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Consumer Federation of America

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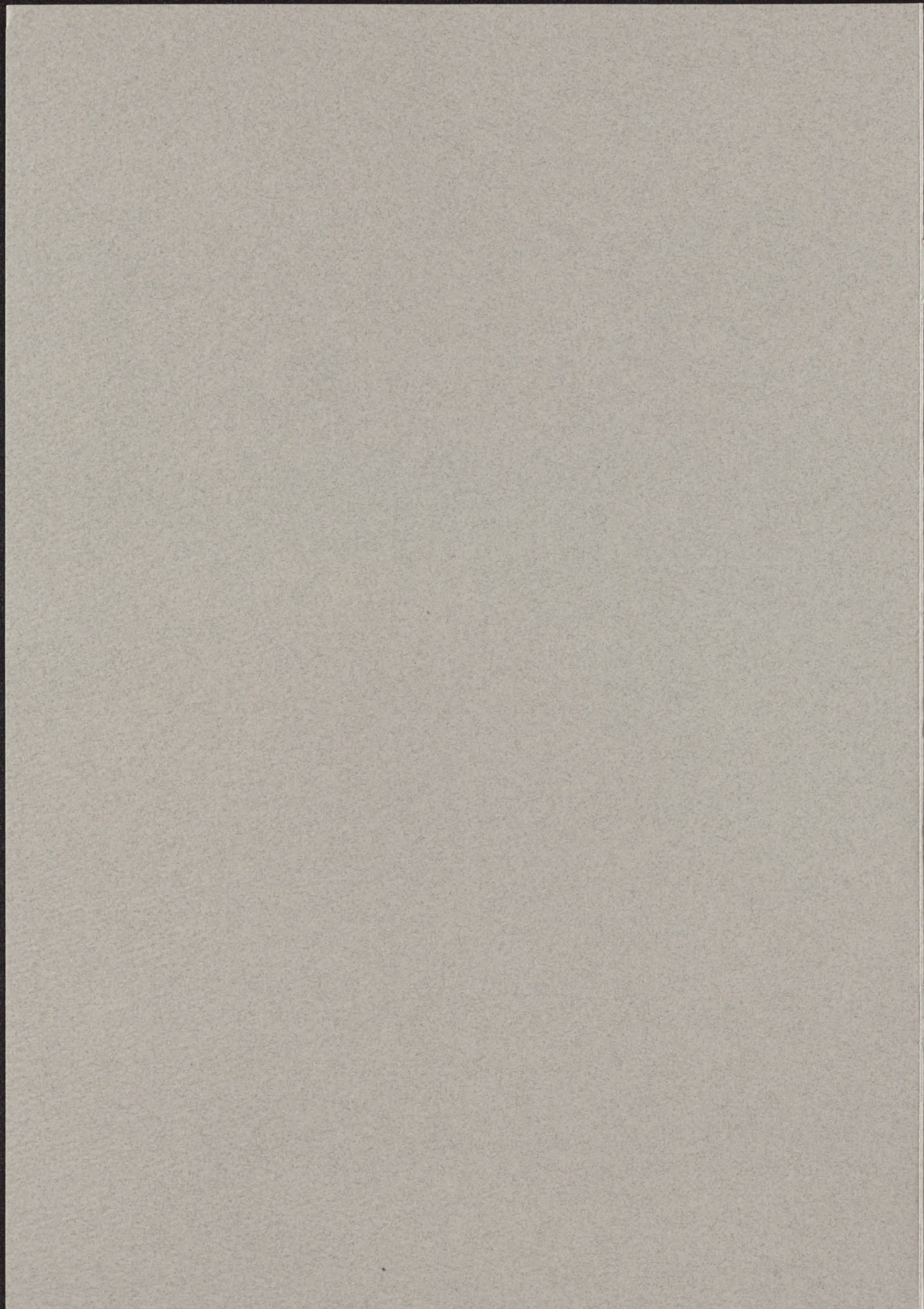
2010

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ANNUAL REPORT

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March 10, 2011

Dear CFA Member,

In 2010, more consumer reforms were approved by Congress and federal agencies than in any year since the early 1970s. Most lauded were those in Dodd-Frank legislation, which not only created the Consumer Financial Protection Board, but also established new consumer or investor protections related to mortgage loans, derivatives, and fiduciary duty. Congress also voted for the most comprehensive reform of FDA's food safety program in 70 years.

