Chapter 3 Dollars and Sense: Your Financial News Update

This activity will help you stay current on financial issues related to this chapter. You can use the Internet or any print media (newspapers, magazines, and so on) to answer the questions. After you have completed your research and answered the questions, print out a copy of the materials you used and highlight the important points.

During the economic crisis in the latter part of the first decade of the 21st century, many banks were taken over by federal or state agencies. The Federal Deposit Insurance Corporation (FDIC) took control of the remaining bank assets after an extensive review which led to the conclusion that the banks would not have enough capital to survive. The possibility of a bank failure is worrisome to consumers. The FDIC posts a list of bank failures over a period of a number of years. Go to http://www.fdic.gov/bank/individual/failed/banklist.html and answer the questions below.

1. The list is arranged so the failed banks can be sorted in different ways. Click on the “Closing Date” column heading and sort the failed banks by the date they closed. Now read through the entire list and tally the number of failed banks by year from the first year in the list to the present time.

2. Do you notice any trends in the data? If so, explain what you have found.

3. What year contained the most bank failures? Conduct further research in order to determine what economic conditions were present during that year. Write a short paragraph with that information.

4. Look for Washington Mutual Bank on the list. When did it fail? Do some further Internet or library research to find why Washington Mutual’s failure at that time was considered one of the largest bank failures in US history.

5. Jump to the present time. How many banks have failed this year to date? How many banks failed last year? Select one of the most recent failures and research the reasons why this bank failed. Compare these reasons with the failure of Washington Mutual in 2008. Are there any similarities?

6. Look for some websites that have been set up to assist customers whose banks have failed. What advice do the authors give to those consumers?

7. What safeguards are currently in place by the Federal Deposit Insurance Corporation to protect the assets of bank customers should a bank fail? How have these safeguards changed over the last 10 years?