies can also be found at www.mymoney.gov. 

Using Technology to Remain Financially Fit

If you're interested in trying new bank technology but you're not sure what's available, *FDIC Consumer News* offers this overview of some current services, many of them free.

Personal financial management and budgeting: Financial planning tools, often referred to as personal financial management software, can include electronic check registers on your home computer (which many consumers will find much easier to use and balance than an old-fashioned paper check register) and "companion applications" for your smartphone that allow you to access your electronic check register wherever you are.

Mobile banking services go one step further by allowing you to access your account from anywhere using a smartphone, "tablet" computer or other device. An estimated 30 million Americans currently manage their finances using mobile devices.

"Mobile banking services can be very helpful if you are in a store contemplating a major purchase and need to know whether you have enough money in your account to cover the cost," said Jeff Kopchik, a Senior Policy Analyst with the FDIC's Technology Supervision Branch. "If your balance is low, you can use your mobile device to transfer funds from your savings account into your checking account to cover the purchase." But remember that the available balance shown in online



banking may be less than you have to spend if any checks or other transactions have not yet been posted to your account.

Your bank also may offer free online budgeting tools that can help you track your spending by category, monitor investments and meet your savings goals. Some of them offer retirement planning advice and calculators to help you figure out such things as whether you should refinance your mortgage or how much you need to be saving for retirement every month.

While not directly related to banking and not a new service, many consumers may wish to consider using tax-preparation software that can make preparing federal and state income tax returns easy and much less expensive than using a paid preparer.

Depositing checks using your smartphone or other mobile device: Many banks have rolled out a "remote deposit capture" (RDC) feature that allows customers to take a picture

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of a check with their mobile phone and deposit that check electronically, without visiting a branch or using an ATM. This service is becoming popular, especially among customers who don't live or work close to a bank branch. "Mobile RDC can provide convenience to a variety of consumers, from young people to senior citizens," noted Elizabeth Khalil, a Senior Policy Analyst in the FDIC's Division of Depositor and Consumer Protection.

If you use mobile RDC, carefully keep track of the checks you deposit. For instance, you can write the date you deposited the item on the front of the paper check and hold onto it until the check has cleared and the money is in your account. Then you can destroy the check, preferably using a high-quality paper shredder. Contact your bank with any questions.

Account alerts: Most mobile banking systems will allow you to sign up to get text messages on your mobile phone or e-mails if your account balance drops below a set dollar amount, which can help ensure that you don't overdraw your account. You may be able to receive text alerts if your bank observes "suspicious" — potentially fraudulent — transactions involving your account. Another possibility may be to get a notice of a certificate of deposit about to mature. "Mobile account alerts are probably the easiest and most effective way to monitor what is going on with your checking account in real time," suggested Kopchik.

Mobile bill paying: Most mobile banking services allow consumers to pay companies that already have been added to their "approved list" on their bank's online banking Web site. However, if you want to make bill payment even easier, some banks allow customers to use their mobile phone to take a picture of a paper bill from any merchant (provided the bill shows the company's name and certain other information) and then click the "pay" button. "This new service eliminates the need for you to enter merchant payment information into your bank's bill-payment service. Your bank will

take care of that automatically," said Khalil.

As with any mobile banking service, always check with your bank before signing up to make sure you know about any fees or other key terms.

"Loyalty" discount programs with retailers: These are new and not in widespread use, but here's one example. You may be able to give your bank permission to analyze your debit and credit card transaction records and automatically arrange for some of your favorite retailers to send electronic coupons or other special offers to your home computer or mobile banking device. Some mobile payment programs that utilize a "mobile wallet" (an application that can be loaded onto your mobile phone) will enable specific merchants to send discount

offers directly to your phone as you are walking by their store. Keep in mind that if you sign up for these programs you will have to share information about your buying habits with merchants or other third parties.

Finally, when using any mobile financial service, keep privacy and security issues in mind. "For one thing, mobile phones are much easier to lose or misplace than a desktop computer, so make sure that you keep track of your mobile phone and password-protect it," Kopchik advised.