Federal regulatory agencies approved important reforms. The FCC issued rules to help ensure net neutrality and approved the Comcast-NBC merger with strong conditions. The Federal Reserve Board approved new protections related to debit card overdrafts. The FTC issued rules protecting consumers who use debt relief services. The IRS denied tax prep companies important information they need to sell RALs effectively. Agencies took steps to improve motor vehicle fuel economy and energy efficiency. And the CPSC issued new infant crib standards, approved the creation of a consumer complaint database, and began requiring infant product sellers to distribute product registration cards to assist in any product recalls.

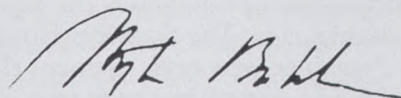
CFA played a lead role on all of these issues, utilizing grassroots networks, DC-based coalitions, numerous studies and surveys, petitions and comments, and extensive press outreach, including 88 news releases. Longstanding financial support from Consumers Union was especially helpful in facilitating communications with members of Congress in their districts. Also useful was our new email newsletter, *CFAnews Update*, which covered congressional and regulatory issues in 19 issues.

During the year, CFA carried out extensive consumer education, including initiatives in 10 states on fake checks and the distribution of more than 700,000 related brochures. Yet, CFA's most ambitious non-advocacy effort continued to be America Saves, now in its tenth year, which enrolled more than 40,000 Savers and co-sponsored America Saves Week whose activities engaged 400,000 persons.

Despite continuing financial challenges related to the recession, we met our budget targets during the year and preserved unrestricted assets exceeding \$1.5 million.

I and staff colleagues thank you for your support and look forward to working with you in the coming year.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stephen Brobeck', written in a cursive style.

Stephen Brobeck  
Executive Director



## *Consumer Advocacy*

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### Major Accomplishments

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**Communications:** CFA had two major goals this past year. The first was to thwart cable and telephone company efforts to erode network neutrality. We prepared a white paper, worked closely with Rep. Henry Waxman on legislation, filed two sets of comments with the Federal Communications Commission, and spoke frequently with White House and FCC leaders. All these efforts helped persuade the agency to adopt a rule restoring the Commission's authority to protect consumers and establishing specific network neutrality protections. Our second goal was to block the proposed merger between Comcast and NBC. We testified before Congress three times, filed comments with the FCC and the Department of Justice, filed a petition and an affidavit with the FCC, and spoke frequently with FCC and congressional leaders on this issue. In early 2011, the FCC approved the merger but with strong conditions recommended by CFA.

**Consumer Credit:** At the federal level, significant new protections, part of both credit card legislation and Federal Reserve Board rules on debit card overdrafts, went into effect. CFA sought not only to inform consumers and policymakers about these new protections but also to argue for the establishment of additional protections. We did so by completing and publicizing two public opinion surveys and a survey of overdraft fees, terms, and practices at the largest banks. And with other groups, we filed several comments with federal financial regulatory agencies. Also at the federal level, with allies we continued to work to reform the refund anticipation loan market and made significant progress when we helped persuade the Internal Revenue Service to stop providing a debt indicator service informing RAL lenders of other claims on individual tax refunds. That agency decision and our continued advocacy resulted in major banks' either withdrawing from or being ordered to stop making RALs in 2011. In the states, we supported the work of state advocates on small, high-cost loans through a list serve, monthly phone meetings, state forums and meetings, an annual one-day Summit, and engagement in specific campaigns. One notable victory was persuading the Arizona legislature not to extend that state's payday loan law, which sunsetted. Another important victory was voter approval of a Montana ballot initiative establishing a 36 percent rate cap for payday and car title loans.

