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Ashland, Oregon 97520

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Medford, Oregon 97504

NORTH MEDFORD BRANCH
1123 Royal Avenue
Medford, Oregon 97504

NORTH MEDFORD DRIVE-UP
1085 Royal Court
Medford, Oregon 97504

SOUTH GATEWAY BRANCH
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ROGUE FEDERAL CREDIT UNION™

April 24, 2002

National Credit Union Administration
c/o Credit Union National Association
Mary Dunn, Associate General Counsel
Jeffrey Bloch, Assistant General Counsel
Sent via fax to: 1-202-638-7052

Dear Ms. Dunn & Mr. Bloch:

Thank you for the opportunity to provide comments which will be included in the Study on Information Sharing Practices. Rogue Federal Credit Union appreciates the ability to be a part of this important study.

Rogue Federal Credit Union is a community chartered credit union established in 1956 currently with $229 million in assets and 34,500 members. RFCU's members are served by our affiliate, a Credit Union Service Organization, which provides financial products and services and money management services. These services cannot be offered directly by the credit union under existing credit union powers.

RFCU does not currently share member information with anyone except as allowed under exceptions for processing transactions, servicing accounts and under joint marketing agreements. We also share information with our CUSO as allowed under by GLBA and FCRA. We do not currently offer an opt out to our members of any of these information sharing practices.

Further privacy safeguards are unnecessary and would not serve the best interest of the consumer or the financial institution. I think it would be best to reinforce the adequate existing regulations.

It would also be helpful if financial institutions had more guidance in interpreting the requirements and a safe harbor built into the regulation for those who demonstrate compliance and an understanding of the laws.

Thank you very much for considering these comments and those included on the survey.

Respectfully,

Janet M. Josselyn
Compliance/Internal Auditor
Rogue Federal Credit Union
Medford, Oregon
(541) 858-7529

cc. Credit Union Association of Oregon

Real People. Real Partners.™

[illegible] FOU [illegible] Information Sharing

1. Purposes for the sharing of confidential consumer information with affiliates or with nonaffiliated third parties:

a. What types of information do financial institutions share with affiliates?

We may share personal information (such as name, address, and account number) and account information (such as type of accounts, account balances, and transaction history) with our affiliate so they can serve members more efficiently.

b. What types of information do financial institutions share with nonaffiliated third parties?

We share the following categories of information with third party service providers depending on the specific services provided:

- **Personal information (name, address, and account number)**
- **Account information (type of accounts, account balances, and transaction history)**
- **Transaction information (dates, amounts, locations, and type of transaction)**

c. Do financial institutions share different types of information with affiliates than with nonaffiliated third parties? If so, please explain the differences in the types of information shared with affiliates and with nonaffiliated third parties.

Depending on whether information is shared in or out of an allowable exception, yes. We would only share the information that is necessary to complete whatever the need is. If a nonaffiliated third party is going to make an car insurance offer we might not make all financial information available, it would not be necessary. With our affiliate we would make that information known to them because it would be useful in serving the needs of those who use their services.

d. For what purposes do financial institutions share information with affiliates?

We share information with our Affiliate who provides additional financial services the credit union is unable to offer, including but not limited to financial planning, securities brokerage and insurance products and services.

e. For what purposes do financial institutions share information with nonaffiliated third parties?

We share information with third parties when it is necessary to conduct our operations, including servicing accounts and processing transactions.

f. What, if any, limits do financial institutions voluntarily place on the sharing of information with their affiliates and nonaffiliated third parties? Please explain.

We would only share relevant information necessary to maintain member accounts and services, offer new services and what the law allows or requires us to share.

g. What, if any, operational limitations prevent or inhibit financial institutions from sharing information with affiliates and nonaffiliated third parties? Please explain.

Perhaps the biggest is the sharing of information in cases where we have a merchant who wants to know whether a check is covered or quote a loan payoff for another financial institution. It has come to the point where we can't get this type of information from other financial institutions when we need it so we are inclined to not provide when we are asked. This could be a disservice to the consumer and prove to hinder their transaction with the merchant or other financial institution.

h. For what other purposes would financial institutions like to share information but currently do not? What benefits would financial institutions derive from sharing information for those purposes? What currently prevents or inhibits such sharing of information?

Attachment to [illegible]

As stated in 1. g. above, the threat of penalties and risks associated with sharing information with others that should not have it has proven that some are interpreting the regulations to mean that they can't or choose not to share anything as a way to minimize their risk. In my opinion, it has come to this because of the lack of formal legal interpretation which we can stand behind and find safe harbor.

