

For Immediate Release



CON-
TACT:

TEL:
FAX:

BAUERFINANCIAL, Inc.
1.800.388.6686
1.800.230.9569
www.bauerfinancial.com
customerservice@bauerfinancial.com

For Immediate Release:

What Will Happen if Your Bank Fails?

August 14, 2015: BAUERFINANCIAL, Inc., Coral Gables, FL, the nation's bank rating firm, would like to remind consumers and businesses that you can be prepared for the worst. There have been over 500 bank failures since the beginning of the latest financial crisis in 2008. While closures have now slowed to a trickle, we are still constantly asked the same questions, 1) "How will I know if my bank is about to fail?" and 2) "What will happen if my bank fails?"

The answer to the first question is easy. You won't know if your bank is about to fail; the bank's employees are left in the dark as well. But there are things you can do to protect yourself. The first is to make sure you do not exceed the deposit insurance limit. Deposits are currently insured up to \$250,000 for the following: individual accounts, corporate accounts, partnerships or association accounts.

You can minimize the possibility of a surprise closure by checking the star-rating of your bank(s) for FREE each quarter at (bauerfinancial.com). While 5-Star and 4-Star institutions are recommended by Bauer, any rated 3-Stars or above are considered Adequate and therefore less likely to fail than those rated 2-Stars or below.

In fact, in the last decade, over 98% of all bank failures were on Bauer's Troubled and Problematic Bank Report prior to their failure.

Before we proceed, let's make one thing clear: Federally-insured depositories are the safest place to keep your money. That being said, failures do happen. In the majority of cases (over 95%) the **FDIC** will find an acquirer before closing the bank down. In these instances, the **FDIC** generally closes the bank Friday evening and it will reopen Monday morning as a branch of the acquiring bank. With so much practice the past few years, this operation has become pretty seamless, which brings us to question #2...

If your bank does fail, you will receive two notifications. The first, from the **FDIC**, is mailed immediately to the address on record at the failed bank. Another notice will follow introducing you to your new bank. You have 18 months from the closing to claim your deposits from your new bank. Failure to make your claim can result in the funds being classified as "unclaimed property". The following is a synopsis of how different assets and accounts are handled in the event of a failure. We hope this helps.

Savings Accounts & CDs:

Acquiring banks generally assume all deposits. Your interest-bearing savings and CDs will continue to earn the interest rate you agreed on up to the date your bank failed. After that, the acquiring bank will likely change the interest rate you earn. At that time, you as the depositor, have the option to withdraw your deposit, without penalty.

Brokered Deposits:

Before any brokered deposits are paid out, each broker must provide a list of owners. Once ownership is verified, the **FDIC** will pay the insured deposits back to the broker who is then responsible for distributing the payments to individual customers. Unlike retrieving deposits that were placed directly, this process may take some time.

Checking Accounts:

In the event of an acquisition, outstanding checks against the failed bank are generally paid as if there has been no change. You can continue to use your checks and deposit slips at the new bank until you receive replacements. However, if no acquirer is found, all accounts are frozen at the time of the closure. Any outstanding checks will be returned unpaid.

Automatic Deposits & Withdrawals:

Automatic direct deposits should transfer automatically to the new bank, but you should contact the acquirer to make sure there are no delays, or worse. If there is no acquirer, the **FDIC** will attempt to find a nearby bank to takeover (at least temporarily) but only for social security and other government payments.

Safe Deposit Boxes:

If your bank is acquired, your safe deposit box will be available to you as soon as the bank is back open for business (usually the following Monday). If there is no acquirer, the **FDIC** will send a letter with instructions to retrieve your contents.

Mortgages and Other Loans:

It is not uncommon for banks to sell loans regardless of failure status. The new holder of the loan (even if it's the **FDIC**) is required to maintain the original terms of the loan. Until instructed to do otherwise, continue to make your scheduled payments in the same manner you have been.

Lines of Credit:

Lines of credit are often not part of the acquisition. We shared this story back in 2012 and it's still a great example:

A warm, snowless winter took a toll on a ski resort in upstate New York. It needed a \$1.6 million loan to stay open. Problem was, its lender, **Tennessee Commerce Bank, Franklin, TN**, failed in January—right at the peak of ski season. (*American Banker* 7/23/2012). Gone was the resort's line of credit as well as its prospects for getting a new line at another bank. It was left up to the **FDIC** to determine the resort's fate. You do NOT want that happening to you!

Find out how strong YOUR bank or credit union is by visiting www.bauerfinancial.com.

It's FREE!

BAUERFINANCIAL.... because peace of mind matters!

###

BAUERFINANCIAL has been providing the public with the knowledge they need to make informed decisions regarding their banking relationships since 1983. **BAUERFINANCIAL** is the source that bankers and consumers trust when making important banking decisions. Let's face it, when it comes to money, all decisions are important.