



FEDERAL RESERVE BANK
OF DALLAS

DALLAS, TEXAS
75265-5906

December 15, 1999

Notice 99-107

TO: The Chief Executive Officer of each
financial institution and others concerned
in the Eleventh Federal Reserve District

SUBJECT

**Gallup Poll: Consumer Confidence in
Banking Y2K Preparation Rises Sharply**

DETAILS

Current figures indicate nine out of ten U.S. bank customers believe that their banks are ready for the Year 2000 (Y2K), according to a new survey by the Gallup Organization. By comparison, a March survey found that an estimated 76 percent of bank customers were confident that their banks would solve the Y2K problem.

Both surveys were sponsored by federal financial institution regulatory agencies. The Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation sponsored the current survey, which was delivered to the agencies on November 15, 1999. The results, which are based on about 1,400 completed interviews, are from an ongoing survey of adult Americans who have bank accounts.

The most recent Gallup report indicates that financial institutions have been informing their customers about their Y2K readiness. The percentage of American adult depositors who have received information about Y2K readiness from their financial institutions has significantly increased over the last seven months. An estimated 70 percent now report receiving information from their financial institution, compared with 23 percent in March. Additionally, in March, 52 percent of respondents reported having seen or heard a great deal about the Y2K issue, but that percentage is now up to 68 percent.

Only about 5 percent of bank customers currently indicate that they are very concerned about the Y2K issue, down from 11 percent in the March report. The November findings

support the notion that a decreased level of concern about the likely impact of the century date change on computers is related to increased information about the Y2K issue. Consumer confidence in their own financial institutions has also increased. Over 90 percent of those surveyed expressed confidence in their own banks, with the proportion of those saying they would definitely or probably take extra cash declining from 62 to 39 percent in the period between the March and October surveys. The majority of those who plan to withdraw extra cash say they will take less than \$500.

The survey results also indicate that the public is increasingly confident that basic payment systems will work properly during the century date change. Most American adult depositors believe that they will have access to their money; that checks will continue to be processed accurately; and that automatic teller machines, credit card systems, and electronic direct deposits will function normally.

Over the past three years, FDIC-insured financial institutions have been identifying and overhauling systems to make them Y2K ready. At the same time, the regulatory agencies have been closely monitoring their efforts. As of November 18, 1999, the regulators have assigned a "Satisfactory" rating—the highest possible rating—to 99.9 percent of FDIC-insured financial institutions.

ATTACHMENT

A copy of the Gallup Poll results is attached.

MORE INFORMATION

For more information, please contact Ann Worthy, (214) 922-6156, in the Banking Supervision Department. For additional copies of this Bank's notice, contact the Public Affairs Department at (214) 922-5254.

The Gallup Organization
Government and Education Division
Rockville, MD

Attitudes and Prospective Behavior of Banking Consumers Concerning Y2K

Monthly Report – October-November 1999

In March 1999 the Gallup Organization conducted a comprehensive survey of consumer attitudes about Y2K and its possible effects on financial institutions on behalf of the Federal financial regulatory agencies. On October 19, 1999, the Gallup Organization began conducting a continuous survey¹ to track bank customers' attitudes and beliefs concerning their banks' readiness for the Y2K transition. The current survey focuses on account holders' expectations and concerns about potential disruptions to banking services, the information about Y2K readiness they receive from their banks, their level of confidence in their banks' preparations, and their plans for ensuring that they have access to cash during the early days of January 2000.²

Public Awareness of the Y2K Computing Issue

In March and in October-November 1999, survey respondents were asked:

How much have you seen or heard about the Y2K computer issue? Would you say

A great deal,
Some,
Not much, or
Nothing at all

By the end of the second week of November 1999, over two-thirds (68 percent) of respondents reported seeing or hearing “a great deal” about the Y2K issue and an additional 20 percent reported “some” exposure. Only about 11 percent reported hearing “not much” or “nothing at all.” These results indicate *a substantial increase in public awareness since March 1999*, when only 52 percent reported “a great deal” of exposure, 32 percent reported having “some” awareness, and 16 percent said they’d heard “not much” or “nothing at all.”