2. The extent and adequacy of security protections for such information:

a. Describe the kinds of safeguards that financial institutions have in place to protect the security of information. Please consider administrative, technical, and physical protections, as well as the protections that financial institutions impose on their third-party service providers.

We maintain strict policies and security controls to assure that member information in our computer systems and files is protected. Our employees are only permitted access to member information that they may need to perform their jobs and to provide service to the member. Our employees have access to such member information as necessary to conduct a transaction or respond to inquiries. All employees are trained to respect member privacy. No one except our employees has regular access to the Credit Union computer system and records storage. The Credit Union has established internal security controls, including physical, electronic, and procedural safeguards to protect the information members provide us and the information we collect about them. We hold annual staff training to reinforce these safeguards. We will continue to review our internal security controls to safeguard member information as we employ new technology in the future.

To protect the information members provide us online, we use multiple levels of security. The application information we accept online and our Internet Banking service relies on industry standard "Secure Sockets Layer" (SSL) encryption to secure member transaction information and communication. If we ask members to e-mail us information other than name, address, e-mail address and phone number, it will be obtained using a secure (SSL encryption) e-mail form. When consumers visit our website, they can access site information, without revealing their personal identity.

We require that our affiliate and nonaffiliated third parties with whom we share information maintain at least the same privacy and confidentiality standards as the credit union. We obtain confidentiality statements and non-reuse of information contract amendments from affiliates and nonaffiliated third parties. These are subject to periodic review.

b. To what extent are the safeguards described above required under existing law, such as the GLBA?

The safety and security procedures we have in place as described above are, in part, required by the GLBA and other regulatory requirements, both state and federal. They are industry standard.

c. Do existing statutory and regulatory requirements protect information adequately? Please explain why or why not.

Financial institutions have appreciated, as a general business practice, the privacy and confidentiality of customer records for years. Many of the existing privacy models and best practice models drafted within the last year have been derived from financial institution operational policies and procedures. Financial institutions have adequate privacy and confidentiality plans in place. It would be prudent that these plans be reviewed and tested as the GLBA requires. All financial institutions should be evaluated on a level playing field. A plan that is not being followed leaves all financial institutions open to reputation risk if one fails to comply. Judge one, judge all.

d. What, if any, new or revised statutory or regulatory protections would be useful? Please explain.

Attachment to Rogue FCU Comments-Information Sharing

In the financial institution industry it is often necessary that we share information such as loan payoffs, verification of funds etc. with merchants and others needing this information to complete a financial transaction the consumer has requested. At this point it has become extremely difficult for us get the information we need to process such requests. Because of the GLBA and many other such privacy protection rules some financial institutions have set a blanket 'gag order' on providing payoffs and verifications. We have continued to provide this type of information to nonaffiliated third parties on a limited basis under the allowable disclosure exception. We do complete due diligence prior to disclosing the information to ensure that we have a valid request for information and not someone pretexting. It would be helpful if clarification of the exceptions that allow disclosure to nonaffiliated third parties was provided. The 'gag order' is not beneficial to consumers or financial institutions and is not necessary provided due diligence steps are taken.

3. The potential risks for consumer privacy of such sharing of information:
a. What, if any, potential privacy risks does a consumer face when a financial institution shares the consumer's information with an affiliate?

If the proper privacy and confidentiality agreements are obtained and practiced the risks are minimal. The affiliate, in the form of a Credit Union Service Organization (CUSO) will respect member information or risk reputation of their operation as well as the credit union they are affiliated with.

b. What, if any, potential privacy risks does a consumer face when a financial institution shares the consumer's information with a nonaffiliated third party?

If the proper privacy and confidentiality agreements are obtained and practiced the risks are minimal. The nonaffiliated third party will respect member information or risk reputation of their operation as well as the credit union they wish to continue to business with. A financial institution needs to know who they are doing business with.

c. What, if any, potential risk to privacy does a consumer face when an affiliate shares information obtained from another affiliate with a nonaffiliated third party?

Obviously the more removed the information gets from the original source the more potential for risk. The consumer needs to be made aware of what is being shared, with whom and for what reason. There also needs to be accountability and assurance that confidentiality and privacy agreements are being obtained from any third parties with whom information is being shared. Perhaps SAS 70 statements can be obtained from critical nonaffiliated third party service providers which include an evaluation of their privacy and security of information.

