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Summer 2011

FDIC Consumer News

Protecting Your Finances If a Disaster Strikes

ARE YOU PREPARED?

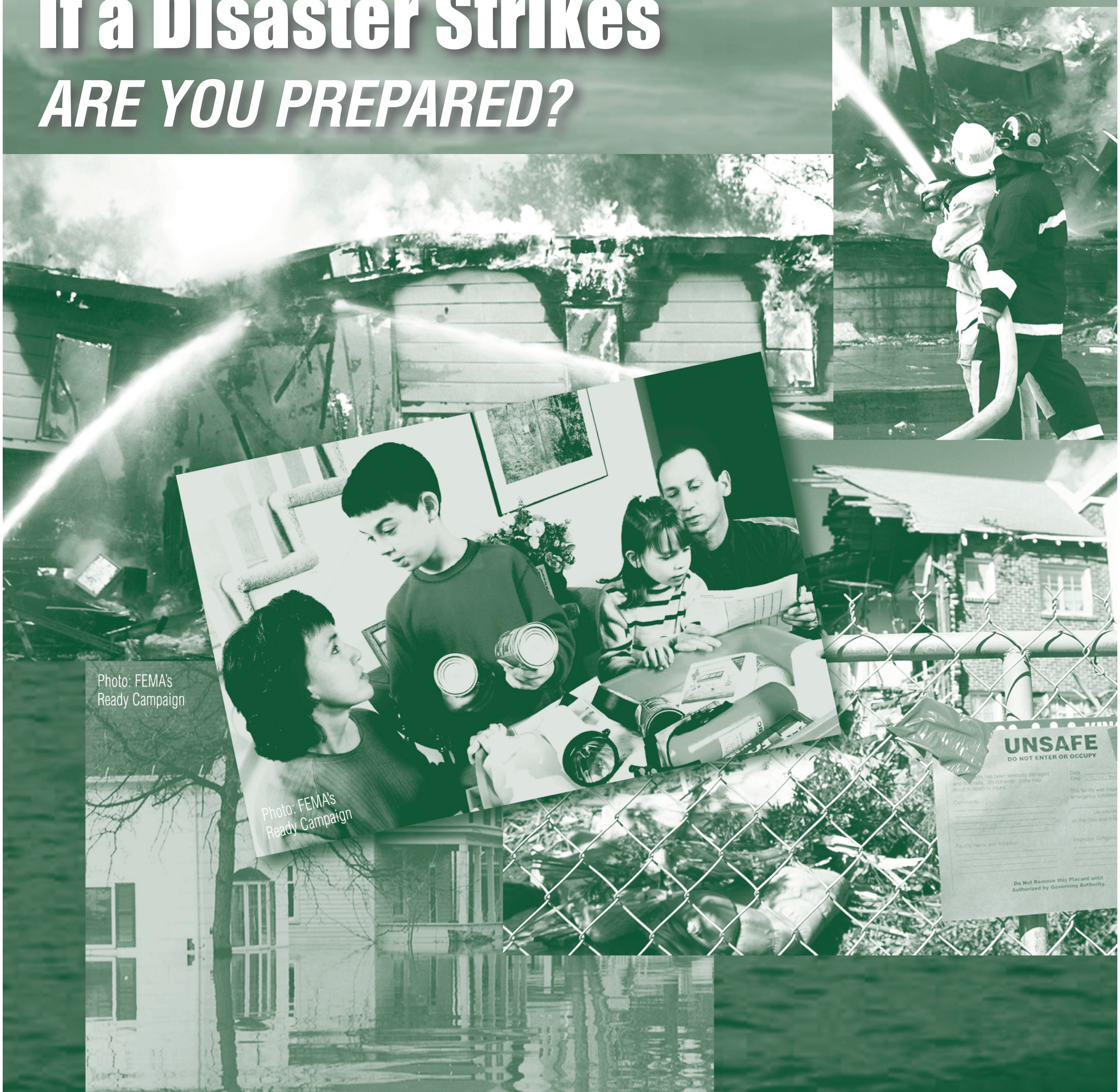

Photo: FEMA's Ready Campaign

Photo: FEMA's Ready Campaign

FEDERAL DEPOSIT INSURANCE CORPORATION

Protecting Your Finances If a Disaster Strikes: Are You Prepared?

