

A Psychologist Looks at GLB: Four Steps To Better Privacy Notices

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Information Overload?

New Terms

- Nonpublic personal information
- Personally identifiable information

Just what are these safeguards?

- Physical
- Electronic
- Procedural
- Organizational

No Definitions!

- Applications
- Transactions
- Experiences
- Relationships
- Credit agencies

What are these?

- Affiliates
- Non-affiliates
- 3rd parties
- Joint marketers
- Service providers

What?

... as otherwise permitted by law

Contradiction?

...information shared even with opt-out

Should I? Shouldn't I?

Opt-out procedure



GET NOTICED
EFFECTIVE FINANCIAL PRIVACY NOTICES

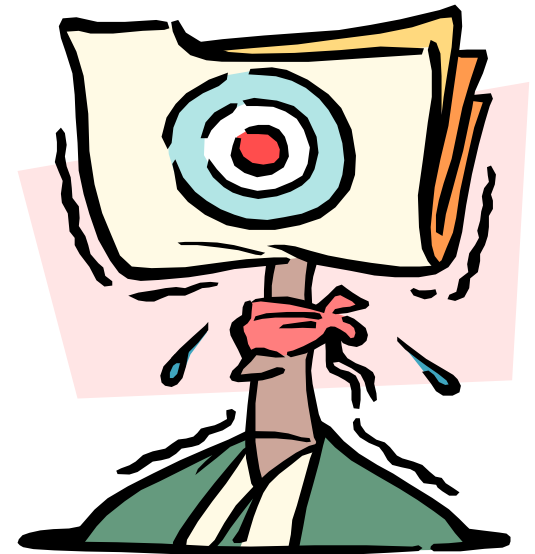
Too Much Information...

- Information Overload (Alvin Toffler)
- Information Fatigue Syndrome (David Lewis)
- Information Anxiety (Richard Wurman)
- Data Smog (David Shenk)
- Information Smog
- Data Asphyxiation



Leads To...

- Increased Stress
- Helplessness
- Confusion
- Paralysis Through Analysis
- Impaired Judgment



What to Do About It?

- Design and write your privacy message for your customers.
- Make sure that what you say is what you do.
- Be clear. Be brief.

**Sometimes
Less Information = More Understanding**



Step 1:
Know Your Goals.
What Are You Trying to Accomplish?



What Are You Trying to Change?

- It's easy to change knowledge. Information alone can change knowledge.
- Harder to change attitudes. Experience and expectations of others can help.
- Very hard to change behavior. People must be motivated and reinforced for their new behaviors. Do you want to attract new customers because your privacy policy is better than the competition?



Trust, Loyalty and Customer Relationships

- How can you use privacy to improve:
 - Overall trust? Fiduciary trust? Privacy trust?
- Customers may have fiduciary trust but not privacy trust.
 - Do they trust you with their money but not with their personal information?
- Does your privacy notice keep customers or lose customers?
- Not sharing customer information can be a powerful strategy for keeping existing customers and attracting new ones.



Step 2:

Don't Let Perfection Be the Enemy of the Good



Use What Works

- Don't expect privacy notices to be perfect on the first try. There's a learning curve for every behavior. Imitate the good notices.
- Advertising is repetitive -- privacy information should be repetitive.
 - One message won't change behavior. You may have to educate your customers using different messages in different media.



Make the Right Comparisons.

- Newspaper coupons: 1% - 2% redemption rate
Source: James McNair, "Despite Slow Economy, Coupon Use Stays At Same Clip," *The Cincinnati Enquirer*
- Direct mail: 1% - 2% response rate
Source: Janet Attard, "Mail Response Rates?" *Business Know-How Q&A*
- GLB opt-out rate: About 5%
(according to one survey)

Is that good or bad?



Results?

- Do you want a high opt-out rate or a low opt-out rate?
- Did consumers see your privacy notice?
- Did consumers read your privacy notice? In part? In whole? Did they understand it?
- Did consumers read to the end to find out about their choices?
- Introduce choice/opt-out information at the beginning



Behavior Change Takes Time

- 1964: 46% of adults smoked cigarettes
- 1998: 24% of adults smoked cigarettes
- 1996: 68% of adults used a seat belt
 - 1997 DOT prediction: 85% in 2000; 90% in 2005
 - 2001: 73% of adults use a seat belt
 - 2005: ??% of adults use a seat belt



Measuring the Impact

- Track the number who opt out/cancel their opt-outs year-by-year
- Ask customers who close accounts if privacy was a factor
- Ask new customers who open accounts if privacy was a factor
- Survey your customers (focus groups, telephone surveys)
- What distinguishes those who opt-out from those who do not



Step 3: Design Usable Privacy Notices



Collaborate With Consumers - Share the Power

- Focus groups
- User testing (informal or formal)
- Include consumers on the writing team
- Get media coverage of your efforts. Let a reporter sit in on a writing meeting.



