

## Reassuring Bank Customers Through Training – Getting Past IndyMac

By Dr. Linda Eagle

On July 11th, 2008, IndyMac Bancorp, one of the nation's largest home lenders, failed, becoming the fifth bank to collapse in 2008 and the third largest [bank failure](#) in American history. Following the collapse of IndyMac, American consumers have been in a state of panic. Now, banks too are in a state of anxiety as they find themselves with the challenge of reassuring customers that their institution will not be [the next IndyMac](#). The best solution for both of these problems is proper training of bank personnel.

IndyMac was one of many financial institutions struggling due to the effects of the ongoing [subprime mortgage crisis](#). In the months before its failure, the bank incurred significant losses due to falling housing prices and rising foreclosures. On June 26, 2008, several letters questioning the health of IndyMac Bancorp by Democratic Senator Charles Schumer, a member of the Senate Banking Committee and chairman of Congress' Joint Economic Committee, were publicly released prompting a run on the bank whereby depositors withdrew more than \$1.3 billion.

Fearing that the Bank could no longer meet depositor needs, IndyMac Bancorp's assets were seized by the Office of Thrift Supervision (OTS) and placed under the management of the Federal Deposit Insurance Corporation (FDIC). The Bank reopened as IndyMac Federal Bank, FSB (Federal Savings Bank) and will resume operations until the federal government can sell its assets.

While the collapse of IndyMac Bancorp has little direct effect on the overall health of the banking system (most banks are well-capitalized and in no danger of failing), it nonetheless contributed to escalating concerns over the stability of the nation's financial industry. Despite the FDIC's best efforts to assure the public of the health of the banking system, market speculation has become rampant following the collapse. Shares of major U.S. banks have plummeted, and investors have begun to fear that other institutions, including mortgage giants [Fannie Mae](#) and [Freddie Mac](#), may fail as well. More importantly, bank customers, in response to observing Wall Street's reaction, are beginning to fear that their banks may fail.

Banking is based on trust, therefore doubt in the minds of customers does not bode well for the nation's financial services industry. Customers have a natural desire to protect their money. Even with the existence of the FDIC and its guarantee on funds, when customers doubt the safety and soundness of their banks, they withdraw their deposits thus depleting the banks of the capital needed to operate.

Because of the threat fear poses, any confidence shaken by recent events and the current financial climate must be restored in order to protect banks and their customers. This can only be accomplished through the individual efforts of banks to reassure customers of the safety and soundness of their respective institutions. Therefore, each bank's employees must be properly trained with respect to performing the following:

- **Addressing customer fears and concerns.** Employees must be able to deal with angry and upset customers, display calming characteristics, listen and understand customer needs, handle difficult situations, and answer tough questions openly and honestly.
- **Informing customers of their [FDIC coverage](#).** Employees should be able to educate customers about their FDIC coverage including the amount for which accounts are insured, what types of deposits are insured, and the account ownership categories on which insurance is based.
- **Assuring customers of the safety and soundness of the Bank.** Employees should be able to understand the history of the banking industry, the past crises it has endured, changes that have been made to ensure its stability, internal auditing procedures, and the external regulatory bodies that exist.

Training is imperative. Banks cannot reassure their customers until their employees are properly trained to perform this task. Fortunately, banks may find reassurance themselves knowing that The Edcomm Group Banker's Academy now offers a course, [Reassuring Our Customers](#), which is designed to meet all of the needs of a bank attempting to reassure its customers while restoring confidence in the safety and soundness of the institution.

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