**Consumer Financial Protection Bureau:** CFA-led efforts to create a strong consumer financial protection body succeeded when Congress created the first federal agency whose mission is protecting consumers in the financial services marketplace. The Bureau, which will function independently yet be part of the Federal Reserve System, is similar to the strong agency initially proposed by the Administration. Efforts by CFA — which included coalition leadership, public and congressional communications, public opinion surveys, grassroots organizing, and congressional testimony — helped convince the Senate that the proposal was necessary and should not be weakened. The final legislation approved by Congress, and signed into law by the President, was even stronger than both the Administration's original proposal and legislation passed by the House in 2009.

**Consumer Protection:** CFA continued to play a leadership role on consumer protection issues involving deception, fraud, and privacy. On debt relief services, consumers gained important new protections when the Federal Trade Commission



issued strong rules that we had advocated and which we then widely publicized. We also supported federal legislation and legislation in Maryland and Illinois with additional protections. On travel services, we urged state insurance departments to more effectively regulate travel protection and the Federal Aviation Administration to require airlines to provide more complete and accurate information about fees. In the area of privacy, with a special focus on providing online protections, CFA advocated federal legislation, testified before Congress, submitted comments to the Department of Commerce and the Federal Trade Commission, joined other groups in setting out privacy principles for digital signage, participated in a complaint to the FTC about Facebook's privacy practices, and objected to an FTC settlement with U.S. Search. We also continued to work with other groups on best practices for identity theft services and conducted and released our annual consumer complaint survey with state and local protection agencies and officials.

**Energy Efficiency:** CFA continued making the consumer case for higher fuel economy standards. After persuading Administration officials to use a reasonable discount rate in setting standards for 2012-16 vehicles, we advocated a 60 miles per gallon standard for 2025 vehicles. To that end, we prepared and released an analysis demonstrating consumer cost savings and two national surveys showing consumer support. With 21 state and local groups, we communicated the consumer case to President Obama in a letter and to the National Highway Traffic Safety Administration and Environmental Protection Agency in comments. And we supported new fuel economy labels through testimony and comments submitted to EPA. CFA also continued providing a consumer voice in support of greater home appliance efficiency. Our work included submitting comments, with state and local groups, to the Department of Energy, commenting on rulemakings about increased residential furnace fuel efficiency, participating in a coalition on more efficient lighting, and signing a consensus agreement about standards for six appliances.

**Food and Agriculture Policy:** CFA continued its leadership on many food policy issues. Working with allied groups, we successfully advocated passage of the most comprehensive reform of the Food and Drug Administration's food safety program in 70 years. The legislation passed the House and Senate in December and was signed by the President this January. The new law will require companies to develop preventive food safety programs; require FDA to set specific food safety standards; establish an import safety program; improve surveillance of foodborne illness outbreaks, and increase inspection of food facilities. Working within a broad coalition, we also continued to advocate for increased funding for FDA to improve its food inspection and scientific capacity. And we worked on a number of other food safety and nutrition issues including support for the Healthy, Hungry-Free Kids Act and for USDA regulation of imported catfish.

**Insurance:** CFA continued its leadership on many key insurance issues affecting consumers. At the federal level: We sought to improve life insurance payouts for military personnel by communicating with the Department of Defense, Veterans Administration, and Department of Labor. We supported repeal of the health insurance antitrust exemption by helping House members develop legislation then speaking for it at a news conference. We prepared an extensive set of reforms to the national flood insurance program and communicated these reforms to House and Senate members as well as our opposition to extension of the existing act. At the state level: In Florida, we opposed legislation to deregulate rates and helped persuade the governor to veto this bill. In New York, we helped prepare a major study on automobile rates. In Washington State, we contributed to a worker compensation study that helped persuade voters to reject a ballot initiative. And we



continued to try exposing an unfair claims payment system utilized by many major auto insurers.

