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Retirees get extra protection for big bank deposits

New service gets around insurance limits

By Christine Dugas
USA TODAY

A new service offers retirees and other safety-conscious consumers extra federal insurance coverage on big bank deposits.

Consumers can insure up to \$1.5 million in one CD at any of about 500 U.S. banks that participate. The service gets around insurance limits by dividing the deposit into smaller sums and swapping them with other banks.

CD holders know which banks hold portions of their deposit but get one interest rate, one bank statement and one tax statement.

The service, called CDARS, was launched in January by Eugene Ludwig, a former comptroller of the Currency, and two other former top bank regulators.

Ludwig says CDARS may result in better service. "If you deposit a substantial amount at one bank, you're more likely to have a relationship manager," he says. Some banks may pay a higher rate on jumbo deposits.

Banks pay a small fee, but many won't pass it on to customers. "We look at it as the cost of acquiring business," says

Jim Hall, president of Pioneer Bank & Trust in St. Louis.

Reasons banks are joining:

► Pioneer caters to many retirees, who are especially concerned about deposit insurance, Hall says.

► Pulaski Bank, based in St. Louis, has many customers with deposits near the \$100,000 limit. "We want to let them know that they can deposit more money and it will all be insured," says Russell Pemberton, vice president of the small bank. Since it began offering the program in April, deposits have increased by about \$6 million, Pemberton says.

► George Meinecke, executive vice president of City State Bank in Norwalk, Iowa, says CDARS will help keep money in the community because customers won't have to look elsewhere for insurance.

Federal Deposit Insurance Corp. covers \$100,000 per account at one bank. To insure more, consumers have to set up different types of accounts, such as joint accounts and accounts held in trust, or use additional banks.

About one-third of the \$4.8 trillion in U.S. bank deposits is not insured. One of two banks that have failed this year was

What was covered

A history of bank deposit insurance coverage limits

1934 ¹	\$2,500
1934	\$5,000
1950	\$10,000
1966	\$15,000
1969	\$20,000
1974	\$40,000
1980 - present	\$100,000

¹ - Initial coverage doubled on June 30 of 1934
Source: FDIC

By Adrienne Lewis, USA TODAY

Southern Pacific Bank of Torrance, Calif. When it failed in February, \$31 million in 938 accounts was not insured.

Congress is considering increasing deposit insurance to \$130,000 on regular accounts and about double that on retirement accounts. That wouldn't help many retirees, non-profit groups and municipalities with larger amounts of money, Ludwig says.

CDARS stands for Certificate of Deposit Account Registry Service. Consumers can find a CDARS bank by going to www.cdars.com or calling toll-free 866-776-6426.

[Note to Reader from CDARS: Through a bank participating in the CDARS service, a customer can conveniently insure up to \$1.5 million by obtaining multiple CDs from other FDIC insured banks. Each CD will be in an amount under \$100,000.]

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