Summary 2013

FDIC Consumer News

Financial Tips for Seniors

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- Things to consider before borrowing from your home
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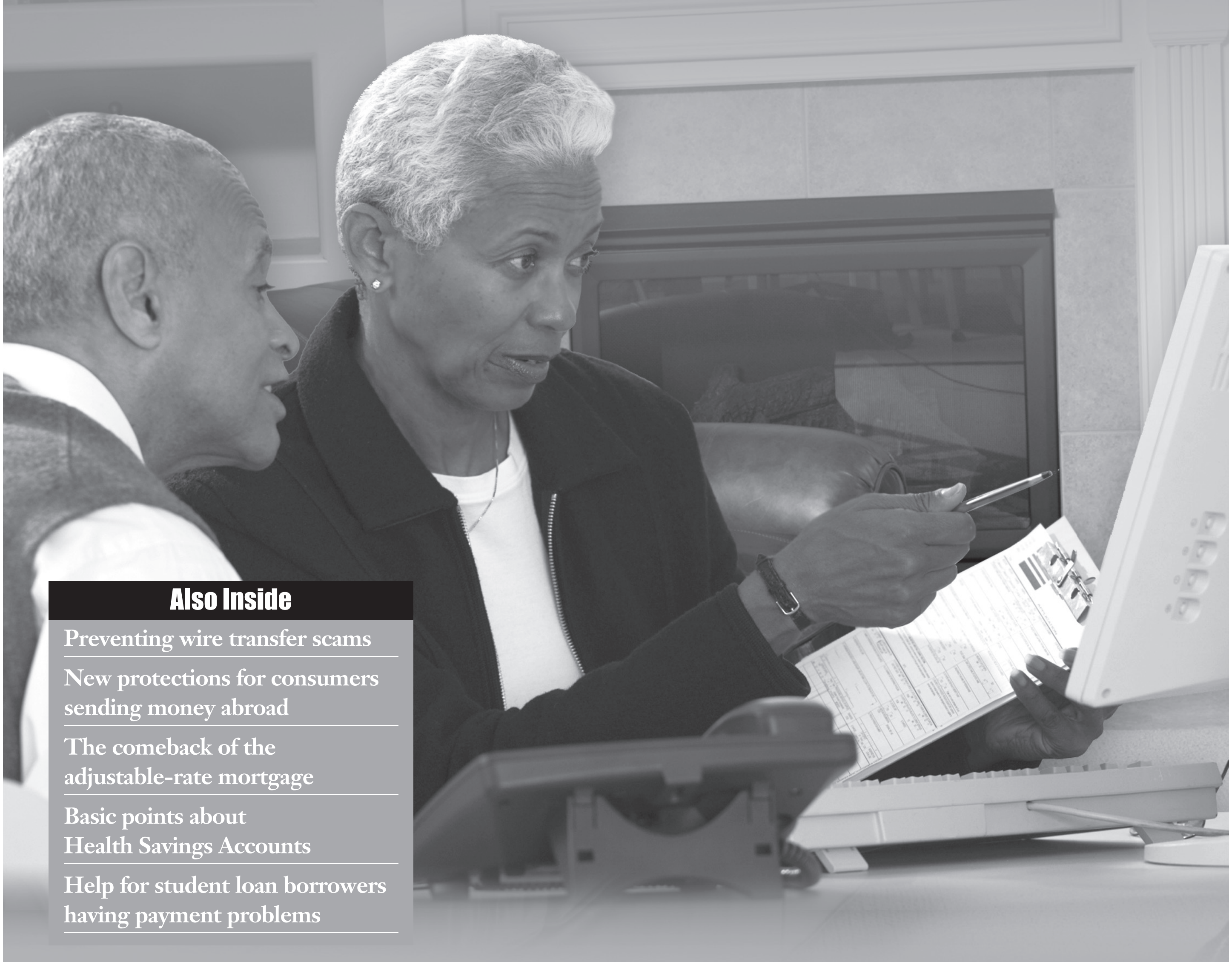

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FEDERAL DEPOSIT INSURANCE CORPORATION

For Seniors: 15 Quick Tips for Protecting Your Finances

As many consumers get older, they often face issues such as how to maintain their lifestyle and pay for medical expenses on a fixed income for years into the future. Here are banking and other money-management tips for seniors to consider for their retirement years.

Getting Help

1. Decide if you need financial help from an expert, and then choose wisely. A financial advisor could help answer questions such as how quickly to take money from savings and how to invest in your later years.

But FDIC Community Affairs Specialist Ron Jauregui cautioned that "before you follow the advice of a supposed 'expert' who claims to have special credentials for advising seniors, research what that title may or may not mean and the advisor's background." According to a report by the Consumer Financial Protection Bureau (CFPB), the training, standards and regulatory oversight for more than 50 senior designations used by financial advisors can vary significantly.

To learn more about professional designations and for tips on choosing an investment advisor, the Financial Industry Regulatory Authority has a Web site at www.finra.org/Investors/ToolsCalculators/ProfessionalDesignations/DesignationsLookup.

2. Prepare for the possibility that you may become unable to handle your finances. Consider writing down a list of your financial institutions and account numbers and keeping it in a safe place that would be accessible by your loved ones in an emergency. An attorney can help you decide if you should have a legal document known as a power of attorney (POA), which would allow one or more people you designate to make key decisions with as much or as little of your financial or personal life as you choose.

Note that a "durable" POA takes effect when you sign it and remains effective if you become incapacitated, while a "springing" POA generally becomes effective only if and when you have been declared incapacitated. (The laws governing POAs vary from state to state, so consider consulting with an attorney who is knowledgeable about such matters.)

You can also add a co-owner to a deposit account, but that person has the ability to conduct transactions, including withdrawing money from a checking or savings account, without your prior approval. Your banker or attorney may be able to help you identify other possible alternatives, but you still must think carefully about who you give access to your money. Also, if your co-owner owes a debt and cannot pay it, the funds in your account may be taken to pay the debt.