**Investor Protection:** Our principal focus in this area was helping secure passage and effective implementation of strong financial regulatory reforms. One of our main goals was ensuring inclusion of a provision authorizing the Securities and Exchange Commission to require brokers giving investment advice to act in the best interests of their customers. Toward that end, we worked with allies, built state and local support, testified, helped draft amendment language, and communicated to Congress through letters, op eds, blogs, and fact sheets. The final legislation gave the SEC the authority it needed but required it to first conduct a study. As the SEC conducted that study, we submitted comments, met with the SEC Chairman and staff, conducted an investor survey, and worked with allies. CFA also took the lead in seeking inclusion in financial reform legislation of strong credit rating agency reforms. Our efforts included preparing a white paper, briefing allies, working with senators on amendments, and meeting with the SEC on implementation. We also worked with allies on derivatives provisions, where we took the lead on business conduct standards by helping draft the provisions, securing Treasury support, and after adoption, meeting with the CFTC Chairman and staffers to discuss implementation. Finally, we took the lead in working with allies on an unsuccessful campaign to secure adequate funding for the SEC and CFTC to carry out their expanded responsibilities.

**Mortgage Credit:** While CFA worked on many housing issues during the year, our main goal was to help ensure effective reform of secondary markets, especially Fannie Mae and Freddie Mac. We helped lead advocacy efforts in this area including preparing an important coalition white paper, publishing op ed essays, submitting comments to regulators, talking to congressional leaders, submitting recommendations to Treasury and the Department of Housing and Urban Development, and meeting with senior Treasury and HUD officials including the HUD Secretary and FHA Commissioner. Early in 2011, when the Administration released a proposal that jeopardized low- and moderate-income household homeownership, CFA played a lead role in mobilizing opposition. Earlier, CFA and other advocates had achieved success in supporting strong new mortgage lending rules, part of Dodd-Frank financial reform legislation, to curb abusive lending practices. We also defended the Community Reinvestment Act in testimony and Hill meetings, worked with the Federal Housing Finance Agency on proposed rulemakings on GSE "duty to serve" and affordable housing goals, and worked with other advocates to improve loan modifications and to ensure that proposed new RESPA and TILA disclosures would be pro-consumer.

**Product Safety:** CFA and other advocates celebrated three noteworthy achievements made possible by passage of the Consumer Product Safety Improvement Act of 2008. First, the Consumer Product Safety Commission promulgated a strong mandatory standard for infant cribs that will ensure cribs are tested for safety to rigorous standards. Second, the CPSC finalized the rule implementing a consumer complaint incident database allowing consumers to share and access safety information about specific products. Third, the product registration requirements for infant durable products went into effect. Product purchasers filling out a card or registering online will be directly notified of any recalls related to that product. On all these issues we communicated with the agency, Congress, attorneys general, and the press. We also continued to try to persuade the CPSC or other standard-setting organizations to ensure the safety of all terrain vehicles, recreational off highway vehicles, toys, toddler beds, bassinets, window blinds, and products with excessive lead levels.



# Strategies

## 1. Legislative and Regulatory Communications

CFA's principal advocacy strategy was communicating information and viewpoints to members of Congress, state legislatures, and regulators. While most of these communications took place in individual conversations, many also took the form of testimonies and comments submitted to legislative committees or regulatory agencies.

Month	Committee/Agency	CFA Rep	Issue
February	CFTC	Roper, others	Swap dealers
March	FCC	Cooper	Digital exclusion
	DOE	Hall-Crawford	Water heater efficiency
	FDA	Waldrop	Food tracing
	CPSC	Weintraub	Recreational vehicles
	House Energy/Comm	Gillis	Auto parts
	OCC	Fox, others	Overdraft loans
	AZ Senate	Fox	Payday loans
April	OTS	Fox, others	Overdraft loans
	FDIC	Fox, others	Overdraft loans
	FCC	Cooper	Digital exclusion
May	USDA	Waldrop	Food tracing
	Sen Judiciary	Roper	Wall St fiduciary duties
June	FDA	Waldrop	Spice safety
	CPSC	Weintraub, others	Child products
	Treasury	Fox	Garnishment
	FDIC	Fox, Brobeck	Bank accounts
July	USDA	Waldrop	Dietary guidelines
	Housing Interagency	Zigas	CRA
	Treasury/HUD	Zigas	Housing finance
	FHFA	Zigas, others	GSE underserved obligations
	Treasury	Fox	Soc Sec direct deposit
	Sen Govt Affairs	Roper	Financial literacy
August	Treasury	Fox	Electronic deposit
	SEC	Roper	Investment advice
September	House Judiciary	Cooper	Digital competition
	CPSC	Weintraub	Lead in child products
October	FTC	Grant	Data-sharing opt-out
	NHTSA/EPA	Cooper	Fuel economy standards
	FDA	Waldrop	Salmonella
	CPSC	Weintraub	Crib safety
	CPSC	Weintraub	Cadmium in child products



