

DOCUMENT RESUME

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[Regulations and Activities regarding Certificate of Deposit Maturity Notification]. GGD-79-11. October 20, 1978. 2 pp.

Report to Robert H. McKinney, Chairman, Federal Home Loan Bank Board; by Allen R. Voss, Director, General Government Div.

Issue Area: Consumer and Worker Protection (900).

Contact: General Government Div.

Budget Function: General Government: Other General Government (806).

A survey was performed of the Federal Home Loan Bank Board's regulations and of savings and loan associations' (S&Ls') activities regarding certificate of deposit (CD) maturity notification. The Board has not issued regulations covering such notification, and procedures are left to the individual S&L's discretion. Notification procedures varied among S&Ls. Six of seven Washington, D.C., S&Ls reviewed sent adequate notification and also sent information on currently available CD plans. The other S&L sent notification that was not informative enough. Notification procedures at four Norfolk S&Ls reviewed were not as thorough as those at the Washington institutions. The Office of Examinations and Supervision should review CD maturity notification procedures, and if it is determined that there is a correlation between the procedures and factors regarding S&L size and location, a notification policy could be established accordingly. (HTW)



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

83-42

GENERAL GOVERNMENT
DIVISION

OCT 20 1978

The Honorable Robert H. McKinney
Chairman
Federal Home Loan Bank Board
Washington, D.C.

Dear Mr. McKinney:

As a result of our survey of the Federal Home Loan Bank Board's regulations and of savings and loan associations' (S&Ls') activities regarding certificate of deposit (CD) maturity notification, we found that notification procedures varied among S&Ls and require further study. The Board has not issued regulations covering maturity and interest rate notification, and, because they are not subject to Board approval, notification procedures are left to the individual S&L's discretion.

Our work included a review of 11 S&Ls in Washington, D.C., and Norfolk, Va., and discussions with Board and S&L officials. Due to the limited scope of our work, we did not conclusively correlate notification procedures with S&L size, location, or competition among area lending institutions. We did find, however, that notification procedures varied between the Washington and Norfolk areas.

In Washington, for example, six of the seven S&Ls reviewed sent either computer printout forms or preprinted letters notifying depositors of CD maturity. Notices, sent 10 to 15 days before CD maturity, informed account holders that if they took no action, the CD would automatically be renewed at the old term and interest rate. These institutions also mailed their depositors information on all currently available CD plans, including renewal options and interest rates. The other S&L did send some form of CD notification but the documents were not adequately informative of CD maturity. As means of notification, this S&L relied solely on an interest check or interest earned statement or on form 1099, which is a yearend form showing annual interest earnings for income tax purposes. In our opinion this information was not sufficient notification for the CD holder, because maturity notification was not the primary purpose of any of these forms.

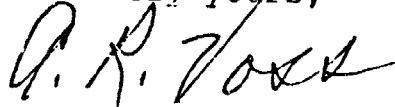
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Notification procedures at the four Norfolk S&Ls visited were not as thorough as those at the six Washington institutions. Two Norfolk S&Ls sent pending maturity notices which, similar to the notification procedure discussed earlier, informed account holders that the CD would automatically be renewed at the old term and interest rate if no action were taken within 10 days of maturity. Neither S&L, however, mailed information on current CD plans or interest rates.

The other two Norfolk S&Ls used the interest check, interest earned statement, or the form 1099 as a means of maturity notification. Neither of these S&Ls mailed information on current CD plans or interest rates.

Although it would be premature to discuss the need for regulations or guidelines, we recommend that you direct the Office of Examinations and Supervision to review CD maturity notification procedures in subsequent S&L examinations. If, after a comprehensive study, you determine that a correlation exists between notification procedures and factors regarding S&L size and location, you could establish a notification policy accordingly. We would appreciate receiving the results of your review.

Sincerely yours,



Allen R. Voss
Director