



Consumer News

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New Rights to Privacy: You Now Hold the Key to How Much Information Financial Institutions Can Share

You'll be able to limit the personal information that banks and other financial institutions provide to other companies. Here's help for you in deciding what's best.

Watch your mail. You'll soon be receiving an important message from your bank and other financial institutions you've had dealings with over the years. It's a notice explaining that you, for the first time, can decide whether certain information these institutions have about you can be shared with or sold to other companies that are not part of the same parent organization.

The federal Gramm-Leach-Bliley Act of 1999 created this new opportunity for you as a way to balance your right to privacy with



Illustration: T.W. Ballard

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financial institutions' need to share information for normal business purposes. Some consumers don't object to information sharing—they want their names on mailing and telephone lists so they can easily find out about new products and services. But other consumers want fewer solicitations and more privacy. If you're in the latter category, you have some important new responsibilities if you want to take advantage of your new rights.

"You need to be observant," says Ken Baebel, Assistant Director of the FDIC's Division of Compliance and Consumer Affairs. "You need to look for these notices, which may come as part of a monthly statement or as a separate mailing. You also need to understand whether an institution intends to share personal information with other companies and, if so, what you can do to prevent information sharing, if that's what you want. Otherwise, it will be up to the

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institution to decide who gets details about you and your finances."

You can expect to receive a lot of these notices in the coming months because the new law applies to many types of financial institutions. The law covers banks, savings and loans, credit unions, insurance companies and securities firms. It even includes some retailers and automobile dealers that collect and share personal information about consumers to whom they extend or arrange credit. Also, while the rules from the FDIC and other federal agencies say these notices to consumers must be accurate, clear and conspicuous, we know there's a lot to consider before you decide what's best for you. That's why **FDIC Consumer News** has developed the following question-and-answer format to help you understand your new rights to financial privacy and what you need to do to exercise those rights.

What kinds of personal information do financial institutions collect and share with other businesses?

Many financial institutions collect information about their customers as a regular part of their business of providing products or services. Examples: When you apply for a loan, you provide your name, phone number, address, income, and details about your assets. When the institution is considering your application, it may collect additional details from other sources, such as credit reports prepared by credit bureaus. And as you use a financial product—a credit card, for example—your institution will have a record of how much you buy and borrow, where you like to shop, and whether you repay your balance on time. Some (but not all) financial institutions share this information with other entities—including completely unaffiliated companies such as retailers, telemarketers, airlines and non-

profit organizations—to help them target consumers who might be interested in their products or programs.

How does the Gramm-Leach-Bliley Act protect my financial privacy?

First, the new law requires each financial institution to tell its customers about the kinds of information it collects and the types of businesses that may be provided that information. This disclosure, called the privacy notice, is intended to help you decide whether you are comfortable with that information-sharing arrangement. The notice has to be mailed to you by July 1, 2001, by any institution where you already have an account. If you open an account with a different institution after July 1, you must be given a copy of the privacy notice at that time. Financial institutions also are required to send a privacy notice to customers once a year.

Second, the law says that if your financial institution intends to share your information with anyone outside its corporate family, it also must give you the chance to "opt out" or say "no" to information sharing under certain circumstances. Even consumers who are not technically customers of a financial institution—such as former customers or people who unsuccessfully applied for a loan or credit card—will have the right to opt out of information sharing with outside companies.

Third, the law requires that financial institutions describe how they will protect the confidentiality and security of your information.

When I receive a privacy notice, what should I look for?

We encourage you to read the entire notice carefully. You may, though, want to focus on your financial institution's descriptions of the following:

More Ways to Stop Unwanted Solicitations

Some people want to be on marketers' mailing and telephone lists for new offers, but if you don't, here are some options:

- You can reduce the number of offers for credit cards, insurance and other financial products that you receive by calling toll-free 888-5-OPTOUT (888-567-8688) to remove your name from marketing lists that the nation's major credit bureaus provide to creditors and insurers.
- You can cut back on mailings and phone calls from national advertisers by taking advantage of services offered by the Direct Marketing Association. For more information, write to DMA Consumer Affairs, 1111 19th Street, NW, Washington, DC 20036, or go to www.dmaconsumers.org on the Internet. To be removed from marketing lists at local businesses, contact them directly.
- Don't give out personal details (such as your income or buying habits) to people or businesses who ask for it unless you know and approve of how that information will be used. Example: The information you provide when you enter drawings at stores, fill out warranty cards for new products or respond to surveys on the Internet often gets sold or rented to other marketers. 