Using Plain Language

- Work with your marketing and advertising experts to develop privacy notices that are easily understood.
 - Don't let lawyers do all the writing.
 - Privacy has to be explained the same way you explain other products or services.
 - Develop a privacy notice format that your “average” customer can understand. Build on familiar formats.



Sample: Guide to How We Collect and Share Your Information

GUIDE TO HOW WE COLLECT AND SHARE YOUR INFORMATION*

- What information do we collect about you?
1. information you provide us on your application(s) for our products and services Yes ___ No ___
 2. information we get from credit bureaus about you Yes ___ No ___
 3. information about your transactions with us, such as your account balance Yes ___ No ___
 4. information you provide us when you use our website, such as Internet "cookies" Yes ___ No ___
- Whom do we share some or all of that information with?
1. Affiliates (our family of companies) Yes ___ No ___
 2. Nonaffiliates (outside companies) who use your information for their own purposes Yes ___ No ___
 3. Nonaffiliates (outside companies) who perform marketing services for us Yes ___ No ___
 4. Nonaffiliates (outside companies) who are other financial companies with whom we jointly offer you financial products or services Yes ___ No ___
 5. Nonaffiliates (outside companies) with whom we share your information because it's required or for other reasons Yes ___ No ___

- Can you opt out of that sharing?
1. Affiliates (our family of companies) (with some limits) Yes ___ No ___
 2. Nonaffiliates (outside companies) who use your information for their own purposes Yes ___ No ___
 3. Nonaffiliates (outside companies) who perform marketing services for us Yes ___ No ___
 4. Nonaffiliates (outside companies) who are other financial companies with whom we jointly offer you financial products or services Yes ___ No ___
 5. Nonaffiliates (outside companies) with whom we share your information because it's required or for other reasons Yes ___ No ___
- How can I opt out?
- By phone: 1-800-555-1234 Yes ___ No ___
- By mail:
1. preprinted attached form Yes ___ No ___
 2. write us a letter: 123 Main Street Yes ___ No ___
Seattle, WA 12345
- By email: yourprivacy@bank.com Yes ___ No ___
- In person, at one of our locations Yes ___ No ___
- How do we protect your information?
- Limited employee access to your information Yes ___ No ___
- Electronic safeguards Yes ___ No ___

* This notice by itself does not satisfy the requirements of 16 CFR 313.6, implementing 15 U.S.C. 6801 *et seq.*



Step 4: How Do People Think About Privacy Notices?



Abstract Concepts

- People have a hard time understanding abstract concepts. Finance and privacy are pretty complicated to people who aren't in those fields.
- Concrete examples will help. If consumers don't know what you mean, they'll give it their own interpretation--which might be right, might be wrong.
- Literacy skills change with age. Older consumers may have a very hard time understanding complex information. Ask your parents or grandparents to read your privacy notice. What do they have to say?



All the People, All the Time

- No matter what you do, some consumers won't understand.
 - 60 privacy notices were written at a 3rd-4th year college level.
 - 85% of the population has a high school diploma.
 - 25% of the population has a college degree.
 - Writing for the public should be at a junior high reading level.
 - Remember that reading and understanding are not the same. Consumers can read a notice but still not understand it.



Introduction: Privacy Policy or Privacy Choices

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Original Privacy Notices

#1) Privacy Practices Notice

To provide you with high-quality products and services, our companies collect a certain amount of personal information about you. We recognize that we have an important responsibility to protect the privacy and security of your nonpublic personal information. Our information-sharing practices are designed to meet strict legal requirements and to protect the confidentiality of this information.

#2) Privacy Policy

The ABC family of financial services providers--ABC bank and its affiliated companies--understand that you expect your financial information to be kept privacy and secure. We have taken the following steps to ensure your privacy is protected. This policy applies only to products or services primarily for personal, family, or household purposes.

