

Press Releases

March 31, 2006

OTS 06-016 - Report Issued on Improving Financial Privacy Notices for Consumers

Office of Thrift Supervision

FOR RELEASE at 10:30 A.M. EDT

For further information

Friday, March 31, 2006

Contact: Chris Smith

OTS 06-016

202/906-6677

Joint Release

**Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Federal Trade Commission
National Credit Union Administration
Office of the Comptroller of the Currency
Office of Thrift Supervision
Securities and Exchange Commission**

Report Issued on Improving Financial Privacy Notices for Consumers

WASHINGTON, D.C. - Federal regulators today released *Evolution of a Prototype Financial Privacy Notice*, a report by Kleimann Communication Group summarizing consumer research commissioned by the regulators as part of their ongoing efforts to develop improved financial privacy notices.

The report's release concludes the first phase of an interagency project by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Trade Commission, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission to explore alternatives for financial privacy notices that would be easier for consumers to read, understand, and use than many of the notices consumers currently receive from financial institutions. These six agencies were among those that jointly issued regulations in 2000 implementing the financial privacy provisions of the Gramm-Leach-Bliley Act, but survey data indicate that many consumers neither read nor understand the notices financial institutions provide under those regulations.

The report's findings indicate that it is possible for financial privacy notices to include all of the information required by law in a short document that consumers can readily understand. The report fully describes the extensive research that underlies these findings and the development of a prototype simplified privacy notice. Over a 12-month period, researchers conducted focus groups and in-depth individual interviews with consumers throughout the

United States. Based on consumers' reactions to sample privacy notices, the researchers modified content and design to create notices in a tabular format that improved consumers' ability to read, understand, and use the notices, as well as to compare the information sharing practices of different financial institutions.

The report concludes that consumers need a context for understanding information in financial privacy notices. The research shows that while there is a general awareness of information sharing practices, most consumers do not understand them. According to the report, consumers are overwhelmed by complex information, and simplification of financial privacy notices enhances consumers' ability to read the notices and make informed choices about the use of their personal information. The research also demonstrates that consumers more easily understand the important information in the notice when good design reinforces the content.

The six agencies, together with the Office of Thrift Supervision, will fund a second phase of the project, to be contracted separately. This research will involve interviewing a much larger group of consumers throughout the United States to measure the effectiveness of the prototype and other examples of notices. The agencies have deferred consideration of policy action with respect to financial privacy notices until the next phase of consumer testing is completed. At that time, the agencies expect to consider a full range of options for improving financial privacy notices in light of all their consumer research.

The agencies' efforts to improve these notices complement efforts to improve the effectiveness of privacy notices worldwide, as well as other government efforts to improve financial literacy.

The report is available online at:

www.ftc.gov/privacy/privacyinitiatives/ftcfinalreport060228.pdf

Media Contacts:

Federal Reserve	Deborah Lagomarsino	(202) 452-2955
FDIC	David Barr	(202) 898-6992
FTC	Jacqueline Dizdul	(202) 326-2472
NCUA	Cherie Umbeli	(703) 518-6330
OCC	Brian Hubbard	(202) 874-5770
OTS	Chris Smith	(202) 906-6677
SEC	John J. Nester	(202) 551-4125

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The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of

other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at www.ots.treas.gov.