Spending Money

3. Develop a spending plan for your retirement. Having a plan for your money and limiting expenses in retirement is important. Consider new ways to cut costs, such as by letting your auto insurer know you no longer drive your car to work. "Consider continuing to put some of your income into savings, especially for short-term goals such as holiday gifts, because that can help you avoid a large, sudden withdrawal from your retirement investments," added Luke W. Reynolds, Chief of the FDIC's Outreach and Program Development Section.

4. Consider limiting the mail and phone calls you receive from marketers. Unsolicited offers from unfamiliar companies can result in you overspending your budget or paying for shoddy merchandise or service from vendors who don't stand behind their products. Consider being added to the national Do Not Call Registry (call 1-888-382-1222 or visit www.donotcall.gov). Also review the privacy disclosures that banks and other financial companies you do business with send at least once a year. They explain if and how you can limit certain sharing of your information.

For more guidance on stopping unwanted mail and phone calls, see information from the Federal Trade Commission at www.consumer.ftc.gov/articles/0262-stopping-unsolicited-mail-phone-calls-and-email.

"To protect yourself in general, be wary if someone approaches you unexpectedly to say he or she specializes in helping seniors with home improvements, health cures or financial products. Don't let anyone make you think you need a good or service that you didn't need before," Reynolds said. "In fact, a recent study suggests that many consumers pay hundreds of dollars each year in fees that get automatically charged to their credit card or bank account, often on a monthly basis, for a subscription or other service they probably never really wanted. So closely review your credit card and bank statements to find any charges that you may be able to cancel because they are for products or services you can do without."

Borrowing Money

5. Review your credit reports even if you don't plan to apply for a new loan. Why? Mistakes or other errors on your credit reports could make it more costly for you to buy insurance or borrow money (for example, if your credit card company raises your interest rate on future purchases because of a problem tied to a credit report). And, monitoring your credit reports is a way to detect identity theft. Order your free credit report at least once every 12 months from each of the three main credit bureaus at www.annualcreditreport.com or by calling 1-877-322-8228.

6. Think twice before accepting an offer to "advance" (lend) you a portion of your future pension, Social Security or other retirement income. These offers are similar to payday loans and they likely involve costly fees and interest. You can also find yourself taking out similar loans in the future — paying additional fees and interest charges — to make up for new cash shortages as you repay the original loan. "If you need to borrow money fast, check with your bank and other financial institutions, and compare the products they offer based on the Annual Percentage Rate," advised Reynolds.

7. Use credit cards cautiously. Accumulating debt can be costly, yet many seniors have considerable credit card debt. Before making purchases using your credit card, consider whether you will be able to pay your balance in full when the statement arrives, so you will avoid costly interest charges. Even small purchases can add up to big credit card bills.

8. Remember that a reverse mortgage will eventually have to be paid back — with interest. Reverse mortgages allow homeowners age 62 or older to borrow against the equity in their homes without having to make monthly payments as long as they meet the terms of their loan agreement, such as staying current on property taxes. However, the money borrowed plus interest must eventually be repaid, usually when you or your heirs sell the house.

"If you do get a reverse mortgage and you live in the home with your spouse, some experts suggest that both of you sign the reverse mortgage agreement to ensure that the surviving spouse can continue to live in the home if one dies before the other," Reynolds added.

For more about reverse mortgages, see Page 5 as well as the Spring 2010 ***FDIC Consumer News*** (www.fdic.gov/consumers/consumer/news/cnspr10/advice_for_seniors.html).

Earning Money

9. Think about ways to turn a hobby or another interest into a part-time job. Other possibilities for supplementing your income in retirement include a seasonal job or freelance consulting. But consider if this extra money could affect other aspects of your finances tied to your income, such as a potential increase in your Medicare costs or a possible temporary reduction in your Social Security benefits. Also consider any income tax implications.

Saving and Investing

10. If you're considering an annuity, understand the potential pros, cons and costs. You've probably seen or heard promotions for annuities, which are financial products tied to a contract between a consumer and an insurance company. Insurers sell annuities but so do other financial institutions, including banks. You buy an annuity by making either a single payment or a series of payments to the insurance company. In return, the company promises to make payments to you, either as one lump-sum payment or a series of payments for a specified time period.

Because there are different types of annuities and a mix of potential benefits and risks, it's important to learn as much as you can before investing. A good place to start is on the U.S. Securities and Exchange Commission's Web site at www.sec.gov/investor/pubs/varannty.htm or by calling the SEC toll-free at 1-800-732-0330.

"Remember, even if purchased through an insured bank, annuities do not qualify for FDIC deposit insurance or any other comparable protections under federal law," advised Jan Templeman, an FDIC Consumer Affairs Specialist. "So unlike FDIC-insured CDs and other deposits, your right to receive payments on an annuity is likely to depend almost entirely on the stability and strength of the insurance company offering the product."

11. Know if you've agreed to let your bank cover certain overdrafts. You have a choice whether or not your bank will charge you a fee, perhaps $30 or more, to cover everyday purchases you make with a debit card when you don't have enough money in your bank account to cover the cost of the purchases. And, you can change your mind on this decision at any time. A recent study by the CFPB found that consumers who have "opted in" (agreed) to be covered by an overdraft program are more likely than consumers who don't opt in to pay costly fees and face the possibility of having their bank account closed.

"Not being opted in to an overdraft program would mean that debit card purchases would be declined if you didn't have enough money in your account, but on the other hand, you would avoid paying a sizable fee for making that purchase," said Reynolds. He also noted that your ability, under the law, to decide whether to opt in to an overdraft program only involves everyday debit card payments, such as at a store, and does not apply to checks you write or recurring bills charged to your account.

Another way to avoid overdrafts is to keep tabs on your account balance before using your debit card or writing a check. In addition, you can also ask your bank to link your checking account to savings to cover any overdrafts, perhaps for a small fee.

12. Look into discounts and other deals. "For consumers over a certain age, some financial institutions may offer breaks on the cost of bank products and services," said Mary Bass, a Senior Community Affairs Specialist with the FDIC.