For more tips on staying safe when using mobile banking, see the Winter 2012/2013 *FDIC Consumer News* (www.fdic.gov/consumers/consumer/news/cnwin1213/mobilebanking.html). ☛

Contacted By a Debt Collector? Proceed with Caution

Consumers who fall behind on credit card payments or other bills sometimes hear from a debt collector. But people who don't even owe any money may find themselves contacted by a debt collector...or someone who falsely claims to be one. Here are key points to know.

If a third-party collector (not your original lender) contacts you about a debt you owe, federal law requires you to be treated fairly and without harassment. For instance, the Fair Debt Collection Practices Act says that debt collectors can't call you before 8 a.m. or after 9 p.m., unless you agree. And, if you tell the debt collector in writing to stop contacting you, the collector may only make limited contact after that.

If you are contacted about a debt owed by a deceased relative, be careful. "Collectors may tell the family that they are responsible for the debt of the deceased, even when they have no such legal obligation," explained Evelyn Manley, an FDIC Senior Consumer Affairs Specialist. "During this difficult time, the concern is that family members may pay money they do not owe, in response to inappropriate pressure."

Be aware that con artists sometimes pose as debt collectors. They may

even claim to be from the government, including law enforcement, when attempting to collect on a non-existent debt. Warning signs include a caller who is unwilling to provide written proof of a debt (the amount of the debt and the name of the creditor you owe), who won't provide a mailing address, or who threatens jail or violence.

To learn more about debt collectors and your consumer rights (for example, the law also prohibits a collector from discussing your debt with your employer) or to report a problem (including someone pretending to be a collector), contact your state Attorney General's office (start at www.naag.org/current-attorneys-general.php) or the Federal Trade Commission (www.consumer.ftc.gov/topics/dealing-debt or 1-877-FTC-HELP). For advice on getting out of debt, including tips on choosing a reputable credit counselor, visit that same FTC Web site.

The federal Consumer Financial Protection Bureau also has educational resources on dealing with debt collectors, and in the future it will accept complaints against certain ones (go to www.consumerfinance.gov or call 1-855-411-2372). ☛

Need Cash Fast? Ask Your Bank

If you need a small loan fast, where can you turn? “Start with your bank,” says Jonathan Miller, Deputy Director in the FDIC’s Division of Depositor and Consumer Protection (DCP). “Too many people go to companies such as car title lenders, payday loan stores and pawnshops, because they don’t know that the vast majority of banks offer small-dollar loans at better rates and terms than what nonbanks provide.” That’s among the key messages from two new studies by the FDIC, both based on surveys conducted in 2011.

One survey revealed that about one in five households that use car-title lenders and other alternative providers for credit did so because they mistakenly thought banks only made large loans, like mortgage loans or auto loans, and not small loans. “The survey

showed that many consumers also think they won’t qualify for loans made by banks, and that may not always be true,” added Susan Burhouse, an FDIC Senior Consumer Researcher.

The other found that about eight out of 10 banks do, in fact, offer small, unsecured personal loans. Those institutions offered loans under \$2,500 with repayment terms of 90 days or longer, annual percentage rates (APRs) at or below 36 percent, and loan approvals in less than 24 hours.

“Results from both surveys suggest that consumers who want a small loan should find out if their bank or another financial institution nearby can offer that product and on better terms than those of nonbank loans,” said Sherrie Rhine, a Senior Economist with the FDIC.

In addition, in 2008 the FDIC began a two-year pilot project to review affordable and responsible small-dollar

loan programs in financial institutions. The FDIC pilot demonstrated that banks can feasibly offer reasonably priced loans as an alternative to high-cost credit products, such as payday loans or overdrafts.

“Most banks offer an option to borrow small amounts of money on reasonable terms,” said DCP Director Mark Pearce. “Consumers should explore options at their bank before going to alternative lenders that may offer small loans that are easy to get into but can be costly and hard to escape from because the loans need to be repaid in full in a short time — typically a couple of weeks — or be rolled over into a new loan with additional fees.”

For more tips, see the Summer 2007 *FDIC Consumer News* (www.fdic.gov/consumers/consumer/news/cnsum07/sources.html). 📖

How to Improve Your Credit History and Pay Less for Loans

A credit report provides a record of your history of paying loans and bills, including any late payments. These reports are important because they can affect your ability to qualify for a low-cost loan or insurance policy, rent an apartment or find a job. However, a recent Federal Trade Commission (FTC) study found that a number of consumers had errors on their credit reports that could lead to them paying more for loans. What can you do to improve your credit reports?

