

**Texas Department of Banking  
Testimony**

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**Presentation title: Briefing Packet for House Committee on Financial  
Institutions**

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- [Time Line Gramm-Leach-Bliley \(GLBA\) Title V - Privacy](#)
- [Comments on Consumer Privacy Notices](#)
- [Comments Continued . . .](#)
- [Opponents of current privacy provisions](#)
- [Consumer Complaints](#)

**Time Line Gramm-Leach-Bliley (GLBA) Title V - Privacy**

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|----------------------------|---|
| <b>November 12, 1999</b>   | <b>Gramm-Leach-Bliley Financial Modernization Act signed into law.</b>  |
| <b>February 22, 2000</b>   | Federal banking agencies propose regulations on consumer financial privacy (65 FR 8770).  |
| <b>November 13, 2000</b>   | Consumer privacy regulations became effective - compliance optional until July 1, 2001 (12 CFR Part 40).  |
| <b>July 1, 2001</b>        | Banks must have delivered copies of privacy notices to customers and, as appropriate, provide them with a reasonable opportunity to opt-out of certain information sharing arrangements between the bank and nonaffiliated third parties before information sharing occurs. |
| <b>Ongoing Disclosures</b> | <ul style="list-style-type: none"><li>• Annually to each customer that has a continuing relationship; and</li><li>• Before a new customer becomes contractually obligated for a product or service.</li></ul>   |

**Comments on Consumer Privacy Notices**

- The U.S. Treasury, Federal Trade Commission and other federal agencies are conducting a study of information sharing practices among financial institutions and their affiliates and requested public comment by May 1st.
- About 50 comments were received and sharply divergent views were noted between “privacy” groups and “banking” groups.

- The first round of privacy notices generated a low percent of consumers, about 5%, who opted out of having their information shared.

## Comments Continued

### Supporters of current privacy provisions –

- American Bankers Association – GLBA in conjunction with other federal laws represents a rigorous, comprehensive and carefully constructed scheme of federal privacy protection for financial institution consumers.
- There has been no outcry from the public for more privacy laws.
- A change to opt-in will not increase privacy protections and will be more costly.
- Independent Community Bankers of America – GLBA should be given time to work and its effects should be assessed before any additional legislation is enacted.
- Community banks must rely more heavily on non-affiliated third parties to offer a breadth of financial products and services at reasonable costs.
- America’s Community Bankers – Community banks primarily share customer information on a very limited basis to conduct transactions, protect against fraud, improve customer support, and to market their own products to their customers.
- Opt-out is an effective way for consumers to exercise their choice and is the least burdensome for community banks.

### Opponents of current privacy provisions –

- Coalition of 37 State Attorney Generals – privacy notices have been dense and require a high reading level to comprehend, resulting in consumer confusion and inability to exercise informed choice.
- Risk to the consumers is that there will continue to be sales of membership clubs, insurance products, and other products and services through preacquired account telemarketing under circumstances where the consumer either did not authorize the transaction or the authorization is not clear; and  
Current law does not go far enough because consumers have no choice regarding sharing information with affiliates.
- Electronic Privacy Information Center, Privacy Rights Clearinghouse, and Consumers Union – Unfettered affiliate and non-affiliate sharing permits comprehensive profiling, which results in aggressive marketing techniques, identity theft, profiling and fraud.

*Source of comments: Bureau of National Affairs, Vol. 78, No. 19*

## Consumer Complaints

### Department of Banking (September 2000 to Present):

- One (1) complaint;
- Two (2) reports of identity theft not associated with a bank; and
- Eleven (11) inquiries wanting to opt-out.

**FDIC - Dallas Region\* (January 2000 to Present):**

- Seven (7) complaints

*\*FDIC Dallas Region includes states of Texas, New Mexico, Oklahoma, and Colorado*