But even if your bank offers a special deal for seniors, you may be able to do better elsewhere or with another type of account at that bank. "Comparison shopping is key," Bass added. "Banks and other businesses may negotiate with respect to fees or other account terms, so ask questions and show them what is being offered by competitors. You might be able to get a better deal than what is advertised."

Getting Organized

13. Make it easier to manage your money and pay the bills. If you've accumulated multiple bank and investment accounts and credit cards over the years, consider whether you

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How Older Adults Can Steer Clear of Scam Artists

Anyone can be a victim of financial fraud, but older adults are particularly at risk. Among the reasons: Scam artists and thieves know that many senior citizens have accumulated money and other assets throughout the years. Those who commit elder fraud range from loved ones — family members, friends or caregivers — to complete strangers. Here are practical tips on how to protect yourself or someone else:

Remember the red flags of a fraud. Some of the classic warning signs include:

• An unsolicited phone call, e-mail or other request that you pay a large amount of money before receiving the goods or services;

• An unexpected e-mail or call requesting your bank account number, perhaps one asking you for the information printed at the bottom of one of your checks;

• An offer that seems too good to be true, like an investment "guaranteeing" a return that's way above the competition;

• Someone expressing a new or unusual interest in your finances;

• Pressure to send funds quickly by wire transfer (see Page 8); or

• The other party insists on secrecy.

Research a new financial advisor before investing money or paying for services. Though the vast majority of brokers, financial planners and other professionals are honest and reputable, some commit fraud. Before committing to working with a financial advisor, confirm that he or she is properly registered or licensed and has a clean record. For additional guidance on choosing an advisor, see Page 2.

Be careful who you give the legal authority to access or manage your money. One way older adults prepare for the possible future need to have someone else make financial decisions and transact business for them is by having a legal document called a power of attorney (POA). An attorney can help you decide the right type of POA for your needs. "Only give POA authority to someone you trust and who understands your wishes and preferences," suggested Luke W. Reynolds, Chief of the FDIC's Outreach and Program Development Section. "Also consider adding oversight, such as by requiring two people you trust to agree on decisions within a reasonable time frame or having a third party review transactions that have been made."

If you decide to use a POA, contact your bank and other financial institutions to confirm they will accept the document you plan to use. They may have their own form and require that customers use that. For more information about POAs, see Page 2.

Protect your personal information. Never provide Social Security numbers, bank account information, PINs, passwords and other sensitive information in response to an unsolicited call, fax, letter, e-mail or text message, no matter how genuine the situation may appear.

Sign up for direct deposit. "Direct deposit into your bank account is the fastest and safest way to receive money or other payments, such as your pension or an income tax refund," Reynolds said. For more about direct deposit, see Page 7.

Noting a recent scam that has resulted in thefts of benefit payments, Reynolds added, "Check to make sure the full deposit you are entitled to arrives in your bank account when you expect it. An unexpected letter from the Social Security Administration or another agency indicating your direct deposit information has been changed is a sign of fraud, and you should independently look up that organization's contact information and notify it immediately."

Closely monitor credit card bills and bank statements. Look at your statements as soon as they arrive and report unauthorized purchases, withdrawals or anything suspicious, regardless of how small or large the dollar amount.

Immediately report a fraud or theft to someone you trust as well as the proper authorities. Many older people make the mistake of not telling loved ones or not contacting the police or other law enforcement agencies when they've been victimized. Perhaps some are embarrassed to admit that they were "misled" and lost money. Others have fears of losing their independence. "As difficult as this may be, reporting the incident is the only opportunity you have to recover some or all of your loss," suggested Irma Matias, an FDIC Community Affairs Specialist. "By telling your story you also could prevent the perpetrators from taking advantage of others."

Learn more about common frauds and how to respond to them. For example, read in this issue about telephone scams targeting seniors (see Page 6). You also can search in back issues of ***FDIC Consumer News*** at www.fdic.gov/consumernews for numerous articles on avoiding different kinds of fraud. Among them is an article on elder fraud in our Winter 2011/2012 issue (www.fdic.gov/consumers/consumer/news/cnwin1112/elderfraud.html).

Look at your statements as soon as they arrive and report unauthorized purchases, withdrawals or anything suspicious, regardless of how small or large the dollar amount.

In June of 2013, the FDIC and the Consumer Financial Protection Bureau (CFPB) jointly launched "Money Smart for Older Adults," a financial education tool on how to prevent and respond to elder financial exploitation. To read or print tips from a consumer-oriented guide in this new resource, please visit the CFPB Web site at http://files.consumerfinance.gov/f/201306_cfpb_msoa-participant-guide.pdf.

You also can find tips for seniors from the FBI at www.fbi.gov/scams-safety/fraud/seniors and general information from the Federal Trade Commission on many scams, including phone fraud, at www.consumer.ftc.gov/scam-alerts.

Borrowing From Your Home in Retirement? Carefully Research the Benefits and Risks

For most homeowners, particularly retired Americans who have paid off or nearly paid off their mortgage, their house is a major part of their financial picture. Unfortunately, for retired homeowners who may have limited sources of income, the equity in their house may seem to be one of their only potential sources of additional money for everyday living expenses and healthcare. (The equity refers to the difference between what you owe on a house and its current market value.)

While borrowing against their equity can help older homeowners, there also are potential pitfalls. "In particular, failure to repay a home loan according to its terms can lead to the loss of the home," cautioned Glenn Gimble, an FDIC Senior Policy Analyst.

Here are things to consider before borrowing from your home in retirement.

Before agreeing to a reverse mortgage, research the potential benefits as well as the risks and costs. A reverse mortgage is a way for seniors age 62 or older to borrow against a portion of the value of their home. Instead of making payments to a lender, the borrower receives payments (or perhaps one lump-sum payment). That explains the "reverse" aspect of this type of mortgage loan.

While the amounts borrowed will eventually have to be repaid, with interest, repayment will not come out of the homeowners' pocket as long as they live in the house and keep up with other obligations (such as paying property taxes and insurance and maintaining the home). Instead, the loan, with interest, typically will be repaid when the borrower or his or her heirs sell the house.

