

SAFE STEPS IN SHAKY TIMES

Online tools and ratings can offer reassurance beyond the FDIC's stay-calm advertising campaign.

By MARK DAVIS
The Kansas City Star

Nervous depositors helped trigger last month's failure of **Columbian Bank and Trust Co.** It has spurred other banks' customers into action.

They're double-checking that their accounts are fully covered by the **Federal Deposit Insurance Corp.** They're looking up bank ratings online.

They're seeking comfort and, with a little work, they should be able to find it.

The FDIC reached out this summer to depositors with a stay-calm advertising campaign that promotes its 75th anniversary and urges consumers to "Rest assured. It's insured."

Ads direct consumers to a toll-free help line at 1-877-275-3342 and its Web site, www.fdic.gov. The online site includes a calculator called EDIE, or Electronic Deposit Insurance Estimator, which tests whether a depositor's accounts meet the agency's rules for coverage.

Banking customers can look up free ratings online from companies that evaluate banks'

safety and soundness. Regulators' Web sites disclose enforcement actions they've taken against banks. And bankers say they're more than happy to address consumers' questions, even suggesting customers ask for an updated review of the bank's financial condition.

"I think that's very sound advice," said Grant Burcham, president and chief executive officer of **Missouri Bank and Trust** in Kansas City.

Depositors, however, may be in for a few surprises.

Some have discovered their accounts weren't completely

insured, even though bank employees had said they were.

"We hear it quite frequently when a bank fails," said David Barr, a spokesman for the FDIC.

Many also will learn that their bank's finances have slipped. Area banks and thrifts have had a tougher time this year, even ignoring Columbian's demise.

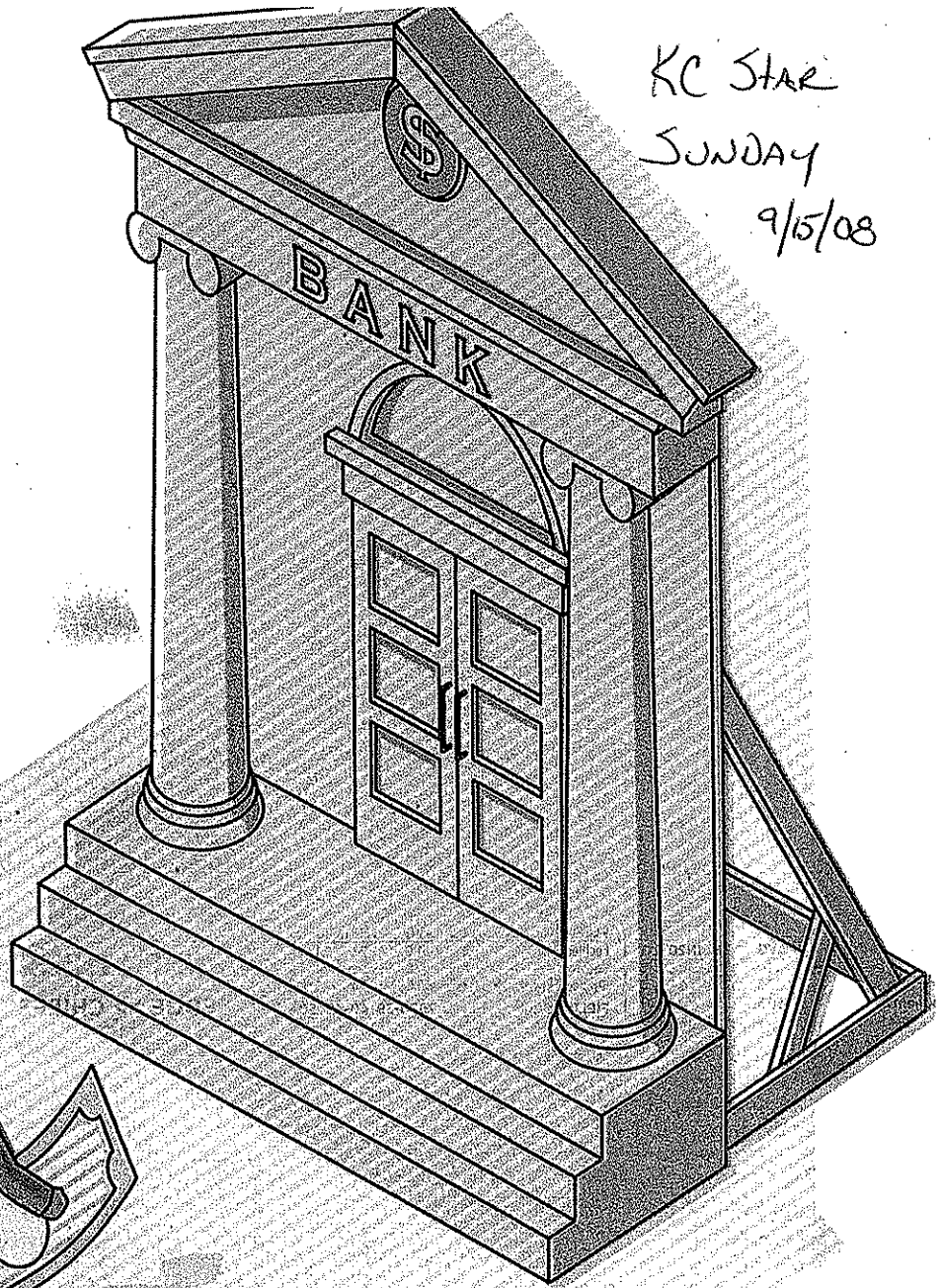
Profits in the second quarter are down 33 percent for the group of 118 Missouri and Kansas banks in the area, according to midyear financial reports from the FDIC. Problem loans

