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[Federal Deposit Insurance Corporation Regulations and Non-Member State Bank Activities regarding Certificate of Deposit Maturity Notification]. GGD-79-12. October 20, 1978. 2 pp.

Report to John G. Heimann, Acting Chairman, Federal Deposit Insurance Corp.; 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 Deposit Insurance Corporation's (FDIC's) regulations and of non-member State bank activities regarding certificate of deposit (CD) maturity notification. FDIC has not issued regulations covering such notification, and procedures are left to the individual bank's discretion. Notification procedures varied among institutions. Five of the nine banks reviewed had more thorough procedures than the others, including sending their depositors information on other available plans. The timing for issuing maturity notices varied among banks up to 45 days in advance of maturity. The Division of Bank Supervision should review CD maturity notification procedures and, if it is established that there is a correlation between the procedures and factors regarding bank size and location, a notification policy could be established accordingly. (HTW)



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

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GENERAL GOVERNMENT  
DIVISION

OCT 20 1978

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The Honorable John G. Heimann  
Acting Chairman  
Federal Deposit Insurance Corporation  
Washington, D.C.

Dear Mr. Heimann:

As a result of our survey of the Federal Deposit Insurance Corporation's (FDIC's) regulations and of non-member State bank activities regarding certificate of deposit (CD) maturity notification, we found that notification procedures varied among institutions and require further study. FDIC has not issued regulations covering CD maturity and interest rate notification, and, because they are not subject to FDIC approval, notification procedures are left to the individual bank's discretion.

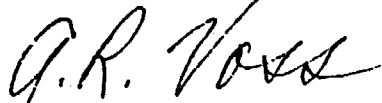
Our work included a review of nine banks in Northern Virginia; the Maryland suburbs of Washington, D.C.; and Baltimore, Maryland; and discussions with FDIC and bank officials. Due to the limited scope of our work we did not conclusively correlate notification procedures with bank size, location or competition among area lending institutions. We did find, however, varying procedures among the institutions reviewed.

Five of the nine banks, for example, had more thorough notification procedures than the others. In addition to the computer form or preprinted letter provided by eight of the nine banks as a means of CD maturity notification, five institutions sent their depositors information on other available CD plans, including pending maturity, renewal options, and interest rates. The timing for issuing maturity notices varied among banks up to 45 days in advance of maturity. We could not verify notification procedures for one bank because, as a result of a recent merger, it had not established its procedures.

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

Sincerely yours,

A handwritten signature in cursive script that reads "A. R. Voss". The signature is written in dark ink and is positioned above the typed name.

Allen R. Voss  
Director