Ferocious storms, earthquakes and other disasters rarely give advance warning and can happen anytime. Whether a natural catastrophe strikes an entire community or a fire destroys a single home, the consequences for the survivors can be traumatic, including severe financial losses from uninsured property, the destruction of vital documents and temporary disruptions in the ability to work or conduct essential transactions.

"Even if natural disasters have not impacted your community in recent memory, it's important to have a plan for what you would do if a tragedy strikes and you couldn't live in your home or go to work for quite a while," said Luke W. Reynolds, Acting Associate Director of the Community Affairs Branch at the FDIC.

What about you? Are your most important possessions insured and your financial documents protected from ruin? And if you had only a few moments to evacuate your home and could not return for several days or even weeks, would you have access to cash, banking services and the personal identification you need to conduct your day-to-day financial life? Here are tips from ***FDIC Consumer News***.

ANTICIPATE WHAT COULD GO WRONG

Think about the most likely hazards and plan accordingly. "For example, some communities are more likely to be affected by a flood or an earthquake, and preparing for each situation would be different," said Jo Ann Wilkerson, a Senior Community Affairs Specialist at FDIC.

Your state or local office of emergency management may be especially helpful. Find out if your city or county offers a service that will send you a text message or an e-mail warning at the first sign of an imminent storm or other hazard that might require you to evacuate. Also see what tips and recommendations they may have on preparing for a disaster.

Photo: FEMA's Ready Campaign

Periodically review all your insurance coverage. "That includes homeowner's or renter's insurance and car insurance," said Wilkerson. "Find out what is and is not covered by your policies."

For example, the typical homeowner's insurance policy does not cover damage caused by floods or earthquakes, and it may be prudent to purchase extra coverage for hazards such as these, even if not required by your lender. The idea is to have enough coverage to take care of damage to your house, cars and other valuable property and provide for temporary lodging.

Keep records of your personal property and the estimated value; **check with your insurance agent to make sure you have adequate coverage**. Consider taking a video or photos of your property. This documentation will come in handy if you need to file a claim. For additional guidance on how to create a home inventory, see suggestions from the National Association of Insurance Commissioners at www.insureuonline.org/home_inventory_page.

Take advantage of direct deposit. Having your paycheck or other payments automatically sent to your account will ensure that you can access the funds quickly, without the risk of having a check lost, delayed or stolen.

Consider establishing computer or smartphone access to your banking account. These services can enable you to manage your finances online from anywhere, without writing checks.

Banks Are Required to Prepare For Disasters

Federal and state banking regulators require financial institutions to develop and test "disaster recovery" and "business continuity plans." Each plan must spell out how the bank will recover data, ensure the availability of cash, continue serving customers, and otherwise function efficiently after a wide-ranging disaster — one in which personnel may be unavailable, key facilities are crippled, and power and phones are out for an extended period.

According to Michael Jackson, an Associate Director in the FDIC's Division of Risk Management Supervision, disasters ranging from the terrorist attacks on September 11, 2001, to the deadly tornado that hit Joplin, Missouri, in May of 2011, were reminders that the financial industry and its regulators "must be ready for disasters of any magnitude or duration — you cannot just plan for something small or brief."

Build or maintain an emergency savings fund. Because a disaster may affect your ability to earn income, savings can help you through any difficult financial period without taking out a loan or borrowing from retirement savings. Experts say emergency savings should equal at least three to six months of living expenses. "Remember, there is no safer place for your funds than in an FDIC-insured institution," Reynolds said. (For information about bank preparations to recover from a disaster, see the box on the previous page.)

WHAT TO HAVE READY

Consider keeping the following items in a secure place and readily available.

• **Identification and other key documents that may be needed to restore your financial records**. These include copies of driver's licenses (or state identification cards for non-drivers), Social Security cards, passports, birth certificates, insurance cards (or other proof of insurance coverage), and your inventory of personal property.

