
Consumer Federation of America



2006

ANNUAL REPORT



March 18, 2007

Dear CFA Member,

In 2006, we worked hard, and achieved some success, in advancing the interests of consumers. We also strengthened our organization.

In the policy arena, we have never been as active on such a broad array of issues. Our greatest successes occurred in the area of high-cost credit, where we played a key role in congressional approval of legislation mandating new consumer protections for military personnel and in opposing industry efforts at the state level to loosen restrictions. We also proposed pro-investor amendments to legislation to regulate credit rating agencies that were approved by Congress and signed into law. And through litigation, we forced the U.S. Department of Agriculture to make public the calendars of its top food safety officials.

However, most of our policy work remained defensive, trying to block anti-consumer measures. We achieved some success in slowing down or stopping congressional efforts to rewrite telecommunications law to the advantage of dominant service providers, to approve legislation that would preempt state and local food safety laws, to provide unneeded subsidies to insurers, and to allow insurers to choose between federal or state regulation. We also helped persuade a couple of state legislatures to defeat proposed minimum service legislation for real estate brokers and helped convince federal agencies to improve consumer mortgage protections and maintain investor protection regulations.

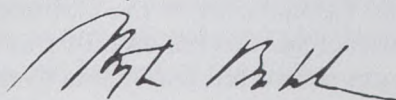
All this advocacy was supported by numerous studies, press releases, op eds, national coalitions we coordinate, and grassroots networks we have organized. Directly supporting the advocacy of these networks became, for the first time, a high organizational priority.

In the area of consumer education, the America Saves campaign we lead continues to grow, with more than 1,000 organizations and 65,000 enrolled Savers involved. The campaign is now poised to "go national" beginning with the first America Saves Week in 2007.

Through administrative staff initiatives, we strengthened the organization financially by completing the conversion to cash accrual accounting, hiring a new financial consultant (our old auditor) and a new auditor, and securing funding that greatly exceeded expenses, allowing the build up of reserves.

I and staff colleagues thank you for your support and encouragement 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

Major Accomplishments

Communications Access and Affordability: CFA continued to work closely with Consumers Union and Free Press to oppose efforts by federal policymakers and regulators to allow big communications companies to dominate markets and disadvantage consumers and citizens. On media consolidation, we prepared and released a book, commissioned a consumer survey, studied concentration in local markets, submitted comments to the Federal Communications Commission opposing their proposal to loosen ownership limits and testified at a public hearing. On the proposed AT&T/BellSouth merger, we submitted comments to the FCC, met with the Federal Trade Commission, and lobbied Congress. On inter-carrier competition, we submitted comments to the FCC. On control of video franchise markets, we issued a report on vertical integration in video entertainment and objected to an FCC proposal to ease the video franchise process. On network neutrality, we issued a study, submitted comments to the FCC, and supported House and Senate amendments to legislation overhauling telecommunications regulation. While the Senate refused to approve this anti-consumer legislation, the Supreme Court and the FCC issued rulings limiting competitor access to cable and phone networks respectively.

Consumer Credit Protections: The most significant consumer financial services reform of the decade — consumer protections on loans to the military, including a 36 percent rate cap — was supported by the Department of Defense and approved by Congress. CFA played a critical role in developing the legislative proposal, mobilizing outside support for it, and lobbying Congress for its passage. After enactment, we coordinated consumer efforts to ensure effective implementation, including preparing extensive coalition comments submitted to DOD. This legislation effectively prohibited payday and other high-cost loans to military personnel. CFA also played a key role in convincing the FDIC to follow the lead of other banking regulators and put an end to “rent-a-bank” payday lending by the institutions it regulates, preventing them from partnering with payday lenders to evade state usury and consumer protection laws. We also continued working for a ban on, or reform of, payday and other high-cost loan products through leadership of an extensive grassroots network that opposed industry initiatives in dozens of states. This leadership included assistance on legislation or regulation, maintenance of a website, preparation of research, and the convening of network leaders at our third annual summit. On RALS, we also issued two reports, wrote to the Office of the Comptroller of the Currency, and sought to restrict their sale by third party marketers. And in an effort to reform costly overdraft loans, we and other advocates submitted comments to the Federal Reserve Board and the Federal Deposit Insurance Corporation, and lobbied Congress, where legislation was introduced.

Consumer Debt Protections: CFA led consumer efforts to monitor and mitigate the impacts of 2005 bankruptcy law changes, especially questionable credit counseling requirements and higher filing fees. Our advocacy included coordinat-

ing consumer groups, lobbying the House Banking Committee, submitting comments to the Department of Justice's Office of Bankruptcy Trustees, helping organize and speak at an American Bankruptcy Institute conference, and speaking separately before groups of U.S. Trustees, bankruptcy judges, bankruptcy attorneys, and consumer attorneys. We also continued managing research on the effectiveness of credit counseling.

