

# Leading Practices for Developing Clear, Concise, Financial Privacy Notices

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***In this article, Kleimann Communication Group shares six leading design practices that informed the development of a standardized model financial privacy notice.***

The Financial Modernization Act of 1999, known as the Gramm-Leach-Bliley Act (GLBA), required financial institutions to provide consumers with initial and annual notices of privacy policies and practices as well as inform consumers of their right to opt out of certain sharing practices. It stipulated that these notices must be “clear,” “conspicuous,” “accurate,” and provide a means for consumers to opt out of certain information sharing.

In 2001, researchers reported that the privacy notices created as a result of the GLBA mandate were lengthy, dense in content, contained complex language, and that, as a result, consumers did not read or understand them.

In response, eight financial regulatory agencies initiated a project to explore the development of alternative privacy notices. These agencies included:

- Board of Governors of the Federal Reserve System,
- Commodity Futures Trading Commission,
- Federal Deposit Insurance Corporation,
- Federal Trade Commission,
- National Credit Union Administration,
- Office of the Comptroller of the Currency, and
- Office of Thrift Supervision and Securities and Exchange Commission

**Consumers don't read financial information—least of all financial privacy notices. They are too long, too difficult, and too easy to ignore.**

To make the complex financial privacy notices clear and usable, these agencies tapped Kleimann's integrated approach of developing clear communication through information design and consumer-centered qualitative research. The goal was to develop a financial privacy notice grounded that consumers could understand and use to compare financial institutions' information collection and sharing practices.

## How did we do it?

In order to develop the financial privacy notice, Kleimann:

- Managed and facilitated the interagency team to reveal, grapple with, and balance legal concerns and constraints, politics, content, and design.
- Distilled the core, required consumer information in consultation with federal economists and lawyers.
- Reviewed literature, led focus groups, and conducted diagnostic usability testing with more than 60 participants across eight cities.
- Designed and tested multiple versions of the privacy notice based on consumer research and our expertise.

## Notice Design Decisions

The tendency in the development of any complex information product is to say too much, to let design decorate, to attract attention at the expense of balance, to provide the specifics without a context, and to standardize without discrimination.

We developed this notice with consumers as the foundation; design decisions were made to reflect relevant research in consumer behavior and processing. Additionally, we tested design decisions with consumers to ensure use and understanding.

The Model Notice is comprised of four key components: Title, Frame (key and secondary), Disclosure Table, and Opt-Out Form. Each component contributes in multiple ways to the overall effectiveness.

1. **Title**—“Facts” captures the consumer’s attention and makes it relevant to the consumer. Instead of “privacy notice,” the notice lets the consumer know it is about “YOUR personal information.”
2. **Key Frame**—Provides context, key details about personal information, sharing practices, and laws relating to sharing practices (Why?, What?, How? section). This section helps ensure comprehension.
3. **Disclosure Table**—Provides the seven basic reasons an institution can share information and how this particular institution shares information. It identifies whether a consumer can opt out and shows both what ANY institution can do and what this particular institution does. It also allows consumers to compare across institutions. It is the heart of the disclosure.
4. **Opt out form**—Identifies how this financial institution allows consumers to opt out of particular kinds of sharing if the institution’s sharing triggers an opt out.
5. **Secondary frame**—Displays a series of FAQ’s, legally required information, and more definitions of terms from page 1. Together with the information on page 1 and the opt-out form, the notice addresses all legally required elements.

# FACTS

## WHAT DOES [NAME OF FINANCIAL INSTITUTION] DO WITH YOUR PERSONAL INFORMATION?



**Why?** Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

**What?** The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and [income]
- [account balances] and [payment history]
- [credit history] and [credit scores]



**How?** All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons [name of financial institution] chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does [name of financial institution] share?	Can you limit this sharing?
<b>For our everyday business purposes—</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus		
<b>For our marketing purposes—</b> to offer our products and services to you		
<b>For joint marketing with other financial companies</b>		
<b>For our affiliates' everyday business purposes—</b> information about your transactions and experiences		
<b>For our affiliates' everyday business purposes—</b> information about your creditworthiness		
<b>For nonaffiliates to market to you</b>		



**To limit our sharing**

- Call [phone number]—our menu will prompt you through your choice(s) or
- Visit us online: [website]

**Please note:**  
If you are a *new* customer, we can begin sharing your information [30] days from the date we sent this notice. When you are *no longer* our customer, we continue to share your information as described in this notice.  
However, you can contact us at any time to limit our sharing.



**Questions?** Call [phone number] or go to [website]

Who we are	
Who is providing this notice?	[insert]
What we do	
How does [name of financial institution] protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. [insert]
How does [name of financial institution] collect my personal information?	We collect your personal information, for example, when you <ul style="list-style-type: none"> <li>■ [open an account] or [deposit money]</li> <li>■ [pay your bills] or [apply for a loan]</li> <li>■ [use your credit or debit card]</li> </ul> [We also collect your personal information from other companies.] <b>OR</b> [We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.]
Why can't I limit all sharing?	Federal law gives you the right to limit only <ul style="list-style-type: none"> <li>■ sharing for affiliates' everyday business purposes—information about your creditworthiness</li> <li>■ affiliates from using your information to market to you</li> <li>■ sharing for nonaffiliates to market to you</li> </ul> State laws and individual companies may give you additional rights to limit sharing. [See below for more on your rights under state law.]
What happens when I limit sharing for an account I hold jointly with someone else?	[Your choices will apply to everyone on your account.] <b>OR</b> [Your choices will apply to everyone on your account—unless you tell us otherwise.]
Definitions	
<b>Affiliates</b>	Companies related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"> <li>■ [affiliate information]</li> </ul>
<b>Nonaffiliates</b>	Companies not related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"> <li>■ [nonaffiliate information]</li> </ul>
<b>Joint marketing</b>	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. <ul style="list-style-type: none"> <li>■ [joint marketing information]</li> </ul>
Other important information	
[insert other important information]	