- The kind of information it shares with other parts of the same company, likely to be described as "members of our corporate family" or "our affiliates";
- The information it shares with other companies or organizations that are *not* part of the same corporate group as your financial institution, perhaps called "nonaffiliated third parties";
- What information you can prevent your financial institution from sharing with other companies or organizations; and
- How you go about opting out, if that's what you want to do.

Will the privacy notice list exactly what information the financial institution wants to share, and with whom?

No. The regulations say the privacy notice must describe the basic categories of information a financial institution collects and shares with other entities, and give examples. But a financial institution is not required to list every type of information it may gather or share, or tell you the names of specific companies or organizations that may buy or receive your information. If you have questions or concerns, contact your financial institution at the address or phone number listed in its privacy notice.

"You need to look for these notices. You also need to understand whether an institution intends to share personal information with other companies."

Ken Baebel, FDIC consumer affairs expert

What kind of information can I stop an institution from sharing?

You have a general right to block the sharing of non-public

personal information with outside companies and organizations, but there are exceptions (as explained in the next question and answer). Also, your institution may remind you that a law passed several years ago, the Fair Credit Reporting Act, gives you limited rights to stop selected information-sharing with affiliates.

What information can't I prevent from being shared, even if I opt out?

Under the new law, you cannot bar an institution from providing personal information to outside companies and organizations if, for instance:

- The information is needed to help conduct normal business. Example: Your bank can send personal information to outside firms that help market the institution's products, handle its data processing (for your loan payments, checking account statements, electronic banking transactions or credit card purchases), or mail account statements.
- The information is needed to protect against fraud or unauthorized transactions, or is provided in response to a court order.
- The institution reasonably believes the information is "publicly available." Robert Patrick, an FDIC consumer law attorney in Washington, explains that publicly available information "includes your name, address, and telephone number as they appear in the telephone book, information about your home mortgage recorded in county records, or information that would be found on your driver's license if that information is available from your state's department of motor vehicles."
- The information is used as part of a "joint marketing agreement." That's a situation in which two or

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E-mail: publicinfo@fdic.gov
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On the Internet

Consumer information from the FDIC is available at www.fdic.gov. Find current and past issues of **FDIC Consumer News** at www.fdic.gov/consumers/consumer/news/index.html. To receive e-mail notification of new issues, with links to stories, write to listserv@peach.ease.lsoft.com and type "Subscribe FDIC-consumernews" (include the hyphen) and your name in the message area.

more financial institutions—say, a bank and insurance company—agree to jointly offer, endorse or sponsor the same products or services.

In addition, the Fair Credit Reporting Act says an institution has a right to give an affiliate any information obtained from your transactions with that institution. Example: Your bank can give an affiliated insurance company details about your deposit accounts. This could be useful information if, say, the insurer wants to offer you an annuity as an investment when one of your CDs is about to mature. Even though you cannot prevent this information from being shared, the bank still must tell you about these practices in its privacy notice.

How do I know if I should opt out?

It depends on how the information is shared... and it depends on your viewpoint. If a financial institution widely shares your personal information with other businesses, you'll get more mail, phone calls or other unsolicited promotions than if

you decide to opt out. Some consumers see information sharing as a plus because it helps them shop from home or find out about new products and services, including potentially good deals on a new loan, insurance policy or investment. Other consumers say they don't want so many solicitations from telemarketers and mail advertisers, and they don't want a lot of other businesses and people knowing about their finances or spending habits. You must decide what's best for you.

"If you opt out, your bank will still be able to share personal information about you with outside entities in certain circumstances, but you will be putting a limit on at least some information sharing," adds the FDIC's Patrick. "If you don't opt out, your bank can sell information about you to any business or person, and there are few restrictions on how that information might be used."

The FDIC's Baebel suggests that you review your institution's privacy notice and "ask yourself if you're comfortable with the types of businesses receiving your

personal information, and with what they are likely to do with the information." If you have questions or concerns, he says, contact your institution. "Banks and other financial institutions are interested in maintaining good customer relations," Baebel adds. "They should be more than willing to explain how they use your information, how they protect that information, and the circumstances in which they share information with other businesses or people."

You can also get general guidance by contacting the government agencies listed in the box below.

Before I decide whether to opt out, am I entitled to a copy of the information my bank might share with other companies, and will I have a chance to correct errors?