¹ The Y2K Banking Attitude Tracking Survey is being conducted using Computer Assisted Telephone Interviewing with a national probability sample of adults (age 18 or older) using Random Digit Dialing sampling methods.

² This report covers survey results for the period October 19 through November 13, 1999. The sample included 1,426 screened individuals and 1,325 eligible cases. Sample sizes for some survey items are smaller because responses were obtained only from persons who answered a prior question using specific categories (e.g., only respondents who indicated an intention to withdraw “some extra cash” prior to December 31, 1999 were asked how much cash they expected to withdraw, and when they expected to withdraw it).

Levels of Public Concern about the Y2K Computing Issue

In March and again in October-November 1999, respondents³ were asked

Overall, how concerned are you about the Y2K computer issue? Would you say you are

Very concerned,
Somewhat concerned,
Not too concerned, or
Not at all concerned.

Only five percent of October-November respondents indicated they were “very concerned” about the Y2K issue, and an additional 30 percent reported being “somewhat concerned.” Fully 40 percent said they were “not too concerned, and 24 percent responded that they were “not at all concerned.” This distribution represents a considerable reduction in levels of concern compared to March 1999, when 11 percent reported being “very concerned,” 42 percent were “somewhat concerned,” 33 percent were “not too concerned,” and 14 percent were “not at all concerned.” Given the substantial increase in self-reported exposure to the Y2K issue, the October-November findings support the notion that having *more exposure to and information about the Y2K issue are related to reduced concern that the century date change would cause significant disruptions.*

Changes in Level of Concern about Y2K Over the Past Month

In the 1999 survey,⁴ respondents were asked

Compared to a month ago, would you say you are now

More concerned,
Just as concerned, or
Less concerned

About the Y2K computer issue?

Close to two-thirds of respondents (64 percent) reported that they were “just as concerned” as they were one month ago. Among the remainder, more than one quarter (27 percent) indicated that they were “less concerned,” and only 8 percent reported they were “more concerned.”

Customers’ Perceptions about the Likelihood of Specific Disruptions to Banking Services

In October-November 1999, respondents were asked⁵

Some people say the Y2K computer issue might have an impact on banks. Please tell me how likely you think it is that each of the following banking problems will result from the

³ Respondents who reported that [a] they had seen or heard “**nothing at all**” about the Y2K computer issue, or [b] they **did not have any accounts** at banks, savings and loan institutions, or credit unions were not asked any further questions.

⁴ This question was not asked in March 1999.

⁵ A similar question used in the March 1999 survey asked about ATMs, access to money, and check processing, but did not include the items on direct deposits or credit card systems.

Y2K computer issue. Tell me whether it definitely will happen, probably will happen, you are uncertain, probably will not happen, or definitely will not happen. How about

- A. ATMs will not work
- B. Direct deposit payments, such as social security checks, pension checks, or payroll checks will not be properly credited to bank accounts
- C. People will temporarily lose access to their money
- D. Credit card systems will not work
- E. Checks will not be accepted or processed properly

ATMs will not work

A majority of respondents in October-November 1999 (55 percent – 12 percent “definitely not” and 43 percent “probably not”) consider it **unlikely** that ATMs will fail. About 22 percent are uncertain, and about 21 percent consider it likely that ATMs will fail (19 percent “probably” and 2 percent “definitely”). Thus, banking customers are expressing more confidence that ATMs will be working by about a two to one ratio. In March 1999, respondents who reported that ATMs would probably or definitely fail slightly outnumbered those who felt they would not fail by 43 percent to 37 percent. The banking industry has thus made considerable gains in confidence in ATMs over the past 6 months.

Direct Deposit Payments

Compared to ATMs, a slightly larger majority of respondents (59 percent – 14 percent “definitely not” and 45 percent “probably not”) indicated a belief that direct deposit processing would **not** be a problem. Twenty-two percent are uncertain, and only 17 percent indicated that direct deposits would experience problems (15 percent “probably,” 2 percent “definitely”).