• **ATM/debit cards and credit cards**. You may want to keep copies of the front and back of your cards in an emergency evacuation bag or box (see next column) in case you are unable to access your actual cards.

• **Phone numbers and account information at your financial services providers**. This information for the bank, credit card companies, brokerage firms and insurance companies you do business with will be helpful if you need to replace lost cards or documents or request other assistance.

WHAT TO KEEP WHERE

Here is a strategy that works well for many people:

Make backup copies of important documents. This also includes your home inventory records. You can make paper copies, but also consider scanning these records and storing the images away from home, perhaps by e-mailing them to yourself at a secure account that you could access anywhere or using a fee-based, online storage service. Let loved ones know where to locate originals and copies.

Decide what should or should not be kept in your bank's safe deposit box. This service is best for important documents and items that will be difficult or impossible to replace, but think twice before using one for anything you may need immediate access to, such as passports and originals of powers of attorney. However, be aware that home safes are not as secure as safe deposit boxes. "A burglar could more easily break into your home, force you to open the safe or haul off the entire safe and access the contents than get inside your safe deposit box," Reynolds said.

Also, seal any important documents, including those in bank safe deposit boxes, in airtight and waterproof plastic bags or containers in case of a major flood or other water damage. For guidance on where to store your original will, check with an attorney about what is required or recommended under state law.

Consider preparing one or more emergency evacuation bags or boxes. Most of what you are likely to pack inside will be related to personal safety (flashlights, first aid kits, prescription medications to last several days). Also include essential financial items and documents, including some cash and checks, copies of your current credit cards and identification cards, a key to your safe deposit box, and contact information for your financial services providers. This kit should be waterproof, easy to carry and kept secure.

Take precautions against identity theft. Start by protecting the debit and credit cards and IDs (or copies) in your evacuation kit. "First, keep your evacuation container in a secure place in your home," said Wilkerson. "Second, because a natural disaster can result in everything in your house getting scattered for miles, these containers should be portable and securely locked."

For additional guidance on how to prepare financially for many types of disasters, see the resources listed in the box below. Also see tips from the FDIC on avoiding identity theft in general at www.fdic.gov/consumers/consumer/alerts/theft.html.

And for tips on how to protect against fraud after a disaster strikes, see the next page.

Disaster Preparedness: Sources of Help

The federal government offers tips and resources. In particular, the Federal Emergency Management Agency (FEMA) publishes consumer information about disaster preparedness, manages the federal flood insurance program, and helps communities develop strategies to minimize potential losses from floods, earthquakes, tornadoes and other natural disasters. For emergency preparedness tips from FEMA for individuals and businesses, visit www.ready.gov. Also check out USA.gov's "Disasters and Emergencies" Web site at www.usa.gov/Citizen/Topics/PublicSafety/Disasters.shtml.

Your state and local offices of emergency preparedness can help identify potential risks in your area and organizations that can be of assistance. Find them online at www.ready.gov/america/local/index.html.

Mymoney.gov is the the federal government's one-stop source for financial education resources online. Search "disasters" to find resources on disaster planning and recovery from financial agencies or look into specific topics such as how to receive federal benefit payments by direct deposit. Check it out at www.mymoney.gov.

For additional resources on how to recover financially from a disaster, see the next article.

Disaster Recovery and Your Money: A Basic To-Do List

Rebounding financially from a disaster can take months or years. Here are tips that can help speed the recovery.

Report property damage to your property insurance company or agent as soon as possible. Don't throw away damaged goods or make major repairs until a claims adjuster visits your residence. Also keep receipts for emergency repairs.

Look into federal assistance for survivors of natural disasters. This may include special loans for homeowners, small business owners or farmers to use to repair or replace damaged property. Visit www.disasterassistance.gov to learn more. You can also call the Federal Emergency Management Agency at 1-800-621-FEMA (1-800-621-3362).

Immediately contact your creditors if you don't think you can pay your bills or make credit card or loan payments on time. Paying your debts late or not at all can result in penalties, interest charges and damage to your credit score. Your creditors will likely work with you on a solution, but it's important to contact them as soon as possible and explain your situation.