The Gramm-Leach-Bliley Act doesn't require your bank to give you access to the information it collects or a chance to make changes. However, if you have concerns, you can ask your bank if it will voluntarily let you see your personal records and comment on their accuracy. Banks

For More Help or Information Regarding Your Rights to Financial Privacy

- **Your financial institution** can answer questions about its information-sharing practices and your rights to privacy. Contact the department listed in the privacy notice you receive.
- **The federal regulators** of depository institutions listed on Page 7 of this newsletter can address questions about your rights to financial privacy.
- **The Federal Trade Commission** enforces privacy laws that apply to a wide variety of nondepository institutions that collect consumer financial information, such as mortgage lenders and brokers, check-cashing outlets, and retailers that offer charge cards. For information, write to the FTC's Consumer Response Center, 600 Pennsylvania Avenue, NW, Room 130, Washington, DC 20580, call toll-free 877-FTC-HELP (877-382-4357), or go to www.ftc.gov/privacy/index.html on the FTC's Web site.
- **The Securities and Exchange Commission** is the federal regulator of stock brokerage firms and other investment companies. Contact the SEC's Office of Investor Education and Assistance, 450 5th Street, NW, Washington, DC 20549, send an e-mail to help@sec.gov, or call 202-942-7040.
- **Your state insurance commissioner** is responsible for enforcing privacy laws involving insurance companies and agents. To contact your state commissioner, check the government section of your phone book or go to www.naic.org, the Web site for the National Association of Insurance Commissioners. 

do let customers review their personal information under certain circumstances.

How much time will I have to decide whether to opt out?

Federal regulations didn't set strict deadlines. The rules instead say that a consumer must be given a reasonable opportunity to opt out. You'll probably have about 30 days to reply to an opt-out notice delivered by mail. In limited instances, though, such as when you're using another bank's ATM machine, you may be asked to make a decision about opting out right then and there. If an institution doesn't get a response from you by its deadline, it can assume that you have decided not to opt out.

"If you opt out, your bank will still be able to share information about you with outside entities in certain circumstances, but you will be putting a limit on at least some information sharing."

Robert Patrick, FDIC attorney

If I decide to opt out, do I have to notify the institution in a certain way?

Yes, most likely. That's because the institution can establish a

procedure that everyone must use to opt out, provided that it is reasonable. So, be sure to check the instructions that come with your privacy notice. For example, your bank may require you to call a certain telephone number, not just any number at the bank. Or, it may require you to complete a form and mail it to a specific address. Patrick adds that "even if you call the bank to opt out, it's a good idea to also notify it in writing and to keep a copy of your written notice for your records."

What if I decide against opting out now but I later change my mind, or what if I forget to opt out by the due date?

You can always opt out, even months or years from now. But, be aware that any opt-out request only covers the sharing of information *in the future*. There is no requirement that a financial institution contact the organizations it has already shared your information with and tell them they cannot use that information any more.

If I have an account at a bank jointly with other people, do we all need to agree on whether to opt out?

If the bank sends separate notices to each account holder, each person can choose for himself or herself. However, because the rules allow banks to provide a

single opt-out notice when two or more customers have a joint account, it's important to pay attention to what the bank says about opt-out requests. If, for example, the bank sends separate notices to two owners of a joint account and only one of them responds, the bank may continue sharing the other person's information. "If you receive an opt-out notice from a bank where you have a joint account, be sure to discuss that information with the other people who share that account with you," Patrick says. "That way, if any of you decide to opt out, you can do so properly."

Final Thoughts

Your right to financial privacy is important. And thanks to the new privacy law, you now have more of a say in how much of your information financial institutions may share with other companies. It's up to you to take advantage of these protections. Watch for the privacy notices from your financial institutions, read them carefully and follow the instructions if you decide to exercise your right to opt out. If you have questions, contact your financial institution or one of the federal regulatory agencies on the previous page and page 7. We hope that the information we've provided here will help you understand your rights... and help you make decisions that are right for you. 

Wanted: Your Questions About Financial Institutions and Your Privacy

Do you have your own questions about how financial institutions may collect and share customer information or what you can do to protect your financial privacy? Please send them to us. The best questions—and the answers—may appear in an upcoming issue of our newsletter. Write to: **FDIC Consumer News**, 550 17th Street, NW, Washington, DC 20429. You also can send an e-mail to jrosenstein@fdic.gov or fax your questions to 202-898-3870. Please include your name, address and phone number. No names will appear in print without permission. 