Pay your bills on time. “If you’re late 30 days or more, the lender may report your account as delinquent to a credit reporting agency, and that will damage your credit history,” said Kirk Daniels, Acting Section Chief in the FDIC’s Consumer Protection Branch. “But your credit history will improve over time if you can avoid another late payment on your record.”

Reduce the amount that you owe on credit cards and other lines of credit. That will help improve your credit score, a numerical summary of your credit record as prepared by one of many companies. If you close an account you have paid in

full and haven’t used in a while, your debt-to-credit ratio (the amount you owe on credit cards compared to your credit limit) will increase. That could be interpreted as a sign that you have taken on more debt that you can handle. One option is to avoid closing unused accounts until you have paid down any large balances on another credit card.

Review your credit reports regularly for errors or signs of identity theft. You are entitled to receive at least one free credit report every 12 months from each of the nation’s three main credit bureaus (Equifax, Experian and TransUnion). Start at www.annualcreditreport.com or call 1-877-322-8228. If you find errors, contact the credit bureau directly. Also be cautious of other Web sites and services advertising “free” credit reports because these may be attempts to sell you something else or even scams to collect personal information.

“If possible, request your credit report well before you apply for a loan to give you time to correct any inaccurate information,” said Evelyn Manley, an FDIC Senior Consumer Affairs Specialist.

There also are “specialty” credit bureaus that, for example, track a person’s history of handling a checking account. For information on your right to see and correct these companies’ reports, visit the federal Consumer Financial Protection Bureau (CFPB) Web site at www.consumerfinance.gov/blog/you-have-a-right-to-see-specialty-consumer-reports-too.

If you have a complaint that you can’t resolve with either the credit bureau or the company that provided the information to the credit bureau, report it to the CFPB (go to <https://help.consumerfinance.gov/app/creditreporting/ask> or call 1-855-411-2372). And if identity theft is suspected — perhaps your credit report says there have been loans taken out in your name and you don’t recognize them — follow the steps recommended by the FTC at www.consumer.ftc.gov/features/feature-0014-identity-theft.

For more tips, visit the FTC’s “Credit and Loans” page at www.consumer.ftc.gov/topics/credit-and-loans, plus the Fall 2011 issue of *FDIC Consumer News* (www.fdic.gov/consumers/consumer/news/cnfall11/credit.html). 📖

Branch Closings and Bank Mergers

If the Branch You Use Is Closing...

The closing of a bank branch can be significant for consumers who have difficulties traveling to the nearest branch or ATM or can't (or won't) bank online. If that describes you, what should you do?

Read the bank's notices about the branch closing. At least 90 days before the proposed closing date, the institution must mail a notice to customers of the branch. And, at least 30 days before the closing, the institution must post a visible notice at the branch. (Note: If a bank is relocating a branch elsewhere in the same neighborhood, the rules differ somewhat but much of the time the bank must post a notice in the branch for at least 15 days.)

These materials will help you understand the bank's plan for your accounts. For example, if the notice directs you to a nearby branch, think about whether its location and hours are convenient for you. If you have a safe deposit box at the branch, understand whether you need to remove the contents before the closing date or whether they will be transferred to another location.

Ask a customer service representative about other ways to access your account at the same bank. If the new location will be a problem for you, consider using online banking. Avoid trips to the bank by using direct deposit for your salary and other payments.

Also explore whether the bank allows you to deposit a check remotely over a smartphone (see Page 3). If the bank doesn't have an ATM convenient to where you live or work, find out if it will waive fees for using other ATMs.

If you still have concerns, research whether another institution may better meet your needs. For guidance, see the Summer 2012 *FDIC Consumer News* (www.fdic.gov/consumers/consumer/news/cnsum12/changebanks.html). 📖

If Your Bank Is Merging...

