

The Current Economic Environment

How Does it Affect Me?

Given recent events in the financial markets and in Washington, we have received many questions about the safety of banks, the difference between investment banks and commercial banks, FDIC insurance, etc. This informational piece was designed to answer many of these questions as well as provide the necessary information about the strength of the banking industry.

FYI...

- The vast majority of the 8500 banks in this country are safe and sound.
- The banking industry currently has \$1.3 trillion in capital, and 98% of the banks in this country are well capitalized by regulatory standards.
- Commercial Banks are required to have significant capital and reserves – that is, rainy-day funds for tough economic times. This is a bank's first line of defense to cover any losses.
- FDIC insurance provides an additional backstop. The FDIC protects depositors against the loss of their insured deposits if an FDIC-insured bank or savings association fails. Deposits are insured by the FDIC for up to \$250,000* per depositor per insured bank, and up to \$250,000 for retirement accounts. (FDIC-insured accounts include savings and checking accounts, CDs, and money-market deposit accounts.)
- The chances of a bank being taken over by the FDIC are extremely remote. And if that did happen, you would continue to have access to your insured deposits.

Answers...

Q. What's the difference between an investment bank and my bank?

A. Investment banks operate differently from commercial banks and thrift institutions. Their primary purpose is to facilitate the sale of stocks and bonds. These Wall Street firms operate as advisers and agents for companies that want to raise capital, often by issuing stock or other securities.

Commercial banks and thrift institutions take deposits for checking and savings accounts from consumers and businesses. These deposits are insured by the FDIC for up to \$250,000* per depositor per insured bank, and up to \$250,000 for retirement accounts. These banks lend this money to consumers and companies for autos, homes, business equipment, etc.

Q. How do I know I won't lose money?

A. Customers' bank deposits are protected. Not one penny of insured deposits has ever been lost by a customer of a federally insured bank. Deposits are insured by the FDIC for up to \$250,000* per depositor per insured bank, and up to \$250,000 for retirement accounts. If you need more coverage, your banker can explain your coverage limits and give you options to ensure that all of your deposits are insured.

Q. Where is the safest place for my money right now?

A. The safest place for your money is in the bank. It's earning interest, it's FDIC-insured and it's accessible.

Q. Will I still be able to get a mortgage, credit card or other loan?

A. People with a good credit history will continue to have access to mortgage, credit card and other types of loans. Appropriately, most banks are taking steps to limit risk in the current economic environment, so they have tightened lending standards, but they still have money to lend.

*through December 31, 2009