If you have additional concerns or a complaint with a business such as a financial institution or an insurance company, be proactive. First contact the firm directly. If that doesn't produce the desired results, you may contact the appropriate federal or state regulatory agency for help or guidance.

To locate a bank or other depository institution's federal regulator, call the FDIC toll-free at 1-877-ASK-FDIC, which is 1-877-275-3342. To locate your state's insurance regulator, go to www.naic.org/state_web_map.htm on the Web site of the National Association of Insurance Commissioners (NAIC). You can also go to another NAIC Web site — https://eapps.naic.org/cis/fileComplaintMap.do — to file a complaint with the state.

And, to follow up on disputes with other entities, such as contractors, consider contacting your state Attorney General's office (www.naag.org/current-attorneys-general.php) or your state or local consumer affairs office (www.consumeraction.gov/state.shtml).

Seek help from non-profit organizations in your area. Their financial assistance programs may include services such as counseling, free legal assistance, and low-interest business loans.

Beware of Disaster-Related Financial Scams

Among the sad realities of many natural disasters is that as victims struggle, criminals scheme to profit. "Con artists take advantage of people after catastrophic events by claiming to be from legitimate charitable or assistance organizations when, in fact, they are attempting to steal money or valuable personal information," said Michael Benardo, manager of the FDIC's Cyber Fraud and Financial Crimes Section.

He explained that they typically use fraudulent Web sites, phone calls, e-mails and text messages offering to "help" in the rescue effort. "These criminals make their scams seem convincing and then pocket either donations or 'down payments' on fake repair offers," Benardo said. "In effect, they are further victimizing people who are already down."

How can you avoid becoming a victim?

If you're a disaster survivor, be careful before accepting unsolicited offers of repairs or other assistance. Deal only with licensed and insured home-repair contractors and get recommendations from people you know and trust. To check out a local business, including complaints against it, start by contacting your state Attorney General's office or your state or local consumer affairs office (see the previous article). In addition, "get prices and other key details in writing and take your time to read and understand anything you are asked to sign," advised Luke W. Reynolds, Acting Associate Director of the FDIC's Community Affairs Branch.

He also said to be on guard against imposters who contact you out of the blue claiming to be government employees or volunteers and who ask for personal financial information or money to apply for aid that you can request on your own for free.

If you'd like to help out, avoid "charities" or "businesses" that use high-pressure tactics to get you to act quickly, perhaps to send money or provide personal information on the spot. "Be cautious if someone says you already agreed to donate or pay money, and you don't remember doing so," added Benardo.

Don't give cash. It's best to use a credit card or a check because either one provides some consumer protections, such as being able to dispute a transaction with the credit card company or place a "stop payment" on a check.

Protect your personal and financial information. Don't divulge your bank or credit card numbers or other personal information over the phone unless you initiated the conversation with the other party and you know that it's reputable. Also take precautions when considering an online donation. Go directly to a charity's Web site by independently confirming the Internet address. Don't follow a link in an e-mail as it may be to a fake Web site.

Give to charities that you know or have researched. Check with state government offices that regulate charities (listed on the Web site of the National Association of State Charity Officials at www.nasconet.org/documents/u-s-charity-offices).

Report suspected frauds. Go to www.lookstoogoodtobetrue.com/complaint.aspx, a Web site co-sponsored by the FBI and the U.S. Postal Inspection Service, to file a complaint. You can also contact the FTC toll-free at 1-877-FTC-HELP (1-877-382-4357).

Person-to-Person Payments by Smartphone and Mobile Computer Add Convenience and Pose Risks

Suppose you need to reimburse a friend for lunch but you forgot your checkbook and you don't have enough cash in your wallet. You can always get money from an ATM or promise to pay your friend back some other time, but there's another option becoming increasingly common, especially for people on the run. It's the ability to send a payment using a mobile device such as a smartphone or a "tablet" computer.

This person-to-person or "P2P" payment service is offered by some banks and non-banks as an alternative to using cash, checks, debit cards or credit cards. P2P payment services have grown and are appealing to a wide range of consumers attracted to the ability to send and receive money using a mobile device, but as with any form of payment, you've got to understand the costs and the potential risks.