Here are things to keep in mind if the bank you do business with is merging:

You have a six-month grace period to restructure accounts if necessary. Under FDIC rules, for at least six months after the merger your "transferred" deposits will be separately insured from any accounts you may already have had at the assuming bank. "This grace period gives a depositor the opportunity to restructure his or her accounts, if necessary," explained Martin Becker, Chief of the FDIC's Deposit Insurance Section. "This is useful when a depositor holds funds at each of the two banks prior to the merger, each in the same ownership category, and now the combination of funds after the merger exceeds \$250,000."

The basic FDIC insurance amount is \$250,000 for each depositor at each bank. So if you have money in two banks that merge into one, as long as your combined total (including accrued interest) is \$250,000 or less, all your money is fully protected.

But even if the merger results in you having more than \$250,000 in the combined banks, you may still be fully insured. First, remember that deposits you hold at a bank in different "ownership categories" — such as joint, single and retirement accounts — are separately insured to at least \$250,000. That means, for example, that after the merger you could have up to \$250,000 in single accounts and up to \$250,000 in your share of joint accounts and still be fully insured.

If you have questions about your deposit insurance, call the FDIC at 1-877-ASK-FDIC and ask to speak to a deposit insurance specialist.

The loans you have at your old bank generally will not be affected. That's because a loan is a binding contract between you and the lender. So, you are still obligated to make payments according to the loan agreement. Also, a fixed rate on a mortgage or car loan will remain the same.



There may be changes for existing deposit accounts and credit cards. Financial institutions can generally change the interest rate or certain other terms of deposit accounts and credit cards if they provide advance notice to customers and the account contract permits the change.

"Customers should always promptly review all correspondence from their institution, but this is particularly important when you become a customer of a different bank after a merger or a bank failure," said Luke W. Reynolds, Chief of the FDIC's Outreach and Program Development Section. "You wouldn't want to miss a notice from the new institution that it was reducing the interest rate on a CD or it has a different address for you to send loan payments."

If you are doing business with a new bank that acquired your accounts from a bank that failed (i.e., not because of the merger of two open institutions), different rules apply for deposit accounts. Although the acquiring bank has taken the failed bank's deposit accounts, the original contract with the failed bank no longer exists. So, the new bank will create a new deposit contract, perhaps with a lower interest rate. Rates on certificates of deposit (CDs) may also be changed. In this case, the failed bank's customers can withdraw their money without an early withdrawal penalty.

Think about whether you and the new bank are a good fit. As Reynolds noted, "A merger can be a good opportunity to look at the fees and interest rates for your accounts and compare them to what is offered by a few competitors, so you can ensure you are getting a good deal." 📖

When a Broker Offers a Bank CD: It Pays to Do Some Research

A certificate of deposit account (CD) at an FDIC-insured bank is one of the safest, most reliable investments available because it provides a predetermined fixed- or variable-rate interest computation for a set time period (usually three months to five years) and deposit insurance protection of up to at least \$250,000 per depositor. Recently, you may have seen or received advertisements from deposit brokers offering FDIC-insured CDs. While using deposit brokers has grown in popularity because brokers often can negotiate higher interest rates, the CDs they sell may involve more risks than working directly with an insured bank.

FDIC Consumer News has previously cautioned readers to be careful when buying CDs from third parties, but given the increased consumer interest and ongoing reports of complaints, we offer our latest tips and information.

Use a reputable deposit broker. The FDIC does not have the authority to examine, approve or insure deposit brokers, who can be anyone from an individual transacting business alone from a home office to a major financial services firm. "Protect your money by using a broker you believe will recommend legitimate investments appropriate for your portfolio and will be available to answer questions and resolve problems," cautioned Jan Templeman, an FDIC Consumer Affairs Specialist. "Your best bet may be a financial professional you already know and trust, such as a stockbroker or financial planner with whom you've had a reliable, long-term working relationship."

If you're thinking about an offer from an unfamiliar deposit broker, research that person's credentials and experience. If the person claims to hold any professional licenses or certifications, verify his or her background and standing with the issuing agency, such as FINRA (the Financial Industry Regulatory Authority at www.finra.org or 1-301-590-6500). In addition, your local Better Business Bureau (www.bbb.org) or your state's consumer

protection office (www.consumeraction.gov/state.shtml) may be able to provide information about whether an individual broker or a company has a history of actual or alleged misconduct.