Cash

About 60 percent of the October-November sample responded that temporary loss of access to cash was **not** likely to happen (16 percent “definitely not,” 44 percent “probably not”), 18 percent were uncertain, and about 21 percent thought that it was likely (18 percent “probably,” 3 percent “definitely”). In March 1999, only about 38 percent of respondents indicated they thought temporary loss of access to their money would definitely or probably **not** happen, 17 percent were uncertain, and 45 percent felt that it was likely. Public confidence in having continuous access to their money during the Y2K transition has risen substantially in the past six months.

Credit Card Systems

Distributions on this item followed a similar pattern, with about 60 percent overall indicating that credit card systems were definitely or probably **not** going to fail (15 percent “definitely not,” 45 percent “probably not”), 19 percent uncertain, and 19 percent believing that credit card system failures were likely (16 percent “probably” and 3 percent “definitely”).

Check Processing

Overall, 66 percent of respondents felt that problems with check processing was **not** likely to arise (16 percent “definitely not,” 50 percent “probably not”), 16 percent were uncertain, and 16 percent believed that problems were at least likely (14 percent “probably,” 2 percent “definitely”). The comparable figures for March 1999 were 42 percent, 21 percent, and 38 percent respectively. In general, confidence in check processing systems and procedures has also increased significantly in the past six months.

Customers Interactions with and Attitudes towards their Banking Institutions Concerning Y2K

In October-November 1999, respondents were asked

Have you heard or received any information from your bank about whether it is ready for the year 2000 date change?

Overall, 70 percent of the sample indicated that they had received information about Y2K readiness from their banks, 28 percent said they had not received information from their banks, and about 2 percent could not recall. A more general question about receiving **any** information about Y2K from their banks was asked of respondents to the March 1999 survey. At that time, only 24 percent of respondents reported receiving any kind of Y2K information from their banks and 76 percent said they had not. This evidence suggests a significant change in public awareness about the flow of information about Y2K readiness from their own banking institutions.

Respondents in the Fall 1999 survey were then asked

How confident are you that your bank is ready for the year 2000? Are you

Very confident,
Somewhat confident,
Not too confident, or
Not confident at all

Overall, 90 percent of respondents replied that they were either “very confident” (51 percent) or “somewhat confident” (39 percent), about 6 percent were “not too confident,” and 2 percent were “not confident at all.” Respondents to the March 1999 survey were asked a somewhat different question about their level of confidence that their banks would solve Y2K problems in time. In that case, about 78 percent of respondents voiced some confidence, about 6 percent indicated lack of confidence, and about 16 percent were uncertain. In the October-November survey period, the “uncertain” response was not offered – only 2 percent of fall respondents volunteered they did not know how confident they were.

Cash Withdrawal Patterns

The extent to which banking customers are planning to make extraordinary cash withdrawals just prior to the Y2K date change is of considerable interest to the Federal financial regulatory agencies. To date, a variety of measures have been developed and implemented to ensure the liquidity of banking institutions during this unprecedented time. Although it is believed that the measures already in place are more than adequate to satisfy expected demand for cash during the latter part of December 1999, the October-November 1999 survey has initiated a monitoring procedure designed to detect significant changes in the intentions of bank customers with regard to whether and how much additional cash they might withdraw from their accounts. The remainder of this report discusses a series of questions designed to assess customers “normal” cash withdrawal behavior and to determine the extent of any additional activity planned to cope with concerns about potential Y2K-related problems.

Normal Cash Withdrawal Patterns

Respondents to the October-November 1999 survey were asked

People get cash in different ways – from ATMs, from the bank, or from cashing personal checks or paychecks. How often do you normally get cash? Would you say

- A few times a week
- Once a week
- A few times a month, or
- Less often

[Volunteered responses of “it depends” and “never” were coded separately as 5th and 6th categories]

Responses were fairly evenly divided across the first four categories, with 24 percent indicating “a few times a week,” 28 percent reporting “once a week,” 25 percent saying “a few times a month,” and 18 percent reporting “less often.” (only about 3 percent of respondents indicated “never,” and 1 percent said “it depends”).

