



**Decorah Bank & Trust Company**

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**PRESS RELEASE**

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## What You Should Know About Bank Stability

The recent near collapse of New York City's Bear Stearns has focused a lot of attention on the financial services industry and especially on banks. This has raised some confusion, as institutions that perform many different types of services are called "banks". Here are the differences:

**Commercial bank and thrift institutions** take deposits for checking, savings and time deposit accounts from consumers and businesses. These deposits are insured by the Federal Deposit Insurance Corporation for up to \$100,000 per account and up to \$250,000 for retirement accounts. To provide this FDIC protection, commercial banks must follow a multitude of regulations based on a standard of safety and soundness. These banks lend this money to consumers and businesses for autos, homes, business equipment, etc. Local banks like Decorah Bank & Trust Company and its affiliate Cresco Bank & Trust Company are commercial banks.

**Investment banks** operate differently. The primary purpose of these firms is to facilitate the sale of stocks and bonds, and they cannot accept federally-insured deposits. Instead, these Wall Street firms operate as advisors and agents for companies that want to raise capital, often by issuing more stock or other securities. Bear Stearns is an investment bank which sold to JPMorgan Chase & Co.

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