Month	Committee/Agency	CFA Rep	Issue
November	NHTSA	Gillis	Fuel economy labels
	EPA/NHTSA	Gillis	Fuel economy labels
	SEC	Roper	Asset-backed securities
	SEC	Roper,other	Fiduciary duty
December	House Energy/Comm	Grant	Internet tracking
	Sen Commerce	Weintraub	Product safety
	SEC	Roper	Principal trades

## 2. Press

CFA's main link to consumers, and an important means of influencing legislation and policymaking, is the media. In addition to being interviewed for hundreds of broadcast and print stories, CFA frequently made news. In 2010, we issued 88 press releases on a wide variety of issues and 13 live press conferences and tele-conferences. And newspapers and periodicals published the following op-ed essays and articles.

Publication	Author	Issue
<i>The American Interest</i>	Tucker-Foreman	Food safety
<i>American Banker</i>	Zigas	GSEs
<i>American Banker</i>	Zigas,Wartell	Housing finance
<i>American Banker</i>	Brobeck	Automatic saving
<i>The Regulator</i>	Hunter	Insurer solvency
<i>The Hill</i>	Cooper	Fuel economy
<i>Washington Post</i>	Roper	Financial advisers
<i>South Florida Sun-Sentinel</i>	Tucker-Foreman	Food safety

## 3. Research

CFA staff prepared many studies demonstrating the need for consumer protections, the preservation of existing protection, or the rejection of anti-consumer measures. Most of the following publications were reported on by the news media.

### CONSUMER PROTECTION

*Consumer Protection in Cloud Computing Services: Recommendations of Best Practices (Grant)*

*Consumer Complaint Websites: An Assessment (Brobeck)*

*2009 Consumer Complaint Survey Report (Grant)*



## ENERGY EFFICIENCY

*Energy Efficiency Programs to Ensure an Affordable Future: State by State Savings on Residential Utility Bills (Cooper)*

*Public Support for a 60 Miles Per Gallon Fuel Economy Standard (Cooper)*

*Setting the Next Round of Fuel Economy Standards: Consumers Benefit at 60 Miles Per Gallon (or More) (Cooper)*

*U.S. Oil Market Fundamentals and Public Opinion (Cooper)*

*Public Opinion Survey on Fuel Economy Standards (Cooper, Brobeck)*

*Public Opinion Survey on Oil Consumption and Fuel Economy (Cooper, Brobeck)*

## FINANCIAL SERVICES

*The Regulatory Structure and Consumer Credit (Plunkett)*

*Securities Regulation and the Availability of Credit to Low- and Moderate-Income Consumers (Roper)*

*Secondary Mortgage Market Policies (Zigas)*

*2010 50-State Small Dollar Loan Report Card (Fox, CU, NCLC)*

*Public Opinion Survey on Credit Card Protections (Brobeck, Plunkett, CUNA)*

*Survey of Big Bank Overdraft Fees (Fox)*

*2010 Refund Anticipation Loan Report (Fox, NCLC)*

*11th Annual Holiday Spending Survey (Brobeck, CUNA)*

*America Saves Week Public Opinion Survey on Savings Practices (Brobeck, ASEC)*

*Public Opinion Survey on Automatic Savings (Brobeck)*

*Consumer Guide to Financial Regulatory Reform (Roper, Weinstock)*

*Public Opinion Survey on "Fiduciary Standard" (Roper, AARP, NASAA)*

*Credit Rating Agency Reform (Roper)*

## FOOD SAFETY

*Recipe for Disaster: Food Recalls Proliferate While Fo*

## INSURANCE

*Consumer Alert on Underpayment of Bodily Injury Claims (Hunter, Plunkett)*

*Should the Flood Insurance Program Be Ended? (Hunter, Plunkett)*



## *Consumer Research and Education*

An important goal of CFA is better understanding of consumer protection needs and concerns, through research, and better meeting these needs and concerns, through information and education.

