Former Capital-Union Federal Savings Association depositors Dean and Roland Jarreau review documents they received when the thrift failed June 21.

Deposits in failed banks insured to $100,000

By CYNDY FALGOUT
Advocate business writer

Former Capital-Union Federal Savings Association customers Roland and Dean Jarreau said reports of financial problems at the thrift during the two years before it closed triggered anxiety over the safety of their deposits.

Capital-Union held Roland Jarreau's individual retirement account, opened with pension funds he received after retiring as a utility foreman for Gulf States Utilities.

"I had my IRA rollover from the company, every bit of it, in Capital-Union," Jarreau, 63, said in a recent interview.

"I had some (certificates of deposit) there," said his wife, Dean, 62.

The couple turned for advice to a niece, who managed a Capital-Union branch.

"They went under on Friday afternoon and I had my check at 11:30 Monday morning. In two-and-a-half days, I had my money back," said Dean Jarreau.

"I questioned her about it and she said not to worry, my money was safe, so I believed that," Roland Jarreau said.

The niece's assurances proved well-founded when federal regulators liquidated Capital-Union on June 21, Jarreau said.

"They went under on Friday afternoon and I had my check at 11:30 Monday morning," Jarreau said. "In two-and-a-half days, I had my money back."

The FDIC's check to the Jarreaus included the full amount of their deposits plus interest accrued through the day Capital-Union closed, Jarreau said.

"If it's federally insured, you have nothing to worry about," he said.

Deposits in most banks and thrifts in the country are insured by the FDIC, agency spokesman Caryl Austrian said in a recent interview from her Washington, D.C., office.

The FDIC is an independent government agency established in 1933 to insure bank deposits. In 1989, legislation changed so that FDIC also began insuring deposits in savings associations.

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I added to the list of bank or thrift, or savings, Austriansaid. I failed each teller station or window. The FDIC-insured institution by official one institution, you should move it over $100,000 in one institution, she said. Customers typically react by asking for their deposits because your deposits are only insured up to $100,000 per member institution, Austriansaid.

The $100,000 limit applies to deposits in an ownership category. For instance, she said, in the case of a husband and wife who each hold single and joint deposit accounts, the FDIC insurance limit would apply as follows:

- The total of deposits in accounts listed in the wife’s name only would be insured up to $100,000.
- The total of deposits in accounts listed in the husband’s name would be insured up to $100,000.
- The total of deposits in accounts listed in both names would be insured up to $100,000.

Retirement accounts — such as IRAs and Keoghs — are insured separately up to $100,000, she said.

Customers with uninsured deposits — those over the $100,000 limit — will be added to the list of bank or thrift creditors when an institution is closed or sold, Austriansaid.

But even uninsured deposits typically are not a cause for concern when the institution’s accounts are settled, Austriansaid.

Congress is considering proposals for changing deposit insurance limits as part of its deliberations on banking reform legislation. Although customer anxiety may be understandable when a bank or thrift runs into financial trouble, that anxiety typically is displaced if the deposits are insured, Austriansaid.

“The only time people will really notice their bank or thrift has failed is in a pay-off, and that doesn’t happen very often,” she said.

The FDIC paid off depositors in eight of 168 U.S. banks that failed in 1990 and three of 78 banks that failed through August 1991, she said.

In Louisiana, the FDIC paid off depositors of only one of the 63 banks that failed in the state since 1984, according to records at the state Office of Financial Institutions. Also, since 1985, the FDIC paid off all or part of the deposits in 16 of 58 failed Louisiana thrifts, including Capital Union in June and Parish Federal Savings Bank in Denham Springs in November 1990, OFI data showed. Three of those conservatorships in the state remain unresolved.

“Most of the time, we find a buyer and they (the failed institution’s customers) simply find themselves dealing with a new institution,” Austriansaid. “It’s generally business-as-usual, uninterrupted service.”

Typically, FDIC announces a bank their deposits for a certain period of time without paying a penalty, Spears said.

“So, there is never a time when rates change and people are still locked into their CD’s,” she said. “That’s a big concern of people.”

That policy holds true for both banks and thrifts, Austriansaid.

However, depositors of a failed institution may consider waiting to find out the interest rate the acquiring institution intends to pay its depositors, Austriansaid. Often the new rate will be competitive with those offered by others institutions in an area, she said.

Consumers may obtain more information about deposit account insurance and procedures by calling FDIC’s toll-free hotline, 1-800-424-5486, Austriansaid.