The most popular reverse mortgage program is the Home Equity Conversion Mortgage (HECM) program, which is offered by the U.S. Department of Housing and Urban Development (HUD). The HECM program allows a homeowner to draw upon the equity in a home through either a fixed monthly payment to the homeowner, a line of credit, or a combination of the two options. To be eligible for an HECM, homeowners must be at least 62 and own or nearly own a home that is their primary residence. There also are other requirements.

One criticism of the standard HECM is the upfront cost related to insurance on the loan. In response, in 2010 HUD introduced a second type of reverse mortgage, called an "HECM Saver," which features considerably lower upfront costs for people borrowing a smaller loan amount than the standard HECM allows. Otherwise, the eligibility requirements are the same for both programs.

Do your research and/or pursue in-depth counseling before agreeing to any loan backed by your home. In fact, one of the requirements of both HECMs is that potential participants must first talk to a HUD-approved counselor. "The counselor should review, among other things, the implications of receiving a reverse mortgage, including repayment options, and alternatives to an HECM loan," explained Cassandra Duhaney, an FDIC Senior Policy Analyst.

In addition to reverse mortgages, there are other types of loans for which a home is the collateral. Some, called second mortgages, are loans for a fixed amount of money, for a fixed amount of time, and at a fixed rate of interest. Others, known as home equity lines, offer revolving lines of credit from which the homeowner can borrow some money (often at a variable interest rate), repay it over time, and then borrow again. No matter what kind of home-based loan you consider, experts generally recommend talking to financial advisors and qualified housing counselors.

"The pros and cons of borrowing against a home in retirement depend on several factors, including a person's income, savings and short- or long-term housing goals," said Gimble. "Determining whether a borrower can comfortably repay the loan according to its terms is a critically important question."

There are numerous other reasons to carefully research a reverse mortgage. For example, if you need to move into a retirement home, you will be required to either pay back the loan balance or sell your home. Also, interest charged on a reverse mortgage adds to the total loan balance, which may outstrip the equity in a home when it is sold, leaving few or no proceeds from the sale for the homeowner or heirs. In addition, be cautious if anyone approaches you about a major investment or purchase, especially something you previously didn't think you needed, and puts pressure on you to get a reverse mortgage to pay for it. These kinds of concerns explain why the most popular reverse mortgage programs require counseling to ensure that potential borrowers understand how reverse mortgages work.

Experts also generally say that homeowners who don't plan to stay in a home more than five years should explore alternatives to reverse mortgage loans. "HECMs and other reverse mortgage loans typically come with upfront costs and fees making them less suitable for short-term borrowing," concluded Duhaney. "Home equity loans and lines of credit, which often come with few or no costs or fees, may be more economical and prudent if a borrower only needs limited funds and can qualify."

For more information on reverse mortgages and other home equity loan products, search by topic at www.mymoney.gov. To find a HUD-approved housing counseling agency, call 1-800-569-4287 or go to www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm.

Also, HUD recently made changes to its reverse mortgage program that, starting January 13, 2014, could affect homeowners' decisions about participating. For more information from HUD about reverse mortgages in general and the new changes, start at http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecmhome.

Tips for Seniors Wanting to Help Relatives

• **Be on guard against phone calls from con artists who target seniors.** A common scam involves an imposter pretending to be a relative in trouble. ("My wallet was stolen" or "I'm in jail.") These callers do enough homework to mention the name of the relative or other people the senior citizen knows. And by "crying," it is difficult to recognize the voice. The scammer usually pleads for money to be sent immediately by wire transfer (see Page 8), and to not tell any family members for fear of upsetting them. In one variation, the caller may instead claim to be a lawyer, police officer or someone else trying to "help" your relative.

"Many older individuals will immediately jump to the assistance of a relative, without asking questions that would verify the caller's identity," said Marybeth Bannon, an FDIC Consumer Affairs Specialist. "In this situation, always check with another family member about whether your relative actually is in trouble and needs money, and only wire money to people you know. Don't wire money to strangers who claim they are helping your family."

For more information about scams targeting the elderly, see Page 4.

• **Understand the potential pitfalls of co-signing a loan for a relative.** It's tempting to help a loved one borrow money for that first car, credit card or student loan, but by doing so you will be liable for the full amount of the debt, plus interest, if he or she doesn't pay what's due.

"Even though co-signing is a well-intended gesture, a defaulted loan could be difficult to repay — especially on a fixed income — and it can be costly and stressful in terms of the possibility of damaging *your* credit history and dealing with a debt collector," said FDIC Supervisory Consumer Affairs Specialist Kirk Daniels.

Although creditors are required to provide a notice to a co-signer about the debt obligation, Daniels said the FDIC occasionally hears from older co-signers "who didn't fully understand what they were agreeing to in terms of payment responsibilities." Remember, when you co-sign a loan or otherwise sign up as a "guarantor," you are agreeing to become just as liable to pay the loan as the other borrower.

For more information about what risks you are taking and ways you can reduce your risks when you co-sign a loan, see tips from the Federal Trade Commission at www.consumer.ftc.gov/articles/0215-co-signing-loan.

• **Talk with your younger relatives about how to manage money and use banking services responsibly.** "Research indicates that parents or other family members regularly talking with a child about basic financial concepts — starting early and into

adulthood — is an effective and lasting way to help develop sound money-management skills," said Luke W. Reynolds, Chief of the FDIC's Outreach and Program Development Section. "Teaching self-control, the ability to delay gratification, and basic math skills early on can lay a foundation for years later, when you are teaching the youngster concepts such as the benefits of saving money for a sizable purchase, perhaps a car or bicycle, and how to wisely manage credit."

• **Explore ways to save money for a child.** If you want to help pay for a younger relative's education expenses, such as tuition for college, you may want to open a tax-advantaged 529 Account or Coverdell Education Savings Account. As long as all funds are used for qualified educational purposes, the money earned will not be taxed. Another aspect of 529 accounts is that you determine how the funds are spent.

Key Facts About Your FDIC Insurance

Deposit insurance is especially important for older Americans who have worked hard over the years to accumulate savings. Here are some facts to remember.