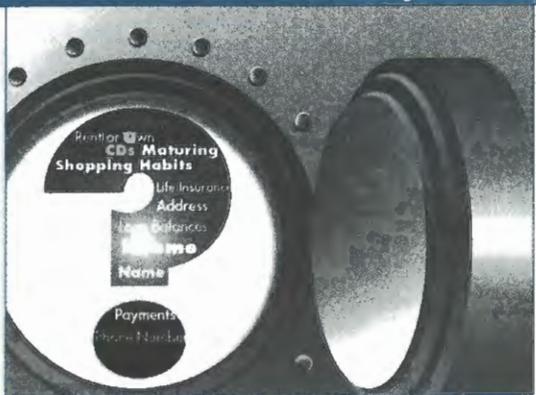


Illustration: T.W. Ballard

Did You KNOW...?

Accounts You Manage For Others Don't Limit Your Insurance Coverage

Many people set up guardianship accounts for a relative or friend as a way to manage money for that person. One common example is a Uniform Gifts to Minors Act (UGMA) account, which a parent or other adult maintains for a child under 18. Another example is an account that a person with a "power of attorney" would control on behalf of someone who may be ill, frail, living far away or otherwise unable to handle funds.

The FDIC often is asked: If I serve as guardian for someone else's account, will those funds be considered mine, or partly mine, and maybe put my deposits over the \$100,000 insurance limit? Here's the answer: Under state law, the guardian is considered the custodian of the account but not the owner of the money. And because FDIC insurance generally is based on who owns a particular account, that means the FDIC insurance coverage is tied to the person you're helping.

Example: A woman's name is on two accounts at a bank. One is a \$50,000 UGMA account she established for her son. The other is her own \$75,000 account. Because the son legally is the owner of the UGMA money, the FDIC would insure that \$50,000 account separately from the mother's \$75,000 personal account, and both accounts would be within the federal insurance limit.

Be aware that all the funds a person owns in both regular accounts and guardianship accounts are added together for insurance purposes. That means if a father has two accounts at a bank—one a \$90,000 savings account and the other a \$20,000 checking account for which his daughter has power of attorney—the FDIC would recognize the father as the owner of the full \$110,000 at the bank, leaving \$10,000 over the insurance limit.

Also important: If someone is only serving as the guardian for a deposit account and not as an owner or co-owner of the funds, that relationship must be indicated in the account records on file at the institution. Otherwise, the FDIC could consider the guardian to own some or all of that money, possibly putting him or her over the insurance limit at that institution.

For more information about guardian accounts, ask a customer service representative at your bank or savings institution. If you need additional help from the FDIC, contact our Division of Compliance and Consumer Affairs as noted on the next page.

There Are Special Rules For Deposit Insurance When Banks Merge

As banks continue to merge, customers of merging institutions ask the FDIC what happens to their \$100,000 deposit insurance coverage. Customers are most concerned about what happens if they have accounts at two institutions that merge, and the combined funds exceed \$100,000. In general, accounts at the two institutions *before* the merger would continue to be separately insured for six months *after* the merger—and longer with some certificates of deposit (CDs).

This grace period helps depositors in at least two ways. First, it limits potential losses if the "new" bank fails soon after the merger. Second, the grace period gives depositors extra time to become fully insured, if necessary, by restructuring the accounts at the merged institution or moving excess funds to another insured institution.

If you have questions, contact your insured institution or our consumer affairs division listed on the next page.

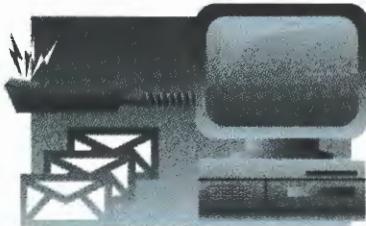
IRS Tax Refunds Are Safer By Direct Deposit

If you're due a tax refund from the Internal Revenue Service, you have two choices for receiving your money: by paper check in the mail or by direct deposit into an account at a financial institution. But if you want to receive your IRS refund in the safest and fastest way possible, the U.S. Treasury Department says there is one clear choice, and that's direct deposit. Why?

The Treasury says direct deposit recipients are 26 times less likely to have a problem than people who receive paper checks, which can be lost, misplaced or stolen out of mailboxes. A direct deposit refund also arrives faster, especially if you send your return to the IRS electronically using an "e-filing" service offered by computer software programs, professional tax preparers and even some financial institutions.