How can you protect yourself when choosing and using a P2P payment service?

Remember that bank P2P services can provide clearer legal protections. First, it's important to know what consumer protection laws might — or might not — apply. Every P2P provider will have a "user agreement" that should describe its fees, consumer protections, dispute-resolution procedures, and other details required by federal or state rules.

The P2P services offered by banking institutions have the same federal consumer protections that you get when using your credit or debit card if the payment is funded by linking it to your credit card or checking account, respectively. That means, for example, that if someone steals your smartphone and uses it to transfer money you may have limited or no liability for that unauthorized transaction provided you report the problem in a timely manner.

In contrast, mobile payment services from non-banks may not be subject to the same federal or state laws that would protect you if you were using a bank to provide the service. The protections you will have can vary depending on the terms of the service provider's contract, how the user's account is funded, and other factors.

Luke Brown, an Associate Director in the FDIC's Depositor and Consumer Protection Division, warned, "Don't presume that the terms and protections for all mobile payment services are the same because some can have high fees and consumer-unfriendly policies. You should shop for the best deal with the strongest consumer protections."

Be aware that security remains an issue. A recent study by a private company said that many mobile financial applications failed to safeguard consumers' personal and sensitive information stored on mobile devices. The firm found that it could obtain information such as usernames, passwords, and PIN numbers from mobile phones used in financial transactions. In the wrong hands, this information could subject a consumer to serious consequences and financial losses.

Understand how P2P works. While each P2P service may function a little differently, here's generally how it works. First, you would set up a P2P payment account with your bank or a non-bank service provider, such as your cell phone company. Depending on the service, the payment could be funded in several ways, perhaps by linking it to an existing checking account, credit card, prepaid card, mobile phone account or a special account just for P2P.

Some providers allow customers to only exchange funds with people who use the same P2P service, but others will transmit funds to anyone with a deposit account. In the case of the latter, you may need to provide the recipient's account number and bank routing number in order to initiate a

transaction — and that is information that people who are not relatives or close friends may be reluctant to disclose. However, many P2P providers are starting to use other alternatives, such as an e-mail address or cell phone number. Also, in most cases, a fee per transaction will be charged to the sender or the recipient.

Compare several P2P service providers before you sign up. "The bank where you have your checking account is one place to start, but there are numerous other companies that provide these services and will work with your bank to set it up," noted Jeff Kopchik, an FDIC Senior Policy Analyst who specializes in technology issues.

It can be helpful to research what other consumers have said about their experiences with a P2P provider. "The Internet provides easy access to consumer reviews and a wealth of other information that can help consumers identify unsatisfactory experiences," said Rob Drozdowski, a Senior Technology Specialist with the FDIC. "So stay clear of services with questionable reviews and unusually high numbers of consumer complaints."

Manage your P2P money wisely. It's important to monitor your balance to be sure it has enough to cover the transactions you are likely to make.

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Lost and Found or Safe and Sound: How to Solve Mysteries of Old Bank Accounts

Have you ever found an old bank statement, passbook, certificate of deposit or receipt for a safe deposit box and wondered if there is "lost" money or other assets waiting for you or a loved one? This is especially a common occurrence for people who serve as an executor of a deceased person's estate or as a financial caregiver for an ill or elderly friend or relative. To help you research old bank accounts and, perhaps, recover something valuable, ***FDIC Consumer News*** offers these tips.

First determine whether the bank is open (perhaps under a different name), closed or has merged with another bank. The FDIC's Bank Find, an online database that enables you to trace the history of any FDIC-insured institution, is at www2.fdic.gov/idasp/main_bankfind.asp. That Web site also has contact information for open institutions.

• **If the bank is still open**, "ask if it still has the account or safe deposit box in your name or the name of your loved one," said Debi Hodes, an FDIC Consumer Affairs Specialist. Note: If you inquire about someone else's deposit account or safe deposit box, the bank will likely require you to produce documentation such as a death certificate and a court appointment as executor if the person is dead, or a power of attorney or similar directive giving you the legal right to handle these matters for a living person.

