

Faulty Marketing Threatens Safe Deposit Integrity

If your financial institution provides safe deposit box services, BEWARE of faulty marketing practices that might create confusion, erode consumer confidence, and even evoke accusations of false advertising.

Logo Confusion

Almost anyone who has a bank or credit union account recognizes the FDIC or NCUA logo as the government's safety net that insures all deposits, up to \$100,000, in the unlikely event of an institution's failure. Depositors' breathe easier knowing this protection is in place. One of the most widespread consumer misconceptions about safe deposit is the erroneous belief that a safe deposit box and its contents are also extended FDIC or NCUA protection.

If the safe deposit vault is located within an institution that secures all of its depositor's assets, wouldn't it be logical to assume that these insurance provisions cover everything within the very walls that display the FDIC or NCUA logos?

Consumer Surveys

If you survey your existing clientele and your own staff, you might find that this misunderstanding exists with six out of ten consumers and employees. This confusion can and must be avoided. Financial institutions should be scrupulous about when and where these insurance signs, statements and logos are displayed.

First, safe deposit box renters should always be educated about safe deposit boxes. They should not only understand the obvious benefits of box use, but they should also be made to understand box and vault limitations. These boxes and vaults are resistant to fires, floods, bombs and burglaries. However, no box or vault is impervious to these disasters, and the financial institution should never market them as such. The consumer must realize that there is an element of risk, but this risk is much less than not using a box at all.

Second, renters should be apprised that safe deposit boxes are considered a rental storage space by government agencies. Box contents never fall under insured deposit regulations

Review Six Areas

Let's face it; nowhere is the degree of deception or impropriety as disagreeable as when it involves people's money and valuables. To avoid situations that could be construed as deception, here are six basic marketing and training practices that must be implemented:

- 1. Renter's key envelopes** should never bear the FDIC or NCUA logo. This implies protection that does not exist. Also, no financial institution's name, logo, address, telephone number, or the renter's names or box number should appear on key envelopes. In the event of loss or theft, this extra information only aids a dishonest person.
- 2. Service fee brochures** are routinely given to depositors' by all financial institutions. Federal regulations require a written disclosure be provided that lists all service charges, fees and other miscellaneous charges. If this brochure contains information about safe deposit rental rates, lost key or box drilling charges, this could create a significant problem later. This problem exists because this brochure must display a logo or statement about FDIC or NCUA insurance. Box renters could rightfully assume that this information means that everything printed in this brochure has \$100,000 of coverage.

3. **Other marketing issues** include statement stuffers, drive-in envelopes, newspaper ads, television commercials and the “On Hold” telephone message that consumers hear when they call a financial institution. These areas should be reviewed carefully. If they mention your safe deposit area and also refer to FDIC or NCUA, corrections should be made immediately.
4. **Web sites** have become very popular with many financial institutions. These personalized Internet sites advertise financial products and services. If box rental rates and charges appear on this site, or just the statement that safe deposit service is offered, this could create problems because FDIC or NCUA logos are always printed at the bottom. To correct this situation and all others listed above, a disclaimer should be added in at least eight point, bold type that states:

“FDIC or NCUA Does Not Insure Safe Deposit Contents.”

5. **“No Insurance” signs and disclosures** are also being used nationwide. Displaying carefully worded lobby signs, that clearly state; “No Insurance is Provided on Safe Deposit Box Contents” is strongly recommended. This sign provides consumers with correct information and could protect your institution if a disaster occurs. Many state safe deposit regulations also require that a written disclosure be given to all new box renters and mailed annually when the rent is due. Even without this state law, these signs and disclosures should always be provided.
6. **Employee training** is the most critical area. Employees having frequent contact with consumers must receive very thorough and continuous training. Make sure they can answer all questions relating to safe deposit security and insurance. Having a carefully worded safe deposit “Question and Answer Brochure” that addresses the most frequently asked questions makes this training much easier. When asked difficult questions, employees can easily provide this informative brochure to the consumers.

Conclusion

After reviewing these items, how did your current safe deposit marketing and employee training program stack-up? Did you identify any changes needed on your forms, disclosure documents, marketing ads, training or other areas? If you did and need assistance, simply contact Dave McGuinn, President, Safe Deposit Specialists at 713-937-9929 or visit www.sdspec.com for the solutions to all of these important situations. Review and update your safe deposit procedures now and save yourself the embarrassment of these “Integrity Issues” later.

About the Author: David P. McGuinn, President of Safe Deposit Specialists, is a former banker and is often referred to nationwide as the safe deposit GURU. In all 50 states he has trained over 200,000 safe deposit personnel since 1969 and has served as President of the American Institute of Banking and the American, Texas and Houston Safe Deposit Associations. He has created numerous safe deposit manuals, training videos/DVDs, compliance brochures and other products including a comprehensive “Question and Answer Brochure” and a “No Insurance Disclosure Kit” which are used nationwide. During the past 37 years, McGuinn’s safe deposit products have been recognized as the national standard for our industry.