**Auto Loan Credit and Education:** Using the last of court-awarded grants, we directed efforts to better inform African-American consumers about automobile financing and consumer credit on eight historically black college and university campuses, where events were held and Savers were enrolled. We also distributed nearly 20,000 bi-lingual brochures and flyers to 36 Hispanic organizations nationwide.

**Consumer Complaint Websites:** A study of the six most popular consumer complaint websites, overseen by a team of staff and experts, was completed and released to press. The report concluded that the websites represent a useful source of pre-purchase information but are not very helpful in resolving grievances.

**Energy Efficiency:** With continued support from the Energy Foundation, we researched public attitudes about oil, motor vehicles, and fuel economy through two national surveys and analyzed related consumer impacts, then communicated our findings to policymakers, press, and consumers.

**Fake Checks:** To warn consumers about this fraud, in ten states CFA joined with consumer protection officials and financial institutions to release information widely reported by local press. By year's end, financial institutions had distributed over 700,000 brochures containing this information to their customers.

**Financial Education:** CFA continued to participate in the financial education community, serving on the Jump\$tart Board and working with organizations such as Treasury and D2D. With the FINRA Investor Education Foundation, we updated materials that were distributed to millions of students by Channel One.

**Financial Services Regulatory Reform:** With funding from the Ford Foundation, CFA completed two major studies of the need for financial services regulatory reform and an assessment of options for undertaking this reform. One paper was read at a conference organized by a Harvard University program. And both were used to brief allies about financial reform legislation.

**High-Cost Credit:** With continued support from the Annie E. Casey Foundation, CFA continued efforts to complete research and inform consumers about the risks of participating in the high-cost, small loan marketplace. These efforts included release of a report on refund anticipation loans, maintenance of a payday loan website, organization of two state forums, organization of a national Summit for state and local leaders, and regular dissemination of information to a grasstops network of more than 400 consumer activists and educators. They also included preparation and dissemination of a pamphlet about overdrafts and fees.

**Product Registration Cards:** After infant product manufacturers were required to provide product registration cards to customers who then could be easily noti-



fied about any recalls, CFA took the lead to inform consumers of the importance of completing the cards. We helped organize a press conference with the CPSC and prepared and distributed a consumer brochure on the subject.

**Wealth-Building in Lower-Income Households:** With funding from the Heron Foundation, Capital One Foundation, Bank of America Foundation, and other sources, CFA continued to maintain and expand the America Saves campaign to help lower-income households save money, reduce debt, and build wealth. More than 40,000 individuals enrolled as Savers or took the Military Saves pledge, bringing multi-year enrollment to 225,000. In addition to supporting several dozen local, regional, and state-wide campaigns, we helped organize new initiatives in Massachusetts, Florida, New Jersey, Indiana, New Hampshire, and California. In partnership with the American Savings Education Council, we organized the fourth annual America Saves Week, in which some 2000 groups in 47 states organized events, classes, financial fairs, free tax prep assistance and deposit campaigns which were attended by over 400,000 people. We also organized press events and other initiatives that generated press outreach to more than 40 million Americans. The Week was supported by a House resolution and by statements from the Comptroller of the Currency, Chairman of the FDIC, and Commissioner of the Social Security Administration.

**Wealth-Building in the Military:** With support from the FINRA Investor Education Foundation and others, we continued to work closely on Military Saves with the Department of Defense, all four service branches, support organizations, military banks and defense credit unions, many military bases and installations, and for the first time, the National Guard Bureau. During the fourth annual Military Saves Week, over 60,000 military personnel and their families participated in events across the United States and around the world. Over 75,000 military personnel and families have now taken the Saver's pledge.

**Wealth-Building Among Youth:** To continue exploring sustainable savings campaign models at college and high school levels: We organized events at seven historically black colleges and saver drives at the University of California Santa Barbara, Howard University, the University of Illinois, Ohio State, and Virginia Tech. We continued supporting saver programs at many high schools around the country. And we focused particular attention on Illinois by signing up 1000 Young Illinois Savers and undertaking a summer pilot program where the Chicago City Parks Department and Museum of Science and Industry provided youth workers with first-time direct deposit and opportunities to save automatically.