## Leading Practices

The notice development process revealed six core leading practices:

- 1. Keep it simple.** Our research shows that consumers are overwhelmed by too many words, complex information, and vague verbiage. In fact, when faced with complex information, they often won't even bother to read. The development of the model notice focused on minimizing burden on the consumer by continually simplifying the notice. We stripped away redundancies, reduced words, used simpler words, clarified meaning, and provided key context information up front. At the same time, we did not oversimplify. A notice that strips away all contextual information will be short, but uninformative. The challenge is to find the balance between as few words as possible and relevant and sufficient information so consumers understand what is being conveyed.
- 2. Good design matters.** Good design delivers important information in a format that reinforces the content. Our research shows that consumers responded positively to the table design, headings, white space, bold text, bulleted lists, a larger font size, and full-size paper. These design techniques, combined with the simplified content, help consumers better understand the information. They recognized that it looked different from other privacy notices, commenting that it was easier to read and looked more inviting. The easy-to-read design creates the impression that financial institutions want the information to be read and understood.
- 3. Careful design decisions ensure neutrality.** The point of privacy notices is to provide information to consumers without directing their decisions. These notices need to deliver information about financial sharing practices in a way that reports the information truthfully and objectively. We therefore focused on using factual language, objective presentation, and non-inflammatory words. In each round of testing, we listened for comments, reactions, and perceptions from consumers that indicated areas of potential bias in the notice. The iterative testing process allowed us to make design decisions that led to a final notice that is intended to be clear, neutral, and unbiased.
- 4. A “whole-to-part” design is critical to comprehension.** Our research showed that consumers needed a context for understanding the information in the notice. Most consumers do not have an operational understanding of financial information sharing. Therefore, the notice needed to provide enough context that consumers could understand the detail both at the general level and at the table level.

The key frame component provides a context about financial sharing laws and personal information so consumers can understand the disclosure table. The disclosure table frames

the bank's sharing practices by giving reasons financial institutions can share information. Consumers can then distinguish and understand the specific sharing practices of their bank and compare it to other institutions. Consumers need the context of both the whole and part to understand the critical details. Without context, they understand virtually nothing.

- 5. Standardization is highly effective.** Standardization of form and content helped consumers recognize the notice and the information in it. As they became familiar with the model notice format, consumers learned where to look for the differences between financial institutions and their sharing practices. Standardization reduces cognitive burden because consumers recognize the information without having to continually re-read notices word for word.
- 6. The disclosure table is critical.** The disclosure table is the heart of the model notice. It shows consumers how their personal information might be shared, how their particular institution shares it, and what sharing consumers can limit. Simple, concise, and highly visual, the standardized disclosure table simplifies highly complex and mandatory information into a design that consumers can understand without undue burden. Our research shows that consumers preferred the standardized disclosure table, could understand the disclosure information with greater ease than with a full prose design, and could compare accurately sharing practices across financial institutions. The disclosure table, with its whole-to-part structure, is critical to consumer understanding and comparing financial sharing practices.

## Results

The Financial Privacy Notice and research results, released publicly in March 2006 in Kleimann's report, *Evolution of a Financial Privacy Notice*, led to the President's signing of the Financial Regulatory Relief Act in October 2006. This Act directed the financial agencies (including the Office of Thrift Supervision and the Commodity Futures Trading Commission) that regulate the Gramm-Leach-Bliley Act to propose a model privacy disclosure form by April 11, 2007. In November 2009, the agencies issued the final GLBA model notice, based on the extensive consumer research and the public comment process. Using the model notice is voluntary however, companies that choose to use the model form satisfy the GLBA disclosure requirements for notices and obtain a legal safe harbor.

- The notice went into effect on January 2010.
- The Federal Trade Commission won a ClearMark Award for "Best Original Public Document" award for the model financial privacy form. Judges said the form "reflects a balance of required regulation and industry comments, and an easy-to-understand and well-organized design."
- Many industry leaders are using the model privacy notice, including CapitalOne, BB&T, the Treasury Federal Credit Union, and Chase Bank.

Ultimately, more research will inform the field of effective notice design and development to make these documents truly consumer-centered.

To view the final report, *Evolution of a Prototype Financial Privacy Notice*:

<http://www.ftc.gov/privacy/privacyinitiatives/ftcfinalreport060228.pdf>

To use the Online Form Builder to customize the model privacy notice to fit practices, visit:

[http://www.ftc.gov/privacy/privacyinitiatives/financial\\_rule\\_inrp.html](http://www.ftc.gov/privacy/privacyinitiatives/financial_rule_inrp.html)