As evidence of the growing popularity of the Treasury's electronic payment program, 29 percent of the most recent tax refunds were sent by direct deposit compared to just eight percent five years ago. For more information about direct deposit and e-filing, go to www.fms.treas.gov/eft and click on "Direct Deposit of Tax Refunds." 

For More Information



Federal Deposit Insurance Corporation

Supervises state-chartered banks that are not members of the Federal Reserve System. Insures deposits at banks and savings associations.

FDIC
550 17th Street, NW
Washington, DC 20429

Home Page: www.fdic.gov

For questions about consumer or civil rights laws, or complaints involving a specific institution: First attempt to resolve the matter with the institution. If you still need assistance, write to the institution's primary regulator listed on this page. Although the FDIC insures nearly all banks and savings associations in the United States, the FDIC may not be the primary regulator of a particular institution.

For questions about deposit insurance coverage: The FDIC insures deposits up to \$100,000 at federally insured banks and savings associations. For more information, contact the FDIC's Division of Compliance and Consumer Affairs. The National Credit Union Administration insures deposits up to \$100,000 at federally insured credit unions. Addresses and phone numbers are listed on this page.

Office of the Comptroller of the Currency
Charters and supervises national banks. (The word "National" appears in the name of a national bank, or the initials "N. A." follow its name.)

Customer Assistance Unit
1301 McKinney Street
Suite 3710
Houston, TX 77010

Phone: (800) 613-6743
Fax: (713) 336-4301

Home Page: www.occ.treas.gov

E-mail: consumer.assistance@occ.treas.gov

Federal Reserve System
Supervises state-chartered banks that are members of the Federal Reserve System.

Division of Consumer and Community Affairs
20th Street and Constitution Ave., NW
Washington, DC 20551

Phone: (202) 452-3693
Fax: (202) 728-5850

Home Page: www.federalreserve.gov

National Credit Union Administration
Charters and supervises federal credit unions. Insures deposits at federal credit unions and many state credit unions.

Office of Public and Congressional Affairs
1775 Duke Street
Alexandria, VA 22314

Phone: (703) 518-6330
Fax: (703) 518-6409

Home Page: www.ncua.gov

E-mail: pacamail@ncua.gov

Office of Thrift Supervision
Supervises federally and state-chartered savings associations plus federally chartered savings banks. (The names often identify them as savings and loan associations, savings associations or savings banks. Most federally chartered savings associations have the word "Federal" or the initials "FSB" or "FA" in their names.)

Consumer Affairs Office
1700 G Street, NW
Washington, DC 20552

Phone: (800) 842-6929 or (202) 906-6237

Home Page: www.ots.treas.gov

E-mail: consumer.complaint@ots.treas.gov

Some banking matters may involve state laws. For assistance, contact the appropriate state financial institution regulatory agency or state Attorney General listed in your telephone book and other directories.

News Briefs

New Consumer Protections for Bank Insurance Sales

The FDIC and the three other federal banking regulators have adopted new rules to protect and inform consumers who are considering buying insurance products (including tax-deferred annuities) from federally insured banks and savings institutions. Included in the new rules: a prohibition against misleading a consumer into believing that an insurance product bought at a banking institution is federally insured; a requirement that insurance sales take place away from where deposits are routinely accepted; and a notice to

consumers that the institution cannot condition the approval of a loan on the purchase of insurance from that bank or an affiliate. The rules also establish government procedures for handling consumer complaints about bank insurance sales. The new rules are scheduled to become effective April 1, 2001.

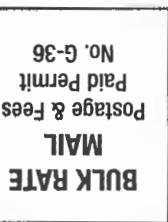
Updated Consumer Guide Now Available

Now available from the federal government—the 2001 edition of the “Consumer Action Handbook,” full of tips, addresses, phone numbers and other useful information on everything from car repair to credit repair. Free copies of the 148-page printed edition are available from the Consumer Information Center

toll-free at 888-8-PUEBLO, which is 888-878-3256, or check out the guide on the Web at www.pueblo.gsa.gov.

New FDIC Brochure on Banking Over the Internet

The FDIC has published a new brochure, “Tips for Safe Banking Over the Internet,” explaining how to confirm that an online bank is legitimate, how to keep your personal information private and secure, and how to file a complaint about a suspicious or fraudulent Web site. Read or print out the brochure at www.fdic.gov/bank/individual/online/safe.html on the FDIC’s Web site. Single copies can be obtained from the FDIC’s Public Information Center listed on Page 3 of this newsletter. 



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Washington, DC 20429-9990