4. The potential benefits for financial institutions and affiliates of such sharing of information (specific examples, means of assessment, or evidence of benefits would be useful):

a. In what ways do financial institutions benefit from sharing information with affiliates?

Financial institutions benefit financially when customer information is shared with an affiliate. The affiliate often has professionals trained to work with the member to provide them financial services they would just go elsewhere to get, or needs that would go unmet. This often results in cross sell referrals of credit union accounts or services that are beneficial to the member and to the credit union bottom line. In 2001 RFCU realized approximately $8.4 million in credit union deposits and loans that came directly from referrals of our affiliate. For the year 2001 our affiliate generated revenue, based upon sales of other financial products credit unions do not have powers to provide directly, of approximately $147,000.00. Member information was shared with our affiliate,

appointments were set for those interested members and those relationships resulted in these numbers.

b. In what ways do financial institutions benefit from sharing information with nonaffiliated third parties?

Credit unions that can share information with nonaffiliated third parties may be able to have servicing companies complete steps necessary to generate account statements, print and process checks etc. Financial institutions can save the expense and redundancy of completing this in-house. Sharing information with nonaffiliated third parties outside of allowable exceptions and with the proper opt out to members could also generate income for the credit union which might mean the financial institution now has revenue it can use to benefit the customer in other ways.

c. In what ways do affiliates benefit when financial institutions share information with them?

Affiliates also have bottom lines. In the case of credit union affiliates that also benefits the credit union. What benefits the credit union also benefits the member. Our affiliate generated over $7.6 million in deposits and premiums based on referrals and sharing of member information by the credit union.

d. In what ways do affiliates benefit from sharing information that they obtain from other affiliates with nonaffiliated third parties?

See 5 c. above

e. What effects would further limitations on such sharing of information have on financial institutions and affiliates?

Further limitations would not serve the financial institutions or the consumer. When proper controls are in place sharing of information has monetary rewards for both the consumer and financial institutions. To place further limitations on sharing would not be beneficial. It would be more justified to focus on those financial institutions that are not following the regulatory and statutory requirements of sharing consumer information.

5. The potential benefits for consumers of such sharing of information (specific examples, means of assessment, or evidence of benefits would be useful):

a. In what ways does a consumer benefit from the sharing of such information by a financial institution with its affiliates?

Sharing information might mean that the member is able to be served in a way that the credit union was not able to meet because of regulatory and/or statutory reasons. In 2001 representatives of our affiliate conducted approximately 1500 interviews. These were members who would have gone unnerved or gone elsewhere if it were not for the credit union sharing member information with the affiliate.

b. In what ways does a consumer benefit from the sharing of such information by a financial institution with nonaffiliated third parties?

Consumers benefit by being provided an opportunity and a choice which they might not have had otherwise.

c. In what ways does a consumer benefit when affiliates share information they obtained from other affiliates with nonaffiliated third parties?

Consumers benefit by being provided an opportunity and a choice which they might not have had otherwise.

d. What, if any, alternatives are there to achieve the same or similar benefits for consumers without such sharing of such information?

Personal information is gathered by those who want it in honest or dishonest ways. Sometimes in ways that the consumer is never aware of. We all get mailings everyday for products and services we may or may not be interested in. The alternatives might limit the consumer control over such contacts. The alternatives to financial institutions sharing such information with affiliates and/or nonaffiliates may not be in the consumer's best interest. Who better to provide suggestions for additional services from one's trusted financial institution?

e. What effects, positive or negative, would further limitations on the sharing of such information have on consumers?

See d. above and: Further limitations could delay the processing and servicing of consumer requests between financial institutions. It could also inflate the costs of their financial services if their financial institution has to comply with more and more regulatory requirements.

6. The adequacy of existing laws to protect consumer privacy:
a. Do existing privacy laws, such as GLBA privacy regulations and the Fair Credit Reporting Act (FCRA), adequately protect the privacy of a consumer's information? Please explain why or why not.

With regard to information held at financial institutions, yes. It is a concern that there are currently no less than 182 bills before the 107th Congress which in one form or another would further control privacy and information sharing. I feel financial institutions in particular have an extensive amount of regulatory control as it is. Perhaps it would be better to ensure the existing laws are complied with.

b. What, if any, new or revised statutory or regulatory protections would be useful to protect consumer privacy? Please explain.

Reinforce the review and testing of privacy procedures from a regulator or auditor as the law currently requires.