## Member Services

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### CONFERENCES

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The most important CFA meetings were associated with the 44th annual Consumer Assembly. Nearly 200 persons attending this March event heard speakers including Senator Jack Reed, Senator Robert Menendez, FTC Chair Jon Leibowitz, CPSC Chair Inez Tennenbaum, FHA Commissioner David Stevens, Illinois Attorney-General Lisa Madigan, Consumers Union President Jim Guest, and Norm Ornstein address issues related to the theme of public policy challenges in the 21st century.

During this week, representatives from CFA member groups conducted the business of the federation. Members of 14 policy subcommittees met to review past policies and recommend new ones. These recommendations were submitted to and voted on at the Annual Meeting, where Board members were also elected.

To address specific issues more thoroughly, CFA organized conferences on food and financial services. In September, more than 300 persons heard keynote speakers — including White House Senior Political Advisor Samuel Koss, USDA Under Secretary for Food Safety Elisabeth Hagen, and Arkansas Surgeon General Joe W. Thompson — address the 33rd annual National Food Policy Conference. In December more than 270 persons heard Representative Randy Neugebauer, FDIC Chair Sheila Bair, Presidential Assistant Elizabeth Warren, economist Mark Zandi, financial columnist Allan Sloan, financial journalist Jean Chatzky, and others discuss banking, housing, investment, and insurance issues at CFA's 26th annual financial services conference.

In June, more than 300 persons participated in CFA's 40th annual Awards Dinner to recognize distinguished consumer service. Awards were presented to Senator Chris Dodd, Representative Barney Frank, privacy advocate Beth Givens, and financial journalist Liz Pulliam Weston.

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### PUBLICATIONS

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CFA member organizations received the following publications.

- Nineteen issues of CFA's new email newsletter, *CFAnews Update*, which reports consumer news and advocacy.
- The 2010 policy resolutions adopted at CFA's annual meeting.
- The 2009 CFA Annual Report.

Member groups also had available free copies of many CFA-produced consumer pamphlets on topics ranging from insurance to saving to product safety to consumer complaint resolution.



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## CONSUMER COOPERATIVE INITIATIVES

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CFA staff continued to organize and lead quarterly meetings with national cooperative and public power leaders to exchange information and discuss important challenges and opportunities. On specific issues we:

- Contributed research and support to a coalition led by rural electrics and public power to ensure adequate, affordable rail transport.
- Supported rural electric efforts to gain funding to extend broadband services in rural areas.
- Joined with CUNA to undertake and release a survey of consumer knowledge of new credit card protections.
- For the eleventh year, with CUNA conducted a holiday spending survey that was extensively reported on by press.
- Worked with many credit unions and leagues at local and state levels to inform consumers about fake check scams.
- Worked with many credit unions to promote personal saving during America Saves Week.
- Had extensive discussions with credit unions about interchange fees that led, in 2011, to a CFA initiative on the issue.

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## STATE AND LOCAL RESOURCE CENTER

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CFA's State and Local Resource Center, supported generously by the Colston E. Warne Fund of Consumers Union, helped strengthen state and local member groups by supplying them with information, technical assistance, and resources. Like last year, the Center devoted most of its resources to grassroots advocacy to help ensure passage of financial reform legislation. The Center also continued to support state and local initiatives and organizational capacity-building projects. In addition, the Center organized two state and local roundtables to discuss issues and strategies, and provided more than \$21,000 to help cover travel and lodging expenses for state and local participants who attended these forums and CFA conferences.



## *Finances*

CFA met 2010 financial targets. At year's end, expenses exceeded income by nearly \$100,000, but this deficit was planned to allow more robust advocacy for financial reform and the creation of a Consumer Financial Protection Board. Unrestricted funds exceeding \$1.5 million helped ensure the continued financial solvency of the organization.

Income	\$2,690,348
Expenses	2,787,037
Net Assets	
Temporarily restricted	1,287,498
Unrestricted	1,524,493