The bank may be able to tell you what happened to the money or property. The owner may have already closed the account (which FDIC officials say is frequently the case). The assets may still be at the bank. Or, the account may have been classified as abandoned after a period of time set by state law. If the latter, the bank would have transferred any money or valuables to the unclaimed property office in the state of the owner's last known address.

However, also be prepared for the bank to have no record of the account. "This can occur when the account was closed or transferred to the state so long ago that it has been removed from the bank's computer system and paper records," noted Evelyn Manley, a Senior Consumer Affairs Specialist at the FDIC.

To determine whether any money or property is being held by a state government, you can do a free search at www.unclaimed.org, a Web site of the National Association of Unclaimed Property Administrators, or www.missingmoney.com, a database of unclaimed property records in most states.

• **If the bank has failed relatively recently**, the FDIC or another financial institution assuming the failed bank's business may have possession of the deposits or valuables (if the account owner hasn't already removed them). But following a certain period of inactivity, the FDIC or the other bank will turn unclaimed property over to the state — after 18 months in the case of deposit accounts (under federal law) and after one or more years for the contents of safe deposit boxes (in accordance with state law).

For more help or information from the FDIC about failed banks and unclaimed property, start at www2.fdic.gov/funds/index.asp. If you need additional assistance, you can speak to an FDIC specialist on failed-bank matters toll-free at 1-888-206-4662 or fill out the Customer Assistance Form at www2.fdic.gov/starsmail/index.asp.

You can collect the assets by showing satisfactory proof of ownership. Sometimes assets transferred to a state unclaimed property office may have already been sold because there was no space left to store them. In most cases, the original owner or heirs still have the right to claim the proceeds from that sale.

And if you decide you want someone else to guide your search and assist with a claim because your case seems unusually complex, there are reputable companies that will do that for a fee. "But remember, you don't need anyone's help to make a claim, and it costs nothing," said Hodes. "Most importantly, be on guard against fraud or scams. Beware of people who demand money up-front to help you claim your property by offering services that you could perform on your own for free."

Take precautions to keep bank accounts from getting lost in the first place. Doing so can ensure that you or others won't spend countless hours on a futile search. Start by keeping good, detailed records. Be sure to update them once a year or as changes occur and include information about which accounts have been cashed, closed or transferred to another institution.

"It also helps to shred and dispose of documents for accounts that you no longer own," Hodes said. "And if you need to keep some records for tax or other purposes, clearly mark them to indicate that the account itself has been closed." For more guidance on how to reduce the clutter in your financial life, see the Winter 2010/2011 ***FDIC Consumer News***, which is online at www.fdic.gov/consumers/consumer/news/cnwin1011.

Also, make sure that the companies holding or owing you money have your current address and accurate name. If you move, write (don't just call) your banks, brokers and other holders of your assets.

Finally, if your bank fails, be mindful of any correspondence from the FDIC. "We see many examples of failed-bank customers who were notified by the FDIC of a requirement to confirm the ownership of their deposits or valuables in a safe deposit box but took no action," said David Cooley, an Associate Director of the FDIC division that handles deposit insurance claims. "Now they are having to spend extra effort and time to claim their property from their state government."

New Standards, Disclosures for Mortgage Professionals Can Help Consumers Find a Loan Originator

Among the steps taken by Congress in 2008 to enhance consumer protections and reduce fraud in the residential mortgage industry was to pass the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (the SAFE Act).

The law also establishes minimum standards for mortgage loan originators (MLOs) who are state-licensed (primarily independent mortgage brokers) and requires all MLOs employed by federally regulated depository institutions and Farm Credit System institutions, as well as certain subsidiaries, to register with the Nationwide Mortgage Licensing System and Registry (NMLS).

Now here's an update: While the initial registration of state-licensed mortgage loan originators was completed last year, the initial registration period for federally regulated MLOs (such as loan officers at banks and credit unions) just ended on July 29, 2011. As a result, the NMLS "Consumer Access" Web site — a free, searchable service at www.nmlsconsumeraccess.org — provides useful information about all licensed and registered MLOs. In the future, the public database will be expanded to include information about certain relevant disciplinary or enforcement actions taken against federally registered MLOs.

