

## **Comment Call: Accuracy of Advertising and Notice of Insured Status – Part 740**

### **Should we rescind the exemption from the official advertising statement requirement for radio advertisements that are no more than 30 seconds long?**

No, we should not.

I think we need to consider why the exemption was instituted initially. A 30 second radio spot is a very short period of time to: get a consumer's attention, describe the product/service in a compelling manner, tell the consumer who you are, ask the consumer to take a specific action and then give them the means you want them to use to respond (call a number, visit a location, etc.). To put additional, required information in each spot takes away options from all the other elements that need to go into the spot to give it a chance of success.

### **Should we rescind the exemption for television advertisements that are no more than 30 seconds long?**

No, we should not.

Because 30 seconds is such a short time to present information, the statement will only be up for a scant few seconds. It isn't long enough to understand the message of the statement since most of the public is unaware of what the NCUA is. It just makes the spot more difficult to construct and less likely to be effective.

**In regards to the proposed requirement that shorter radio and television advertisements comply with the official advertising statement rule, NCUA states that, "...the benefits of this action to consumers and credit unions, namely, enhanced consumer confidence and NCUA name recognition, will far outweigh the minor inconvenience associated with requiring the inclusion of the official advertising statement in this context."**

I do not agree with the NCUA's assessment of potential costs and benefits.

The argument that the addition of the official advertising statement, "enhances consumer confidence and name recognition for NCUA," would only apply *if consumers already had a general understanding of what NCUA is and why consumers should care*. I think a survey asking consumers what they know about the NCUA would reveal that the vast majority have no idea what the letters mean or why they might want to know. NCUA has, in my opinion, done a poor job of educating the public regarding the organization. I think that consumers on the local level consider the local institutions' credibility irrespective of their association with something called "NCUA." I doubt most people would even know what the letters stand for. While it is possible to educate the public about the meaning and

relevance of an organization, it requires that organization to explain itself and its purpose to the public repeatedly over a number of years. One example that comes to mind is the NCAA. Many people are familiar with this regulatory agency but it is the result of years of exposure by the NCAA specifically regarding its purpose and its powers. If the NCUA wants the same level of public recognition it has a large task ahead of it to educate the general public. I haven't seen that occur yet. It won't occur as a 5 second tag on the end of a 30 second radio spot or a small line that appears on a television spot for 2 seconds. That will always be interpreted by the consumer as an afterthought, a throwaway line at the end of a spot, and will just mean an inconvenience to the advertiser. It is difficult enough to market financial products against the considerable competition in the market. Many large banks have deep marketing pockets. This will just make it harder to compete. The critical costs here are that we will not have time to include more important information about the particular benefits of the message at hand.

As to benefits related to consumer confidence, I do not think there are any significant potential benefits to enlarging the statement. The key concept in the official advertising statement is "federally insured," not "by the National Credit Union Administration." In fact, it could be argued that believing your assets are insured by the federal government (the USA) is much more valuable than knowing that your assets are actually insured by something called the, "NCUA." To simply say what the letters in NCUA stand for, does not improve the message. People might even think that the fox is watching the hen house....credit unions insured by credit unions? By a credit union administration? Is that better than insured by the federal government? For many I would think not.

**Should we rescind the exemption for a credit union's annual reports and statements of condition required by law? Do you agree with NCUA that such documents are a "form of advertisement" that merit application of the official advertising statement rule?**

These documents might be a form of advertisement – they are certainly information, and if advertising is merely information delivered, then these are "ads." However, the more important issue is, what is the form and content that dictates where the, "official advertising statement" must be? Annual reports are usually multiple pages. Does it need a statement referenced on every page? One for the entire report? Does it need to only follow financial information or does it apply to reports, statements and messages by the CEO and Board Members. Often reports are put online. What are the requirements there? Issuing an ambiguous rule just creates confusion as everyone gives it their own interpretation.

**What is the estimate of costs of these proposed changes for your credit union?**

If all printed material must be revised and then reprinted prior to when replacement materials would normally be revised and reprinted, the costs will be significant indeed. This would certainly have an impact on credit unions that have multiple branches and invest in the production of professionally produced materials.

If TV and radio commercials needed to be revised and reproduced to add additional statements, the costs will also be significant.

However, the real cost as noted above is in the reduction of more important information (because time and space has been reduced to accommodate the new statements). And, that the additions may be misunderstood and counterproductive.

**In an effort to “clarify” the requirement that the official advertising statement be in a size and print that is clearly legible, the proposal would require that the font size and print “be no smaller than the smallest font size used in other portions of the advertisement intended to convey information to the consumer.”**

I would not support this action. This requirement needs to be considered in a more thorough fashion. It will create confusion and will clarify nothing.

What do you do on a billboard, where the words are usually very large and the time the consumer has to read the message is very short? After 5 or 6 words the billboard message starts to become ineffective. The statement will be a major distraction and, since it has no easily understood meaning, it will have no positive effect.

What are we supposed to do with advertising on teller receipts, or ATM receipts? Does each of those need the official statement? Where do we put that? Should it be the same size as the numbers on the receipts? Or is “...information to the consumer...” restricted to words? If so, what if you are advertising a special rate?

What is to prevent someone from putting a statement in very small type somewhere in an ad and then referring to that font size as the measure for the official advertising statement? Certainly it would meet the requirement that it was, “...intended to convey information to the consumer” almost regardless of what was said. Everything in an ad is “intended to convey information to the consumer” or it wouldn’t be in the ad!

When you are using the NCUA mark in the box, does the box have to be the same size as the smallest font in the ad, or do the letters in the box have to be the same size as the smallest font in the ad?

The confusion this requirement will create will be counterproductive to goal of creating effective advertising by the credit union and provide no benefit to any party.

**The term “advertisement” is not currently defined in Part 740. The proposal defines “advertisement” as, “a commercial message, in any medium, that is designed to attract public attention or patronage to a product or business.”**

I think that clarification is fine; however, would an organization create a message, in any form, that is NOT designed to “attract public attention or patronage to a product or business?”

Would it be designed to divert attention away from the product or business? Cannot we assume that it is designed to get attention and provide information? Therefore, everything is an “advertisement.” And now where are we? Have we gained anything?

### **Final Comments**

I do understand the value of consumers’ awareness of NCUA’s role in deposit insurance coverage. However, if the aim of these current proposals is to “enhance consumer confidence and NCUA recognition,” then more effort needs to be made to explain what the NCUA is, what connection they have to a government agency and regulators, what it does, and how, in general, credit unions operate and are different than banks. The structure of the system needs to be explained and then perhaps being federally insured by something called the National Credit Union Administration will have significance to the public.

Right now, adding that line under the current proposal guidelines will make no difference; it has little benefit and will hamper credit unions in their attempts to attract new business.

I think NCUA, rather than addressing the real need for educating the public about their role, is making an ineffective attempt to address it by putting the burden on individual credit union advertisers. If these measures would actually educate the public I would not have an objection regardless of the inconvenience, but they will not. I think any objective look at the proposals would come to a similar conclusion. I would hope NCUA would instead consider a program of education that had some reasonable chance of success. In the meantime, I would be careful about adding requirements that do not add any appreciable benefits, diminish credit unions’ ability to compete for customers and may, in fact, raise some unnecessary, if not, uncomfortable questions.

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