Every depositor is protected for up to at least $250,000 if an FDIC-insured bank fails. The basic FDIC insurance coverage amount is $250,000 for each depositor at a bank; however, coverage may be higher based on how accounts are set up. For instance, at one bank, your combined deposits in single accounts (for one owner) are covered up to $250,000, and your share of any joint accounts (for two or more people) is separately protected up to an additional $250,000.

FDIC insurance protects only deposits. Insured deposits include all traditional bank accounts such as checking, savings and certificate of deposit (CD) accounts. While some non-deposit investment products — such as stocks, bonds, mutual funds, annuities (see Page 3) and municipal securities — typically offer potentially greater returns than deposits, they are not FDIC-insured, even if they were sold through an insured bank. You may risk losing some or all of your investment.

The FDIC can answer all of your questions about deposit insurance coverage. For deposit insurance resources and more information about different ownership categories and qualifying for more than $250,000 in coverage, see the next page.

Quick Tips for Seniors
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can close some you no longer use or need. This can reduce the number of accounts you have to manage.

Also, for payments you are due to receive, including money from pensions or tax refunds, there are benefits to having them automatically deposited into a low-cost or no-cost checking or savings account using direct deposit. If you manage that account well and avoid fees, it's likely to be less expensive and offer you more features than alternatives. You can also have automatic withdrawals from your bank account to routinely put a certain amount of money into a savings account or a U.S. Savings Bond.

14. Consider additional ways to save time and money. Your bank and the companies you do business with also will likely provide alternatives for you to pay your bills electronically. These options can include online bill paying or having payments automatically transferred from your account. These can save you time and money by avoiding unnecessary trips to pay bills. And, making scheduled payments automatically can help avoid late charges or service interruptions.

Your bank and other financial services providers also may offer incentives if you receive your statements electronically instead of in the mail. It's important, though, that you keep the anti-virus and security software on your computer updated, promptly review each bill for accuracy, and monitor your account balance to avoid the risk of overdrawing your account.

"Be cautious about going paperless if you aren't tech savvy or comfortable going online to review your statements when they arrive," warned Reynolds. "The law is clear: if an error or a fraudulent item appears on your statement and you promptly report it to the bank, your liability is limited. Likewise, the bank may send you important notices that tell you about changes it plans to make to your account, such as with respect to fees. You need to decide for yourself what will be the best way for you to review these key communications in a timely manner."

15. Organize and protect your important documents. Items to keep at home, in a secure place that's easy for you to get to, may include your bank and brokerage statements, insurance policies, Social Security and company pension records, and other personal and financial papers you or your family might need on short notice. If caregivers or others regularly visit you, make sure that your checkbooks, credit cards and other financial records are protected.

A safe deposit box is best for storing documents or valuables that could be difficult or impossible to replace and that you probably won't need access to on a night, weekend or holiday. Good candidates include originals of birth certificates, property deeds and car titles. Think twice before using a safe deposit box for an original of a will or power of attorney because it may not be possible for your loved ones to access them quickly if you become incapacitated or pass away. For guidance on where to store these documents, check with an attorney about what is required or recommended based on state law.

Regardless of where you keep important documents, seal them in airtight and waterproof plastic bags or containers to prevent water damage. In case of a natural disaster or a fire, you may want to prepare one or more emergency evacuation bags with essential financial items and documents, such as some cash and checks, copies of your credit cards and identification cards, and a key to your safe deposit box.

To learn more financial tips for seniors, just keep reading our special coverage. 🏛

For More Help or Information for Seniors and Families

For information about your FDIC insurance coverage and how to be fully protected, call 1-877-ASK-FDIC (1-877-275-3342), send a message at www2.fdic.gov/starsmail or write to the FDIC, 550 17th Street, NW, Washington, DC 20429. Deposit insurance resources are also available on the FDIC Web site at www.fdic.gov/deposit/deposits. There you will find brochures, such as "Your Insured Deposits," and "EDIE," our interactive deposit insurance calculator, which are especially helpful if you have more than $250,000 on deposit in one bank.

If you have a problem with a financial institution, first give it the chance to fix it. If your concerns are not addressed, consider contacting the institution's government regulator. To find out who regulates an institution, you can call the FDIC at the toll-free number above. For more tips, see the Spring 2012 ***FDIC Consumer News*** (www.fdic.gov/consumers/consumer/news/cnspr12/complaint.html).

To learn more about managing your money:

• Visit www.mymoney.gov, a site for resources from more than 20 federal agencies, including the FDIC. Recorded messages also are available by calling 1-888-My-Money.

• Get information from the FDIC on bank products and services in general and your consumer rights, including previous articles in ***FDIC Consumer News***, at www.fdic.gov/quicklinks/consumers.html. You can also call or write to the FDIC.

• Check out Consumer Financial Protection Bureau (CFPB) information for seniors on a wide range of topics at www.consumerfinance.gov/older-americans. Go to that same Web page to read and print "Money Smart for Older Adults," a new resource from the FDIC and the CFPB (see Page 4). You can also get help with complaints or inquiries by calling the CFPB at 1-855-411-2372.

• The U.S. Administration on Aging, part of the Department of Health and Human Services, has resources for finding local assistance for seniors and information on topics such as legal issues. Visit www.eldercare.gov or call 1-800-677-1116. 🏛

Don't Get Taken by Wire Transfer Scams

Using a bank or a money transfer company to "wire" funds electronically is an easy and convenient way to send cash to someone. And when consumers wire money to people they know, the transaction typically takes place without a problem. But wiring money to strangers — in the U.S. but especially in another country — is risky because often they could be scam artists.

"Crooks like their victims to use wire transfers because the money moves fast and they can take the money and run before the victim discovers the truth," explained Michael Benardo, manager of the FDIC's Cyber Fraud and Financial Crimes Section. "Con artists also know that the transaction is difficult to reverse, and the money is difficult to get back. That's why they will use any tactic to convince people to wire money to a complete stranger."

How can you protect yourself against wire fraud?