Each licensed or registered MLO also will be assigned a "unique identifier" that consumers may use to find MLOs in the Consumer Access database. The unique identifier is an identification number that will stay with an MLO for life. Consumers may find the identifiers especially useful when searching for information about an MLO with a common name or someone whose name or employer has changed. The unique identifier is made publicly available in a variety of ways and can be obtained from an MLO upon request.

"The SAFE Act is intended to improve the accountability and tracking of

residential mortgage loan originators, whether they are regulated by the federal banking agencies or state regulators," said Victoria Pawelski, an FDIC Senior Policy Analyst.

Added Richard Foley, a Counsel in the FDIC's Legal Division, "For consumers, having some of this information should be a helpful first step in checking out the credentials of a mortgage loan originator."

P2P Payments *— continued from Page 5*

Luke W. Reynolds, Acting Associate Director of the FDIC's Community Affairs Branch, noted that because consumers can use P2P services to pay for purchases on the Internet, "one concern is that the speed of a P2P transaction — perhaps just a couple of clicks to send a payment — can make it easy to make impulse purchases when surfing the Web." But he also said, "whether you write a check or make an electronic payment, you should exercise fiscal discipline when making purchases and record each P2P transaction to avoid overdrawing your account."

To learn more, contact your bank, your Internet or cell-phone service provider, or one of the numerous P2P companies. If you have questions about the deposit insurance coverage of a P2P account at an FDIC-insured institution, call 1-877-ASK-FDIC (1-877-275-3342) and ask to speak to a deposit insurance specialist.

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News Briefs

Interest-Bearing Accounts and FDIC Insurance

As previously reported, the 2010 Dodd-Frank financial reform law allows banks, for the first time, to choose to pay interest on any type of checking account as of July 21, 2011. A temporary program through December 31, 2012, also provides unlimited deposit insurance for certain checking accounts that pay no interest. The FDIC wants you to know that these two changes could be important to any depositor who had unlimited deposit insurance coverage.

"If your bank on its own converts your non-interest bearing account to an interest-bearing account, you will be insured up to the basic $250,000 limit," explained Martin Becker, an FDIC Senior Deposit Insurance Specialist. "Your bank must notify you if your account will no longer have the temporary, unlimited insurance coverage. If you have funds over the $250,000 limit, you can then decide to restructure your deposits at the bank or move some funds to another bank to be fully insured."

To learn more, call toll-free 1-877-ASK-FDIC (1-877-275-3342) or visit www.fdic.gov/deposit/deposits.

New Disclosures if a Credit Score Is Used in a Loan Decision

Under new federal rules, if a lender uses a credit score to help set material terms (such as the interest rate) when acting on your application for a loan or credit card, the lender must disclose the credit score and related information to you, free of charge. The lender also must provide the information if it is used in deciding whether to make the loan. You can also order a free copy of your credit report from the credit bureau that provided information used to help calculate the score, so you can review the report for inaccurate information.

The new rules from the Federal Reserve Board and the Federal Trade Commission became effective August 15, 2011. For answers to common questions about credit reports and credit scores, go to www.federalreserve.gov/creditreports.

New Rule Targets Unaffordable Credit Card Debt

Under a new rule effective October 1, 2011, lenders must consider individual income and not household earnings when considering applications for a new credit card or an increased credit limit. The Federal Reserve Board rule is intended to protect consumers from incurring debts they cannot pay. For more information, start at go.usa.gov/KDN.

Debit Card Fees Capped, Effect on Consumers Uncertain

After months of industry advertising and debate on both sides of the issue, the Federal Reserve Board has finalized a rule that caps the fees paid by merchants to card issuers for every debit card transaction. Under the rule, the Fed expects the debit card transaction fee to drop from an average of 44 cents to about 24 cents. The Dodd-Frank law required the Fed to implement the rule. The effect on consumers and bank card issuers is uncertain. The new fee cap will take effect on October 1, 2011.

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