#3) Privacy Notice to Our Customers

XYZ Insurance Company and each member of the XYZ family of companies strongly believe in protecting the confidentiality and security of information we collect about you. This notice refers separately to XYZ and each of the Affiliates listed below by using the terms "us," "we," or "our."

Revised Privacy Notice

What privacy protections do I have at My Bank?

You have the right to decide how we share some personal information within our company and with other companies.

Please read this booklet and decide if you want us to keep sharing your information or to stop sharing your information (opt out). If you want to opt out, fill out the form on page 6 of this booklet.

In addition, this booklet describes, as the law requires,

- 1) the kinds of information we collect,
- 2) how we share that information,
- 3) how we protect that information.

Some of our practices give protections that go beyond the law. For example, we share some information so that you can correct any errors in the information we collect about you.

What Information We Collect

Original Privacy Notice

What information we collect

We may collect the following types of "nonpublic personal information" about you:

- Information about your identity, such as your name, address and Social Security number;
- Information about your transactions with our affiliates or us, such as your account balance, payment history and credit card usage;
- Information we receive from you on applications or other loan and account forms, such as your assets, income or medical information; and
- Information we receive from credit bureaus and other companies, such as your creditworthiness and payment history.

"Nonpublic personal information" is nonpublic information about you that we obtain in connection with providing a financial product or service to you, such as that described in the examples above.

Revised Privacy Notice

What information do we collect about you?

We collect information about 1) who you are, 2) your business history with us, 3) information you give us on applications for our products and services and 4) your credit bureaus' ratings.

- 1) Our information about you includes your name, address, and Social Security number.
- 2) We keep track of your account balance, payment history and credit card use with us and our affiliated companies.
- 3) We have information about you from your loan applications and other bank forms--your assets, income and medical information.
- 4) We get information about you from credit bureaus.

Some information about you is public information. Your phone number is considered public information if it's in a telephone book. But your phone number is considered nonpublic information if it's an unlisted number.

Your right to decide whether we share your information only applies to such nonpublic information. That means that even if you opt out (see page 6), we can still share public information about you with other companies.



Introduction: Privacy Policy or Privacy Choices

How We Use Your Information

Original Privacy Notice

How We Use Your Personal Information

We use your personal information only for legitimate business purposes in a manner consistent with banking practices in compliance with applicable laws and regulations.

With our affiliated companies, we use your non-public personal information:

- To conduct our business in a safe and sound manner. For example, we use information gathered in loan applications to insure that we underwrite loans in a prudent manner consistent with the requirements of federal banking regulations.

We and our affiliated companies will sometimes disclose your personal information to companies or entities unaffiliated with us. This might occur in the following circumstances:

- We may disclose your personal information to protect your accounts against fraud and unauthorized transactions, to resolve customer disputes, and, as necessary, to our regulators, attorneys, accountants, and auditors.

Revised Privacy Notice

How do we use your personal information?

We use your personal information to provide you with banking services.

We share your information with our companies so that we can run our business in a safe and sound way. For example, customer information on loan applications helps us make loans that meet federal banking regulations.

Sometimes, we will share your information with other outside insurance companies that aren't affiliated with us. For example, your information can help protect your accounts from fraud and help resolve customer disputes. You can't opt out of that kind of information sharing.

Sharing your information also lets us offer you other products and services. You can opt out of that kind of information sharing.

How to Optout

Original Privacy Policy

With Outside Companies

As described earlier, we may share limited customer information under special agreements with outside financial services providers in order to offer you financial products that we typically do not offer ourselves. Some of this information helps us ensure that you will receive those communications that are most likely to match your needs or situation.

If you prefer that we not share this information about you with these outside financial service providers for these purposes, you may choose to opt out. This means that you may direct us at any time not to disclose this information to these outside providers for marketing purposes. *If you wish to opt out of this type of sharing simply notify us as described and your request will be honored.*

Revised Privacy Policy

Do you want us to share your information with other companies?

You may tell us:

- 1) not to solicit you through our financial partners,
- 2) not to give information to our financial partners for telemarketing or direct mail marketing
- 3) not to share your personal information within the ABC Bank family of companies. We may still, however, share information without our family about your transactions with us.

If you do not want us to share your information,

- call us toll-free at 1-555-123-4567
- fill out and mail us the form below; or
- fill out the form at one of our branches



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