Respondents were also asked “On average, how much cash do you get?”⁶ The amounts were classified into five ranges (less than \$100, \$100-\$249, \$250-\$499, \$500-\$1,000, and more than \$1,000).

Nearly half the respondents (47 percent) reported they typically got less than \$100. One-third of respondents indicated they got \$100-249. Only 7 percent reported typically withdrawing \$250-\$499, only 5 percent mentioned \$500-\$1,000, and 1 percent said over \$1,000. (About 7 percent did not know or refused to answer.)

Plans for Cash Withdrawals during the Y2K Transition Period

Will Account Holders Withdraw Extra Cash because of Y2K Issues?

To determine plans for obtaining extra cash, respondents to the October-November 1999 survey were asked

How likely are you to keep some EXTRA cash on hand because of the Y2K computer issue? Would you say

- Definitely
- Probably
- Uncertain
- Probably not, or
- Definitely not

Fifteen (15) percent of respondents indicated that they would “definitely” have some extra cash on hand because of Y2K issues. About one-quarter of the respondents (24 percent) indicated they would “probably” keep some extra cash. About 13 percent of respondents said they were uncertain, 22 percent indicated they would “probably not” keep extra cash, and 25 percent said they would “definitely not” do so.

⁶ This question was asked in an open-ended format. If respondents did not volunteer a specific amount, they were asked a series of closed-ended questions to determine whether the amount was typically below \$100, \$100-\$249, \$150-\$499, \$500-1,000, or more than \$1,000. All responses were then collapsed into these five categories.

In response to a similar question in the March 1999 survey, 26 percent said they would “definitely” withdraw extra cash, 36 percent said they “probably” do so, 6 percent were “uncertain,” 17 percent indicated they would “probably not” withdraw extra money, and 15 percent said they would “definitely not” keep extra cash on hand. Thus, over the last six months, the proportion of bank account holders likely to withdraw extra cash because of Y2K issues has dropped from a total of 62 percent to about 39 percent – a reduction of over one-third (23 percentage points) from the March 1999 estimate.

How Much Cash Are Account Holders Likely To Withdraw?

The subset of respondents who said they “definitely” or “probably” would hold some extra cash because of the Y2K transition were asked how much extra cash they would keep. A mix of open-ended and closed-ended questions was used to classify each of these respondents into one of the following six response categories. While the sample size means that these results are initial the percentage distribution is shown below.

Less than \$100	6%
\$100 - \$249	36%
\$250 - \$499	11%
\$500 - \$999	18%
\$1,000 - \$2,499	20%
More than \$2,499	4%

An additional 3 percent replied that they did not know how much cash they would hold, and 2 percent refused to answer.

What Withdrawal Pattern Will Account Holders Follow to Obtain Extra Cash?

The same subgroup of respondents who indicated they “definitely” or “probably” would withdraw extra cash were asked four additional questions about the likely pattern and sequence of their withdrawals. First, they were asked whether they would set aside the extra cash “all at once” or “over a period of time.” About 55 percent of these respondents indicated it would be done “all at once,” and 42 percent indicated “over a period of time” (3 percent did not know or refused).

Consequently, the subgroup of respondents who planned to withdraw their extra funds “all at once” were then asked

When do you think you will set aside this extra cash, or have you already done so?
Would you say

- Before December 1st
- Between December 1st and December 15th, or
- Between December 15th and December 31st

Respondents who volunteered they had “already done so” were coded into a separate category.

Only 7 percent of these respondents indicated they had “already done so.” Only 17 percent of this group indicated they would set the funds aside before December 1st. An additional 28 percent said they would withdraw extra cash between December 1st and 15th. Finally, 45 percent said they would set aside the extra cash between December 15th and 31st.