
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency
Federal Reserve Board
Office of Thrift Supervision

June 10, 1999

Customer Communications for Y2K

To: The Boards of Directors and Chief Executive Officers of all federally supervised financial institutions, service providers, software vendors, federal branches and agencies, senior management of each FFIEC agency, and all examining personnel.

The Federal Financial Institutions Examination Council (FFIEC) has previously provided guidance to depository institutions on the importance of developing Year 2000 customer awareness programs. In addition, the bank and thrift regulatory agencies have undertaken their own public outreach programs; given information to consumers about steps they can take to prepare for the century date change; and provided materials and information to depository institutions for use in designing their own customer awareness programs. Recently, we took the additional step of contracting with the Gallup Organization to survey the American public during the first quarter of 1999. The survey provided information which not only helped us gauge the effectiveness of customer awareness campaigns to date, but will also help supervised institutions plan future educational efforts. This letter is to inform you about the results of the survey and to make further recommendations about customer communications based on the survey information.

During February and March, Gallup asked American adults about their awareness of the Y2K computer problem, their level of confidence in banks and thrifts to prevent or minimize disruptions during the century rollover, and actions they might take to minimize the impact of any date change disruptions on their own finances. Gallup conducted 14 focus groups and surveyed 2700 individuals.¹ A report summarizing the findings of the survey is available on the Internet, at <http://www.occ.treas.gov>.

Survey Findings

Basic awareness of the Y2K issue among the general public was relatively high, but only 25 percent of those polled said they had received Y2K information from their financial institution. Nevertheless, 76 percent of the respondents believed that their depository institution would “definitely” or “probably” solve the Y2K problem before the end of the year.

¹ The sample size provides that a variance of plus or minus 2.2 percentage points would occur if all qualified adults were interviewed in the same way. The chance of sampling error is greater for results based on subsamples based on gender, age, etc.

The survey respondents were evenly divided on whether the issue was a concern to them: 51 percent of respondents said they were “very” or “somewhat” concerned and 49 percent reported that they were “not too” or “not at all” concerned. According to Gallup, consumers with higher levels of exposure to information about the Y2K issue are more likely to be planning to take rational and prudent precautions and less likely to be planning to take drastic steps.

The survey data suggest that only a small minority of people believe they will be at significant financial risk because of the Year-2000 issue. Only a fifth of those surveyed expressed any willingness to agree with the statement that the banking system will shut down and 52 percent thought it unlikely that banks or thrifts will lose track of people’s money. More than 40 percent thought it “somewhat likely” that ATMs will fail and 38 percent thought that check processing might be affected. Those with greatest exposure to the Y2K issue were more likely to believe that any problems that do occur will be quickly overcome by their banks. In addition, individuals with more information about Y2K had higher levels of confidence that their own bank would be ready, and 65 percent of the survey respondents said receiving information from their bank would increase their level of confidence in that financial institution. While a majority of survey respondents (62 percent) said they probably or definitely will withdraw some extra cash, the data suggests that opinion on this issue is fluid and will likely be influenced by customer awareness programs over the remainder of the year.

Recommendations

Educating Consumers: The Gallup findings demonstrate that educating depository institution customers about Y2K can increase their level of confidence in industry readiness and reduce the likelihood of dramatic changes in consumer behavior in the rollover period. The more knowledgeable respondents were more likely to be planning to take prudent steps such as saving records and were less likely to be planning drastic actions such as withdrawing substantial sums from their depository institution and they expressed higher levels of confidence in their own institution. In addition, focus group participants said that what mattered most to their sense of confidence was specific information about their bank’s Y2K status -- statements that systems had been fixed and tested, rather than general assertions that “the government and industry are making great efforts.”

Reaching Customers: The agencies are aware that trade groups and depository institutions have provided information about Y2K to their customers, though only one quarter of survey respondents reported receiving information from their bank or thrift. The Gallup Organization suggests that this result may be related to the use of “statement stuffers” as a primary means of communication. The survey results indicate that other, more personal methods should also be used. Gallup focus groups indicated that information from tellers, community meetings and personal letters from bank or thrift presidents are useful. Survey respondents said that their primary sources of information about Y2K are television, newspapers and magazines, so financial institutions and regulators need to take time to provide comprehensive and accurate information to local news organizations.

Remaining Alert: The survey highlights that the majority of the public (59 percent), has not yet determined what actions to take with regard to cash. The survey finding that consumers with higher levels of knowledge about Y2K are more likely to take prudent, rather than drastic precautions, suggests that efforts to provide accurate and balanced information about payments system reliability and access to currency will be important to consumer decision making. The agencies believe it is crucial to remain alert to customer perceptions and intend to closely monitor opinion research throughout the year. Depository institutions should undertake similar efforts.

With more than half a year to go before the century date change, financial institutions have ample time to ensure that their customers are educated about the Y2K issue. The Gallup survey findings tell us that financial institutions and the federal regulatory agencies, by stepping up efforts to provide accurate, comprehensive and specific information to depositors, can encourage informed decision making. The federal banking and thrift regulatory agencies are committed to continuing an active program of communications with the industry and the public about Y2K, and hope these survey findings are useful to you in planning your customer outreach programs.