are up 15 percent since the end of March. Deeds on foreclosed properties stack 35 percent higher.

Area banks have done a better job keeping their capital cushions intact — though that total dipped for the group slightly.

Some banks have said they raised new capital to augment their financial strength. One had to restore its lost capital.

Owners of **American Sterling Bank** in Sugar Creek have injected \$13 million in new capi-



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BANKS: Networks offer protection for large accounts

FROM D1
tal since its June 30 report showed the bank was seriously undercapitalized.

At least a handful of banks in the area have come under regulatory agreements in the last several months, including American Sterling, TeamBank, Northland National Bank, National Bank of Kansas City and KCB Bank in Kearney.

All represent good reasons for depositors to do their homework.

Seek cover

The first step for any depositor is to take full advantage of the FDIC.

The federal agency insures each depositor at every bank, savings bank and savings and loan up to \$100,000. If you need more than \$100,000 in coverage, it's easy to open an account at a different bank. Individual retirement accounts are covered up to \$250,000.

Alternatively, a husband and wife with a joint bank account each get \$100,000 of coverage for that account, making it fully insured up to \$200,000. The important step is to be sure each name on the account has the same power to withdraw the money. And don't forget to consider balances in other accounts at the same bank.

Couples with children can get more coverage by establishing trust accounts such as payable-on-death accounts that name each other and their children as beneficiaries. For example, the husband can name his wife and their daughter as beneficiaries on an account he owns.

Key point: The amount of deposit coverage with these accounts depends on the number of beneficiaries. One beneficiary won't add to the account's original \$100,000 coverage, but a second expands it to \$200,000.

There are other possible pitfalls with beneficiaries on accounts.

Sons and daughters count regardless of whether they're adopted, stepchildren or born to the adults who own the account. The account owners' siblings and grandparents count, too.

But the FDIC won't add insurance coverage for nieces, nephews, ex-spouses, in-laws and friends named as beneficiaries. They don't meet the kinship requirement.

Barr, the FDIC spokesman, said insurance coverage doesn't apply to same-sex couples, even if they're married in states recognizing such unions.

He also urged customers to do their own research and not rely on a bank teller to structure the accounts for them. There is a lot of turnover at the teller window, and training isn't always adequate, he said.

Bankers say they've been focusing on insurance coverage training but agree that customers should seek help from the right employees.

"You need to talk to the private banking group," said Marc Mann, CEO of the Bank of Kansas City in Overland Park. "At least go to the branch manager."

At Commerce Bank's 56 area branches, the employee is likely to help the customer check his coverage using the FDIC's online insurance calculator.

"That certainly minimizes any fear on their part from that standpoint," said Bill Ferguson, head of retail banking for Commerce. "It's really been a great tool for our team members out there who are helping those customers."

Consumers using the site themselves may want to start by clicking on the Walk Me Through button at the bottom of the EDIE home page,

SIX STEPS TO SAFER BANKING

■ Check your FDIC coverage at www.fdic.gov/edie.

■ Don't ask the teller how a bank is doing or for help with insurance coverage. Seek the branch manager or a personal banker.

■ Ask about CDARS, private deposit insurance and other kinds of coverage if your deposits at one bank top \$100,000.

■ Be alert for news of a formal regulatory action against your bank.

■ Consider your bank's star rating from companies that post them free online: www.bankrate.com and www.bauerfinancial.com.

■ Track your bank's own finances by using the Institution Directory at www.fdic.gov.

www.fdic.gov/edie.

Written details and examples of FDIC's rules appear in a 32-page publication called "Your Insured Deposits: FDIC's Guide to Deposit Insurance Coverage" available at its Web site.

Networking

CrossPoint Bank CEO Gregg Motley in Overland Park has another offer that he said few customers know exists. It's called CDARS, or cedars.

It's essentially a network of 2,500 banks that exchange certificates of deposit to allow customers more than \$100,000 in FDIC coverage through a single bank.

