

Issue: Answering Consumer Concerns about Potential Bank Closures

General Communications Ideas

- You want to reassure and counsel your customers, but we recommend being straightforward and realistic with them about your bank's situation.
- Prepare your staff in advance. Provide them with specific information to share with customers, consider role playing exercises and practice in delivering the information.
- Consider putting together a simple handout, flier or brochure with important information about your bank.

If the FDIC takes action: Questions about the affected bank(s) and speculation about others

- Develop a prepared statement for use with customers and distribute it to your staff in advance of your next business day's opening. General guidance for statements includes:
 - Do not make negative comments about the affected bank's management or business practices.
 - Express empathy and support for the affected bank's employees and customers.
 - Re-emphasize the strength of the FDIC insurance fund – no one has ever lost a penny of FDIC deposits.
 - Reference the details about how the FDIC structured the sale/transfer of the deposits and provided continued availability of those insured deposits.
 - Emphasize that the FDIC took action to fulfill its primary mission, to protect depositors' insured funds above all other interests.
- **Sample additional statement about your bank:** "Despite the FDIC's action with ____ (name of bank), it is important to emphasize that our bank (if accurate), and the vast majority of banks operating in Georgia are well capitalized and have adequate cash reserves.
- **Sample answer to questions speculating about other banks:** "We don't think it is responsible to speculate about other banks. Each bank's financial stability should be evaluated on its own merits. Speculation about other banks based on today's news could cause unnecessary turbulence in the overall banking system."

Questions about your bank

- Have specific, accurate details available about your safety and soundness.
 - Note capital levels, sources of capital and liquidity, actions you've taken to ensure funding and to work out problem loans etc. The more specific you can be about your protective safety strategies, the more credible and assuring you'll be.
- Know your current ratings at Bankrate, Bauer and other rating services, and key facts about your bank that the rating agencies don't know. If your bank has strong ratings with these services, consider having those reports available to show to concerned customers as a positive story.
- "While we can't disclose our confidential FDIC rating, there are some important things I can share with you....(TALK ABOUT YOUR BANK'S SPECIFICS)

About non-regulatory rankings and lists

- The only true list or rating that matters is the one from the FDIC, which has a more thorough and complete picture of a bank's safety and soundness.
- The FDIC has good reason not to publish their ratings. Keeping the banks' ratings confidential protects a bank's deposits from potentially harmful actions by consumers to unnecessarily withdraw insured funds during a short period of time. That's what happened at IndyMac.
- Banks with problems often work them out over time. On average, the vast majority (87 percent) of banks on the FDIC problem list come back to healthy status over time.
- Any list, analyst report or non-regulatory ranking is simply a snapshot of a bank's performance based on publicly available data. For example, the so-called Texas Ratio list is based on incomplete information. These lists:
 - Do not generally reflect the amount of collateral a bank has protecting its loans, nor the recoverable market quality of the collateral.
 - Do not account for the fact that banking laws are stronger than ever, and generally require a bank to have a much stronger pool of capital available than in any time in history.
 - Do not reflect the bank's ability to actually raise new capital if necessary – some will have a variety of options for accessing capital if necessary. They also do not account for capital that has been raised since the last quarterly update to public data or their ability to sell foreclosed property.
 - Do not reflect actions the bank has taken to strengthen itself since the list was published. For example, new management a bank may have in place that specializes in turning a bank around.

What bankers can do to reassure consumers

- Emphasize that no one has ever lost a penny of FDIC insured deposits. Help customers understand their FDIC protections. Offer to do an account review for them.
- Remind customers the banking industry pays premiums into the FDIC insurance fund to be used for just this sort of event and the fund remains at an all-time high level.
- “The best advice we can give you is to avoid taking unnecessary, drastic actions. If your deposits don't exceed FDIC insurance coverage limits, there's no need for you to be concerned.”
- Be sure to point out that there are ways to maximize coverage so that a person may qualify for more than \$250,000 in coverage for interest-bearing accounts at a single insured bank. Even the FDIC says a family of four can have well over \$3 million in insured deposits with one institution when their accounts are structured properly.
- Consider preparing statement stuffers and CD customer mailings explaining FDIC insurance coverage, enclosing official FDIC brochures.

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- Act now to mine and sort your customer base and identify customer relationships that exceed FDIC insurance coverage. Consider working out solutions in advance to maximize insurance coverage and protect the relationship. Determine if proactive outreach or defensive response is the best approach to retain your customers.

Online Resources

- FDIC Information and publications available at: <http://www.fdic.gov/deposit/deposits/index.html>
 - Electronic Deposit Insurance Estimator (EDIE) – banker and consumer online versions
 - Financial Institution Employee's guide to Deposit Insurance (publication)
 - Insuring your deposits (basic guide)
 - Insured or not insured? (publication)
 - When a bank fails: Facts for Deposits, Creditors and Borrowers (publication)
 - Much more available
- ABA Safety and Soundness Communications Kit – available to anyone <http://www.aba.com/News/safemain.htm>
 - Key messages for employees and consumers
 - Talking points
 - Statement Stuffer
 - Ads