

Press Releases

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OTS 98-79 - OTS Urges Thrifts to Work with Customers on Privacy

Office of Thrift Supervision

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OTS Urges Thrifts To Work With Customers On Privacy

CHICAGO, Ill., Nov. 3, 1998 - A new policy on privacy announced today by the Office of Thrift Supervision (OTS) urges thrift institutions to go beyond existing legal requirements for telling their customers how they plan to use personal information provided to the thrift and for permitting customers to "opt out," in effect to limit the use of the personal information. OTS Director Ellen Seidman announced the new policy in remarks at the annual convention of America's Community Bankers in Chicago. She also said that while institutions already have internal controls in place to protect paper-based customer information, "they now face new challenges brought on by the electronic storage and retrieval of customer information. New technology increases the potential for misuse or alteration of customer information."

She said key points of the policy statement are as follows:

- Thrift institutions have an obligation to protect and maintain confidential and accurate customer account information.
- Each institution should establish adequate controls to ensure that customer information is properly protected, confidential and used as agreed with the customer.
- If an institution wants to use customer information for purposes other than its own internal business purpose, such as cross marketing products of an affiliate, then the customer should be told and given the opportunity to limit such use, or "opt out."

Ms. Seidman said, "The disclosure and opt-out provisions are already requirements for providing personal customer information to affiliates under the Fair Credit Reporting Act. We are simply urging the institutions we regulate to apply that control to all information sharing

situations. This policy statement and applicable laws and regulations will be considered by OTS examiners as they evaluate the adequacy of an institution's controls."

Safeguarding customer information is an evolving area, she said, and OTS will continue to monitor and update its policies as needed. The guidance being issued today is by no means the final say on protecting customer privacy, but it is guidance that is timely and necessary. She also pointed out that efforts are under way, both domestically and internationally, to establish standards governing the use of customer information.

In her remarks to the ACB convention, Ms. Seidman cautioned thrift executives about outside hackers, disgruntled employees and others who "may intentionally, or more often unintentionally create havoc with your customer information if you fail to establish adequate operating controls." The policy statement outlines the elements of a comprehensive security program that would reduce this risk.

In addition, she warned thrifts about the efforts of "information brokers" to obtain confidential customer information through the practice known as "pretext phone calling." OTS is recommending that institutions establish policies and procedures that include clear guidelines for disseminating customer account information and not rely on employee discretion to determine whether or not it is appropriate to disclose confidential information.

The agency is sending both the new "Policy Statement on Privacy and Accuracy of Personal Customer Information" and an interagency memorandum on the practice of "pretext phone calling" to each institution it regulates, along with a letter to chief executive officers from OTS Deputy Director Richard Riccobono urging institutions to follow the recommended practices.

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents call PubliFax at 202/906-5660, or visit the OTS web page at www.ots.treas.gov.

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