Never wire money to people you don't know, regardless of how convincing or enticing their story may be. Scammers often win their victims' confidence with some "bait," such as a work-at-home offer, a great deal on a product for sale, or news that you have won some kind of lottery. Be especially careful with transactions over the Internet, where the other person's true identity can remain anonymous. "A stranger asking you to wire money is a huge red flag that it is a scam. Don't fall for it," said Kathryn Weatherby, an FDIC Fraud Examination Specialist.

But even if you get a request to send a wire transfer and it's supposedly from someone you do know, confirm that's the case some other way, such as through a separate phone call.

If you're being pressed to make a decision or send money fast, it's probably a sign of a scam. For example, crooks might frighten you with a phone call that a loved one is in trouble and needs cash sent to the caller immediately. "Thieves may try to divert you away from using a more traditional means of money transfer, such as a credit card or check," Benardo added. "To do this, they often stress the 'urgency' of the transaction to get the victim to act without thinking."

Walk away from any offer from a stranger who asks you to deposit a check into your bank account and instructs you to wire any of that money to someone else, perhaps in another country. Let's say you receive a check, cashier's check or money order for an item you are selling or to cover so-called processing fees, shipping costs or other expenses. But then you notice that the check is for more money — perhaps far more — than what you were expecting. The other party instructs you to deposit the check and wire a portion back to an associate in another country. Later you find out that the check was fake and you are out all of the money you wired. In this type of scam, victims may end up owing thousands of dollars to the financial institution that wired the money.

Likewise, if you are selling something online, be wary of a request by a "buyer" to wire you the money because that may be a ruse to get your bank account information. Or, this person may plan to send you the money illegally using someone else's bank account number, and ultimately you'd be without your merchandise as well any payment. "Always remember that wiring money is like sending cash, and because you voluntarily sent the money, you have fewer protections in terms of getting it back," Benardo said.

Never give out your bank account or credit card numbers in response to an advertisement or an unsolicited call, text message or e-mail. That information could enable someone to steal money out of your account by a wire transfer, before you have time to realize that the interaction was fabricated by a swindler.

For more information, see guidance from the Federal Trade Commission at www.consumer.ftc.gov/articles/0090-using-money-transfer-services. And for information about new federal rules governing international wire transfers, see the article below.

New Protections for Consumers Sending Money Abroad

Each year, consumers in the U.S. send tens of billions of dollars to friends, family members or businesses in other countries using wire transfers and other electronic payments — often called "remittances."

While remittance transfer providers have been subject to federal laws against money laundering and to state licensing requirements (and in some cases, other state rules and restrictions), the protections for consumers sending remittances abroad varied widely by state, and international money transfers have been largely outside of the scope of federal consumer protection laws. But in 2010, the Dodd-Frank financial reform law expanded the Electronic Fund Transfer Act to establish minimum consumer protections for remittances. Those new protections will take effect on October 28, 2013, under new rules from the Consumer Financial Protection Bureau (CFPB) that are heavily focused on disclosures for consumers.

If you plan to send money abroad, here are key points to remember.

Remittance transfer providers must give consumers important information before and after a transaction takes place. Before a consumer pays to send money internationally, the service provider must disclose details such as the exchange rate to be used when converting the money to the foreign currency, the amount of certain fees and taxes, and how much money the recipient will receive. Assuming the sender goes forward with the transaction, the provider must give the consumer a receipt that includes the information disclosed before making the payment as well as additional details, such as when the money will be available and who the sender can contact if there is a problem with the transfer.

"Increasing transparency on the costs of the transaction will help consumers shop for the best deal among providers," said Sherry Betancourt, a Senior Attorney in the FDIC's Legal Division. "Consumers will benefit from knowing early on about important information such as fees and exchange rates, as well as who to contact if there is a problem."

Consumers have the ability to cancel a transfer that has taken place. After making payment, a consumer may cancel the transaction and get a full refund as long as the request is made within 30 minutes. However, different cancellation procedures may apply for wire transfers scheduled in advance, such as recurring, pre-authorized remittances from a bank account. To cancel a transfer, the service provider must be able to identify the sender and the transaction. Finally, the funds must not have been picked up by the designated recipient or deposited into that person's account.

Complaints and errors must be resolved within a certain time frame. Service providers are obligated to investigate a complaint and respond to the consumer in a timely manner. If the provider finds that an error did occur, it must either send the correct amount at no additional cost to the consumer or provide a refund. Although it's generally best to report a problem to the provider as soon as possible, the sender will have up to 180 days to do so.

If the sender isn't satisfied with the outcome of the company's review, he or she can file a complaint with the CFPB (see below). "And unlike in the past, any consumer who is overcharged or whose funds do not reach the intended recipient now has remedies under federal law," said Richard M. Schwartz, Counsel in the FDIC Legal Division.

Most but not all remittance transactions will be subject to the new consumer protections. The rules will apply to remittances that exceed $15, are made by consumers in the U.S., and are sent to a person or a company in a foreign country. However, the rules generally do not apply to providers that consistently make 100 or fewer remittance transfers per year.

For more information, go to www.consumerfinance.gov or call the CFPB at 1-855-411-2372. To learn how to protect against wire fraud when sending money in the United States or another country, see the previous page. 🏛

The Comeback of the Adjustable-Rate Mortgage

Remember to balance the low initial payments with the potential risks

Adjustable-rate mortgages, also known as ARMs or variable-rate loans, have been out of favor with many people in recent years because of the low interest-rate environment and the perception that rising payments on ARMs contributed to foreclosures during the recent financial crisis. But with new federal disclosures and protections for consumers, some borrowers are wondering if they should consider an ARM if the initial interest rate is significantly lower than what's being offered for a 30-year fixed-rate loan. Here are ideas to keep in mind when choosing between the two types of loans.

Decide how long you plan to be in the home. In general, borrowers who are certain they will move out of a home within a few years are more likely to benefit from a low-rate ARM than those who plan to stay in the home for as many as 30 years. "Because it's difficult to predict the future, seriously consider what could happen if you agree to an ARM and then stay in the home much longer than you expected," said Luke W. Reynolds, Chief of the FDIC's Outreach and Program Development Section.