For example, a bank that participates in CDARS can accept a \$1 million deposit from a customer and set up 11 fully insured CDs, each under \$100,000, in 11 banks, including itself. The smaller size ensures that the customers' interest on the CDs remains covered by the FDIC.

The other banks typically reciprocate, each sending back similar-size CDs from CDARS customers.

Motley said the benefit for customers is getting complete coverage as simply as possible.

"They just deal with one individual and one bank and one statement, rather than 10 or 15," Motley said.

Businesses, which often need accounts larger than \$100,000, can use CDARS too, said Lance Caldwell, the Olathe-based regional director for Promontory Interfinancial Network LLC, which runs CDARS.

He suggests they stagger the CDs' maturity dates so some of the money comes due each month or so. Alternatively, they can arrange a line of credit secured by the CDs and draw against that for their cash needs.

Another company, Institutional Deposits Corp., offers a service called MMAX that allows banks to offer more than \$100,000 in FDIC coverage for insured money market deposit accounts.

Banks also can purchase private deposit insurance above the FDIC's amount for customers, through a Kansas company — Kansas Bankers Surety Co. — decided last week to get out of that business. It still is available from others, but it isn't widely used.

Commercial customers also can set up sweep accounts that withdraw the uninsured deposits each night to invest them in government securities, a money market mutual fund or some other asset besides the bank account.



BIG STOCK PHOTO

Barr cautions, however, that the structure of the sweep account is important to ensure that it would have been swept out before regulators seized the bank in the event of a failure.

Stargazing

Of course, none of these safety steps matter if your bank doesn't fail.

It's a message UMB Bank hopes to convey in a series of simple billboards. "Time tested," reads one. "Reliable," said another. It also has painted a similar ad on a sidewalk that simply says "Grounded."

CEO Mariner Kemper said insurance actually gets in the way of the more important question.

"Insurance is there to calm nerves. With a strong balance sheet, it's not necessary to calm nerves," he said.

Most bank customers, however, can't read a bank's financial statement.

Several companies try to fill that gap by evaluating banks' financial statements for a fee. At least two post their ratings free online.

Bauer Financial Inc. and Bankrate.com generally agree on how area banks rate. But they also agree that ratings can change with each new quarterly report.

For example, H&R Block Bank got five stars from Bankrate for its March condition, the best rating available. It landed among the lowest-rated banks based on June 30 data.

Bauer Financial said it recommends its four- and five-star banks.

But the FDIC felt comfortable selling Columbian's old branches and moved its insured depositors to Citizens Bank and Trust Co. of Chillicothe, which Bauer gave only 3½ stars.

Ratings may help customers understand their banks' finan-

formation. Banks are prohibited from disclosing it, said Bob Monroe, chairman of the banking division at the Stinson Morrison Hecker LLP law firm in Kansas City.

But there are clues. "One thing you'd want to ask your bank is 'Are you under a public regulatory order?'" Monroe said. "If you get an order, you're going to at least be a three and possibly worse" under the federal rating system.

Three weeks before it failed, Columbian disclosed that it had been under an order since July 15. Regulators, however, didn't disclose it until after the bank failed.

Many bankers said they would willingly discuss their bank's condition, some providing updated financial information if needed.

Banks whose shares trade publicly on stock exchanges

TOP RATINGS

Two bank rating services each handed these banks their top ratings. Some others may have gotten a top rating from only one service.

Bank	Headquarters
Bank of Grain Valley	Grain Valley
Citizens Savings and Loan	Leavenworth
First Bank of Missouri	Gladstone
Great Western Bank	Watertown, S.D.
Industrial State Bank	Kansas City, Kan.
Inter-State Federal Savings and Loan	Kansas City, Kan.
Intrust Bank	Wichita
Wells Bank of Platte City	Platte City

Sources: Bauer Financial Inc., Bankrate.com

BANK CHECK

June 30 reports for 118 Kansas- and Missouri-based banks in the Kansas City area showed collectively more problems and less profit than three months earlier. Bank ratings and financial information on all banks in the Kansas City area are available online at KansasCity.com.

The reports' overall conclusions:

- Profits down 33.4%
- Capital down 1.0%
- Problem loans up 15.3%
- Foreclosed property up 35.2%

Source: Federal Deposit Insurance Corp.

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can't offer newer disclosures to individual customers but can review what's been reported. They're also under securities regulations that require notice should conditions change materially.

It's not an option — they must disclose publicly.

TeamBank, whose parent company is publicly held, reported its recent regulatory order a week after it was signed on Sept. 2.

Although they are signs of problems, enforcement orders and low ratings aren't predictors of failure. The tough answer for depositors is that there is no single test of whether a bank will fail.

That may be why every bank that has failed this year held some uninsured deposits.

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