"We've heard multiple examples of individuals wiring funds to someone claiming to be a reputable broker, only to later find that the broker disappeared with all of the money," said Calvin W. Troup, an FDIC Senior Deposit Insurance Specialist. "Whenever you use a third party to establish a bank deposit account, you place your funds at risk if that person does not put your money in an FDIC-insured bank."

Be skeptical if the interest rate on a brokered CD is significantly higher than other advertised rates.

Some unscrupulous brokers advertise above-market rates on CDs solely as a ploy to get a consumer in the door. They then try to sell investment products that are not FDIC-insured and not in the consumer's best interest.

In one recent case, a high-rate brokered CD was issued by a foreign bank and therefore not protected by FDIC deposit insurance. However, the marketing materials for the CD included multiple misleading references to an FDIC-insured bank, and that led consumers to mistakenly believe that the investment was subject to FDIC insurance. In reality, the role of the FDIC-insured bank was limited solely to wiring collected deposits overseas to the issuing bank.

Another example previously reported in *FDIC Consumer News* involved a deposit broker who offered an exceptionally high interest rate on a short-term CD by adding the broker's own money to the interest rate paid by the issuing bank. Once that short-term CD matured, no similar high-rate CD offer was made, and instead the broker aggressively pitched a non-insured investment product that may have been a poor choice for the consumer but lucrative for the broker. Moreover, if the bank that issued the CD had failed during the term of the CD,

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deposit insurance would only cover the principal plus accrued interest at the bank's stated interest rate, not the broker's advertised rate.

"It is worthwhile to familiarize yourself with the current interest rates for both traditional and brokered CDs from FDIC-insured banks," advised Templeman. "If a broker is offering you a CD rate significantly higher than the general market rates, that broker is probably trying to lure you in to sell you another financial product that may not be FDIC-insured."

Make sure all of your deposit will be fully insured. To protect your brokered CD from loss if the bank fails, follow these steps to confirm that your money is placed in a properly titled deposit account at an FDIC-insured bank and that all of it is within the deposit insurance limits. First, get the name of the bank where your money is to be deposited and verify that it is FDIC-insured by calling the FDIC toll-free at 1-877-275-3342 or searching BankFind, the FDIC's database of insured institutions at <http://research.fdic.gov/bankfind>.

Second, ask your broker to confirm that the deposit account records for its brokered CDs reflect the broker's

role as an agent for its clients (for instance, by titling the account "XYZ Brokerage, as Custodian for Clients"). That way, each client who owns the CD can qualify for up to at least \$250,000 in deposit insurance. This coverage is generally referred to as "pass-through" insurance because it bypasses the broker and is calculated based on the ownership interests of the individual depositors.

Also with pass-through insurance, a consumer's brokered deposits are added to any traditional deposits he or she has at the same bank for purposes of calculating coverage. So, if your combined brokered and traditional deposits at a single bank exceed \$250,000, you should call the FDIC to discuss your coverage.

Learn whether your only option to withdraw early from a brokered CD is to sell it. Traditional CDs obtained directly from a bank often allow the depositor to pay a penalty to withdraw the money before the CD matures. However, brokered CDs, which typically have much longer maturities (up to 10 or 20 years), rarely have that kind of early withdrawal feature. For them, your only option for early withdrawal may be to have the broker sell your ownership interest to another

investor at the prevailing market value. If CD interest rates have increased since you acquired your brokered CD, the value of your deposit may have declined, and you could have a loss of principal that would not be insured by the FDIC. But if interest rates have fallen since you purchased your CD, the value may have risen, and you may be able to sell the CD at a gain.

If you buy a CD directly from a bank and it fails, you will receive an insurance payment faster than you would if you purchased it through a broker. With brokered CDs, the FDIC must first obtain from the broker the name and deposit amount for each CD investor. Then the FDIC will send the deposit insurance check to the broker, who in turn is responsible for distributing the payment to the consumer, and that can result in further delays. Note that the FDIC does not supervise or become involved in the arrangements between brokers and consumers.

If you have a problem with a CD sold by an investment firm, you have a couple of options. To submit a complaint against a salesperson, contact FINRA. If your complaint is about a CD or another financial product sold by an investment firm, consult the U.S. Securities and Exchange Commission (www.sec.gov or 1-800-SEC-0330). 🏠



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