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DCSD

Debt Counsel for Seniors & the Disabled

HOW SAFE IS YOUR MONEY IN A BANK

California-based IndyMac Bank failed in July, leading many bank customers to wonder how safe their money really was. For most, the answer is extremely safe. Prior to 1934, bank failures often meant disaster for depositors, but the Federal Deposit Insurance Corp. (FDIC) now guarantees most bank deposits.

As crucial as FDIC insurance is for our financial security, few Americans know very much about it and what they don't know could cost them a bundle.

Do bank customers need to worry about money they have in banks? The vast majority do not. The only people who should worry at all are those whose accounts at any single bank exceed the limits of FDIC insurance \$100,000... or \$250,000 for certain retirement accounts, such as IRAs held in certificates of deposit (CDs) and money-market accounts. Stay below these limits, and 100% of your deposits are completely protected even if the bank fails.

What should people do if they want to keep more in a bank? The easiest way around the rules is to divide your money among several banks – that means among different bank companies, not just several branches of the same bank. FDIC insurance covers up to \$100,000 (or up to \$250,000 in some retirement accounts) at each bank with which you do business. If you prefer to keep more than \$100,000 in a single bank, you still can be 100% covered by FDIC insurance as long you divide your money among several “ownership categories.” Ownership categories include personal accounts in your spouse's name...joint accounts co-owned by you and someone else (such as your spouse)...and trust accounts naming someone other than yourself as trust beneficiary.

Which types of bank accounts are protected by the FDIC, and which types are not? Checking accounts, savings accounts, CDs, Christmas club accounts and money-market savings accounts are covered by the FDIC. Investment products, such as stocks, bonds and mutual fund shares (including money-market mutual fund shares) are not covered even if they were purchased through an FDIC bank.

Aside from not knowing the rules, what are other ways that customers wind up with uncovered deposits? People sometimes purchase “brokered CDs” – CDs sold through investment brokers-without realizing that these CDs will be placed with a bank at which they already have accounts total more than \$100,000, they might not be completely covered. Ask where a brokered CD will be placed before buying. Others put money into interest-bearing accounts right up to the FDIC limit. Then the interest earned by these accounts pushes them over the limit and leaves them less than fully covered.

Is money in a credit union or a savings and loan as safe as in a bank? Yes. Most savings-and-loan deposits are FDIC insured. Most credit union deposits are covered by the National Credit Union Share Insurance Fund, which is essentially identical to FDIC insurance (www.ncua.gov, and click on “Share Insurance”).

How long after a bank fails do depositors have to wait to receive their money from the FDIC? You may be hearing the myth that it takes months for the FDIC to pay up, but the truth, depositors usually have full access to their money by the next business day after a bank is closed by regulators. Typically, failed banks are closed on Fridays, and funds are fully available by the following Monday. Even during that weekend, bank customers generally can use their ATM cards and write checks, though they might not be able to use on-line banking services. (Deposited funds held through brokered accounts or trusts might take slightly longer to become fully available.)

FDIC limits lose all of their uncovered funds when their banks fail? They are likely to recover a portion of their uncovered money after the bank's assets are sold, but probably not everything. Historically, they can expect to receive around 70 cents on the dollar, though this varies.

Dear DCSD Client:

If you maintain a checking or savings account for direct deposit of your social security or disability income, we will require all clients to sign up for automatic withdrawal of the monthly retainer fee from your checking or savings account. We will make an exception for some clients, only if they have a valid reason for not joining the Automatic Withdrawal payment option. We are required to do this because of the substantial increase in mailing expenses for the non-ACH clients.

There are several advantages to enrolling in automatic withdrawal:

1. No more writing checks every month
2. Save money on postage
3. No need to mail payment
4. No more worry of a lost or stolen check
5. No more worry of losing our service because of delay in payment

Automatic withdrawal of funds is done through **EFT (ELECTRONIC FUND TRANSFER)**. It is a service that will automatically withdraw your monthly DCSD retainer fee from your bank account on the due date. Simply enter the payment into your check register and your bank statement will be your receipt. EFT is safe because there is no chance of your check being lost or stolen. You still have control of your bank account. You authorize a specific amount equivalent to your monthly retainer fee to be withdrawn on the due date. Moreover, banking and government regulations ensure that these transactions are safe.

If your payment schedule needs to be adjusted, give us a call. If you find that this payment option does not work out for you, you may stop it at any time.

To get started, please contact the Billing Department at 1-800-992-3275 ext 1500 and ask for an ACH form.

Join the thousands of our members who have enrolled in this payment program. These members are enjoying the benefits of this program. It is safe, worry free hassle free, and it will save you money.

If you do not have a bank account, you may open a VIP checking account with ABC Bank. Enclosed is an application form. Please complete and return to us.

DON'T PAY MONEY YOU DON'T OWE.

Because debt collectors often are working with old data that have been through many hands, sometimes their records are wrong. If you don't believe you owe the money or if the amount claimed by the debt collector is incorrect, DCSD will dispute the claim in writing. If the collector is calling about a debt you incurred long ago, be aware of the statute of limitations, which differs from state to state but typically runs three to six years. If a collection agency states or implies that you have to pay a debt whose age exceeds the statute of limitations, it has broken the law. Always check the date of your debt: Paying even a small portion of an expired debt may reaffirm the debt and trigger the obligation to repay it in full.

If you are contacted by a debt collector on a expired debt call your state Attorney General's Office and report it.