Remember that the features of adjustable-rate mortgages can differ considerably so it pays to comparison shop. For example, some ARMs may have a fixed rate for 10 years before the interest rate could "reset" (change) and do so again every year thereafter. Other ARMs may start to reset after three years. The maximum rate increases, both periodic as well as during the life of the loan, also can vary significantly between lenders and loan products. In addition, the initial rate on an ARM may be "discounted" — to make it more attractive to you — and that means your payments are very likely to increase substantially beginning with the first reset period.

Be comfortable that you'll be able to make your loan payments on an ARM if the interest rate soars to the highest level it could go while you own the home. The lender must disclose to you both the maximum interest rates and the resulting payments for an ARM within three business days of receiving your complete application. "Factor in the possibility that your income may not increase but your property taxes and insurance likely will," said Jonathan Miller, Deputy Director in the FDIC's Division of Depositor and Consumer Protection. "And don't assume that you will have the option to refinance the loan or sell your home to escape higher payments down the road." For example, he said that given the low mortgage interest rates over the past few years it is reasonable to expect higher rates in the future, and that could mean refinancing your ARM may not significantly lower your payments.

Carefully review the disclosures from your lender and ask for help if you don't understand something. Make sure that each disclosure reflects the terms you saw advertised or the lender quoted before you applied. Also keep these disclosures and compare them to the loan agreement you receive before you go to closing. In certain circumstances, the lender must provide you with an updated copy of the disclosures three business days before you close.

If you want the stability of a fixed-rate mortgage, research cost-saving alternatives. You may

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Health Savings Accounts: One Way Some Consumers Can Prepare for Medical Bills

You know about tax-preferred IRAs for your retirement savings, but what about a similar account to help pay for certain medical expenses? It's called a Health Savings Account (HSA). Whether you already have an HSA or you're interested in learning more, here are some basic points.

If you are enrolled in only one health insurance plan and it has a high deductible, you probably are eligible to open an HSA. The deductible is the dollar amount you have to pay before the insurance starts picking up certain costs. An individual, in calendar year 2013, whose health plan has a deductible of at least $1,250 qualifies for an HSA. For a family, the minimum deductible is $2,500.

Your employer may offer a high-deductible health insurance plan that makes you eligible to have an HSA. "You may also purchase a high-deductible policy on your own," explained Evelyn Manley, an FDIC Senior Consumer Affairs Specialist. "Once you have this insurance coverage, check to see if a health savings account is automatically opened for you by the insurer. If not, you can open one with a bank or other financial institution that offers HSAs."

Consider the benefits (in addition to helping with medical expenses) as well as the limitations. You can save money that can help you avoid a shock to your finances from a sudden large medical bill. And, money can accumulate in the account from year to year; unlike with many "flexible spending accounts," you do not lose the money at the end of the year.

Another plus is the potential to claim a tax deduction for your contributions to the account, which in 2013 may not be more than $3,250 for an individual with self-only coverage, and $6,450 for a family. And, you don't pay tax on the interest or other earnings when the funds are spent on qualified medical costs.

But remember that funds from the account that are used for ineligible medical expenses — including drugs not needing a prescription (such as aspirin), nutritional supplements not prescribed to treat a medical condition, or unnecessary cosmetic surgery — will be taxed and may be subject to a significant tax penalty.

Find the HSA that is the best deal for you. "Consumers should review account disclosures for fee information, the interest rate expressed as the Annual Percentage Yield, and other important terms and conditions," advised Denise Waters, an FDIC Consumer Affairs Specialist. Also consider how convenient it will be to add to your account and make payments. If you're considering moving an existing HSA to another bank, first check with your health insurance company to make sure it will permit the switch.

Understand your deposit insurance coverage. First, make sure you know the name of the bank where the funds will be held. This may require you to contact your insurer if it arranged for you to get the HSA and you do not remember receiving the information. As for your FDIC deposit insurance coverage, if you have not listed beneficiaries, your HSA is insured as a single account and, together with any other single accounts you own at the same bank, is eligible for up to $250,000 in coverage if the institution fails. An HSA that does name beneficiaries is insured together with any other "revocable trust accounts" (i.e., deposits with beneficiaries) for up to $250,000 per beneficiary. For more information, call 1-877-ASK-FDIC.

Be aware of any investment risks. Your HSA provider may allow you to transfer some of your savings from an FDIC-insured deposit to a non-deposit investment product, such as one or more mutual funds. "Before considering whether to invest some of your HSA money in the market, consider whether you have enough in your FDIC-insured account to cover unplanned medical expenses that you may be responsible for over, say, the next year, in case they occur when the investments have lost value," advised Luke W. Reynolds, Chief of the FDIC's Outreach and Program Development Section.

Regularly monitor your account activity. Review statements immediately after they are issued because that is key to limiting your losses in the event of fraud or an error. Also know that some HSAs may require you to either review your statement online or pay an additional fee to receive paper statements in the mail.

Be careful if a debit card is provided for you to access your HSA. "Until you expect to use that debit card for a medical expense, consider keeping it at home in a safe place and separate from other debit and credit cards you have," Reynolds suggested. "You want to avoid the risk of using it for non-medical purchases and inadvertently incurring a tax penalty. You also may want to tape a note to the front of the card as a reminder that it must not be used for everyday expenses."

For more information about HSAs, including answers to questions about eligibility, current contribution limits and tax issues, visit www.treasury.gov/resource-center/faqs/Taxes/Pages/Health-Savings-Accounts.aspx or call the IRS at 1-800-829-1040.

continued from previous page

have options for reducing interest costs over the life of the loan by, for example, making mortgage payments on a bi-weekly basis instead of monthly or increasing your payment a little each month.

If you plan to stay in the home for the long-term, you also could consider paying the mortgage lender some "points" at closing. Each point equals one percent of the loan amount, and it is a fee to lower the interest rate on the loan. Again, shop around to make sure you are receiving an adequate reduction in rate for each point paid.

For additional ideas, see our tips on finding and managing a home loan in the Summer 2012 ***FDIC Consumer News*** (www.fdic.gov/consumers/consumer/news/cnsum12/yourmortgage.html), and search for more information from the federal government at www.mymoney.gov.