7. The adequacy of financial institution privacy policy and privacy rights disclosure under existing law:

a. Have financial institution privacy notices been adequate in light of existing requirements? Please explain why or why not.

Yes

b. What, if any, new or revised requirements would improve how financial institutions describe their privacy policies and practices and inform consumers about their privacy rights? Please explain how any of these new or revised requirements would improve financial institutions' notices.

I don't know how you would improve how financial institutions describe their privacy policy and educate their customers. I know many credit unions have included information in their member newsletters and held seminars. I also feel it is important that we properly train our front line staff in how to respond to member questions about our privacy policy and procedures.

8. The feasibility of different approaches, including opt-out and opt-in, to permit consumers to direct that such information not be shared with affiliates and nonaffiliated third parties:

a. Is it feasible to require financial institutions to obtain consumers' consent (opt-in) before sharing information with affiliates in some or all circumstances? With nonaffiliated third parties? Please explain what effects, both positive and negative, such a requirement would have on financial institutions and on consumers.

I think this process might be limited by the technical abilities of the data processing system being used. How would you track what the consumer wants and doesn't want. It could be an administrative nightmare. With all the negative publicity around privacy and information getting to those who should not have it, the consumer could conceivably opt out of any sharing of information. This might keep the consumer in the dark about choices they might have for additional products and services. It would also limit revenue possibilities a financial institution might have otherwise had. It seems consumers would be much more willing to opt out than opt in if the choice had to be made. Overall, administratively, an opt out would be much simpler to manage for the financial institution.

b. Under what circumstances would it be appropriate to permit, but not require, financial institutions to obtain consumers' consent (opt-in) before sharing information with affiliates as an alternative to a required opt out in some or all circumstances? With nonaffiliated third parties? What effects, both positive and negative, would such a voluntary opt-in have on consumers and on financial institutions? (Please describe any experience of this approach that you may have had, including consumer acceptance.)

In circumstances where a financial institution was going to share information with a nonaffiliated third party for the solicitation of a financial service product, no opt in should be required. If a financial institution were planning to sell customer information to a nonaffiliated third party to solicit cell phones, vacation packages, computer sales etc. perhaps a consumer opt in for this type of sharing would be prudent.

c. Is it feasible to require financial institutions to permit consumers to opt out generally of having their information shared with affiliates? Please explain what effects, both positive and negative, such a requirement would have on consumers and on financial institutions.

Again, administratively, it might be all or nothing. Can the data processing system determine who wants nothing shared and who does? Do they want sharing with affiliates but not to nonaffiliated third parties? It gets very convoluted very fast. Also, the lost opportunity for products and services for the member should be considered. Does the consumer really know and understand what they are opting out of?

d. What, if any, other methods would permit consumers to direct that information not be shared with affiliates or nonaffiliated third parties? Please explain their benefits and drawbacks for consumers and for financial institutions of each method identified.

I am not aware of any alternative available to consumers to make their wishes known, other than an opt out/in option. An administrative burden would be nice to overcome, however, we are bound by our systems and at least at this point, the flexibility isn't there for us.

[redacted]

9. The feasibility of restricting sharing of such information for specific uses or of permitting consumers to direct the uses for which such information may be shared:

a. Describe the circumstances under which or the extent to which consumers may be able to restrict the sharing of information by financial institutions for specific uses or to direct the uses for which such information may be shared?

> **At the point where a mailing list is compiled, from the database, in preparation for sending to the affiliate or nonaffiliated third party, the system would have to not only recognize what the information will be used for; sales of financial products, TV's, phones, travel service. After determination of the use the system would have to be able to read and recognize and eliminate any consumer who did not want their information shared for such purposes. Perhaps the system is out there, but it also might be cost prohibitive to smaller and mid-size financial institutions. The only option, if this much consumer flexibility is required, is to not share with anyone except where allowed under exceptions in the regulation. This, as stated above, is not beneficial to the consumer or the financial institution.**

b. What effects, both positive and negative, would such a policy have on financial institutions and on consumers?

> **See 9a. above**

c. Please describe any experience you may have had with this approach.

Because of system limitations and the best interest of our members, we do not currently share information except with affiliates or nonaffiliated third parties where allowed under exceptions in the regulation. We do not currently offer an opt out or opt in choice for our members as none is required due to the fact stated above. Our members have on the whole been supportive of this fact when it is explained. Our staff is well trained and able to discuss our privacy policy and the no opt out choice.