Struggling With a Student Loan? Ask Your Lender for Help

Many people who are unemployed or face other economic troubles are having problems making monthly payments on their student loans. Where can they turn for help?

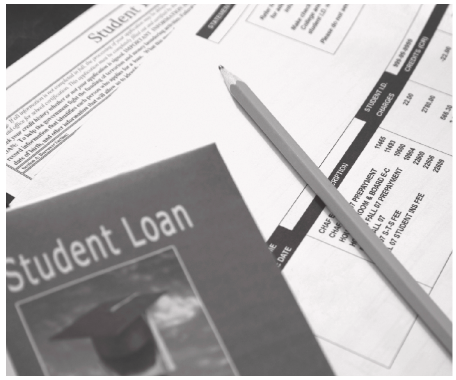
"The federal government's student loan program generally provides the most ways to obtain relief, but private student loan programs often have options available for struggling borrowers as well," noted Matt Homer, an FDIC Policy Analyst. "The degree of relief and possible repayment alternatives will depend on the type of loan you have."

With that in mind, FDIC Senior Policy Analyst Elizabeth Khalil points out that student loan borrowers who are having financial difficulties "need to know whether they have a federal loan obtained through the U.S. Department of Education or a loan made by a private lender. Once they have that information, they can explore their options."

Options for federal loans depend on the program. Borrowers may be able to lower their monthly payment or temporarily put repayment on hold. They can choose from a menu of repayment plans and change from one to another at any time. Possibilities include lower monthly payments that increase over time, an extended repayment period that results in lower monthly payments, and monthly payments based on the borrower's income.

Although these kinds of plans may reduce monthly payments, remember that the longer you take to pay down the loan, the more you pay in interest. Federal loan borrowers also might qualify for "forbearance" or "deferment," which can temporarily reduce or postpone payments.

To get help with a federal loan, contact your servicer, the organization that collects your loan payments. Borrowers can identify their federal loans and the servicers for those loans using the U.S. Department of Education's National Student Loan Data System at www.nslds.ed.gov.



For private student loans, borrowers should contact their servicer to learn about possibilities such as forbearance or deferment or alternatives like rate reductions, extended loan terms or other loan modifications. On July 25, 2013, the FDIC, the Federal Reserve Board and the Office of the Comptroller of the Currency issued a statement encouraging financial institutions to work constructively with private student loan borrowers experiencing financial difficulties.

"A positive credit history is increasingly important, not only for getting a loan, but also for renting an apartment or finding a job," said Mark Pearce, Director of the FDIC's Division of Depositor and Consumer Protection. "If borrowers are struggling to repay their student loans, they should reach out to their lenders and loan servicers as soon as possible to explore available options to stay on track."

Finally, beware of unsolicited offers from companies that promise an easy solution to student loan woes. The solicitation may even appear to be affiliated with the government or represent government programs. "Some advertisements for 'debt relief' may be scams intended to collect personally identifiable information that can be used to commit identity theft," Homer said. "Others may just be rip-offs, charging borrowers considerable fees for information that can be obtained free from the Department of Education or a private lender."

To learn more about federal student loans and repayment options, start at www.studentaid.ed.gov. Also find information from the Consumer Financial Protection Bureau at www.consumerfinance.gov/students.

FDIC
Consumer News

Published by the Federal Deposit Insurance Corporation

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FDIC Consumer News is produced quarterly by the FDIC Office of Communications in cooperation with other Divisions and Offices. It is intended to present information in a nontechnical way and is not intended to be a legal interpretation of FDIC or other government regulations and policies. Due to periodic changes in statutes and agency rules, always check the FDIC Web site — www.fdic.gov — for up-to-date information. Mention of a product, service or company does not constitute an endorsement. This publication may be reprinted in whole or in part. Please credit ***FDIC Consumer News***.

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Go to www.fdic.gov or call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342)

Updates and Reminders

Help for Mortgage Borrowers Facing Payment Problems

Consumers who expect to have trouble making their mortgage payments are reminded to contact their loan servicer as soon as possible to explore options for avoiding foreclosure.

And in a recent development, the Federal Housing Finance Agency announced that Fannie Mae and Freddie Mac will extend the Home Affordable Modification Program (HAMP) from year-end 2013 through December 31, 2015. Under HAMP, mortgage companies work with eligible borrowers to lower monthly payments by modifying loan terms and reducing interest rates.

For more information, visit www.makinghomeaffordable.gov. To speak to a counselor about avoiding foreclosure, call 1-888-995-HOPE (4673).

New Ways to Counter Harmful Debt Collection Practices

In July 2013, the Consumer Financial Protection Bureau (CFPB) published five letters that consumers can consider using in replying to debt collectors about inappropriate or unwanted collection activities, depending on their situation. The CFPB also announced that it is accepting complaints from consumers experiencing debt collection problems related to credit cards, auto loans, medical bills and any other consumer debt. To learn more, start at www.consumerfinance.gov/blog/debtcollection.

Check Out the FDIC's Database of Bank Information

If you need information about a bank, the FDIC's BankFind, our popular online directory of insured institutions at http://research.fdic.gov/bankfind, is now faster and easier to use. By searching BankFind, you can determine whether an institution is FDIC-insured and locate its branches. You can also review a bank's history and learn if it has merged, changed names or no longer exists. Recent enhancements make the tool easier to access using a mobile device.

New, Improved Federal Site for Financial Education

The federal Financial Literacy and Education Commission, of which the FDIC is a member, has unveiled a new and improved version of MyMoney.gov, the central Web site with information on handling personal finances from more than 20 federal government agencies.

The site now revolves around the "MyMoney Five," five key building blocks for managing and growing your money. In general, they are: (1) understanding your earnings, including deductions and withholdings; (2) saving and investing for future goals; (3) protecting your financial situation by, for example, watching out for fraud; (4) spending wisely; and (5) borrowing carefully. In addition, the Web site features interactive quizzes and information about financial choices involving major life events. Access the site at www.mymoney.gov.