Energy Costs and Efficiency: CFA expanded its research, organizing, and advocacy on oil and gas issues. Sought out for our expertise, we wrote a natural gas report for state attorneys general, wrote two oil reports with Consumers Union, and joined state attorneys general in meetings on oil and gas futures markets. Our most extensive work in this area, though, was on motor vehicle fuel economy, where we increasingly provided the consumer voice on the Hill and in the press. The release of four reports on changes in car model and manufacturers' fuel economy and effective ways to reduce oil consumption, and two related consumer surveys, bolstered our credibility as we communicated with many reporters, editorial boards, and congressional offices. State and local consumer groups supported these efforts and also hosted two motor vehicle fuel efficiency forums. All these efforts increased interest in promoting increased fuel economy.

Food and Agriculture Policy: CFA successfully sued the U.S. Department of Agriculture to make public the calendars of its top food safety officials; those calendars are now being posted. We were the lead consumer group opposing the use of carbon monoxide in fresh meat packaging and urging the Food and Drug Administration to rescind its approval of this process. With other coalition members, we persuaded senators not to pass the National Uniformity for Food Act, which would nullify many state and local food safety laws. Also with allies, we persuaded Congress to pass a law requiring adverse event reporting for dietary supplements. CFA was the lead consumer group urging FDA not to approve the use of meat and milk from cloned animals. We continued to lead the Safe Food Coalition, which pushed USDA to use scientific criteria in developing its risk-based inspection system and supported a USDA proposal to make public the stores where recalled meat was sold. In the area of food affordability, we continued to take consumer leadership in restraining sugar and dairy prices by opposing quotas and subsidies.

Housing Credit Protections: CFA provided leadership on pressing housing finance issues being considered by Congress and regulatory agencies. Our most important work dealt with increasingly controversial nontraditional mortgages, on which we issued a major report, testified before the Senate Banking Committee, submitted comments to federal regulatory agencies, organized a consumer-industry dialogue, gave major speeches, were interviewed by press, and worked with other advocates. We also issued major reports on subprime lending and manufactured housing, worked with other advocates on federal anti-predatory lending and FHA legislation, and served as the lead consumer spokesperson on GSE issues. At year's end, federal regulatory agencies issued new guidance to lenders on nontraditional mortgages and were considering extending it to risky subprime loans, and leaders of the new Congress were considering new legislative initiatives.

Insurance Protections: At the beginning of the year, property/casualty insurers were on the offensive seeking less regulation and greater federal subsidies. At year's end, they were increasingly on the defensive in Congress, the states, and the courts. CFA provided the most important, continuing source of information and

advice to legislators, regulators, consumer advocates, and reporters about the industry's profitability, disregard for existing regulations, and denial of claims, especially in coastal states. In particular, we were relied on by key Republican and Democratic senators, before whom we testified five times, and Florida leaders, with whom we worked closely in that state, to provide analysis and recommendations for improving competition and checking policyholder gouging. At the same time, we contributed important analysis of issues ranging from California's Proposition 103 to New York City's auto insurer profitability to GEICO underwriting to title insurance. In December, we convened a "summit" of consumer leaders to better coordinate and initiate consumer advocacy in the coming year.

International Consumer Protection: Most of CFA's international work was through the Trans-Atlantic Consumer Dialogue, which we helped lead. In working with other U.S. and European colleagues, CFA advocates focused special attention on intellectual property, privacy, and food safety issues. CFA also sought improvements in Organization of American States' consumer protection standards and fewer restrictions on sugar imports.

Investor Protections: CFA took leadership on many investor protection issues. To ensure adequate regulation of brokers and investment advisers, we met with commissioners and staff of the Securities and Exchange commission, supported a lawsuit challenging an SEC rule, wrote comment letters opposing the rule, and communicated with Hill staff on the issue. To respond to industry attacks on Sarbanes-Oxley investor protections, we met with SEC commissioners, organized consumer group opposition, and researched related issues. While the SEC decided not to exempt small companies, it did issue a proposal to weaken the internal control requirements for all public companies. To ensure better credit rating agency regulation, we worked with Senate offices to amend legislation. Several of our suggestions were included in the final bill, which Congress passed and was signed into law. We also worked with allies to maintain the independent chairman requirement for mutual funds, prohibit sale of contracts mutual funds to the military (included in legislation passed by Congress and signed into law), and expand shareholder ability to nominate board members at public companies.

Privacy Protections: CFA worked with other consumer groups on several privacy issues. Together, we filed comments with the Federal Communications Commission on cell phone privacy and security, filed comments with the Federal Trade Commission on prerecorded calls, and filed comments with the Internal Revenue Service to stop tax preparers from sharing client tax return information with third party marketers. On the latter issue, we worked with several congressional offices that developed and introduced legislation.

Product Safety: CFA continued as a lead advocate of pro-consumer improvements at the Consumer Product Safety Commission. CFA called for improved recall effectiveness, common law protection, and no inappropriate industry safe harbors. CFA also sought to improve the safety of products — including playgrounds, backyard pools, furniture, toys, bath seats, mattresses, and cosmetics — through communications with Congress, the CPSC, standard-setting agencies, and the press. But we continued a special focus on ATVs, on which the CPSC had issued a notice of proposed rulemaking, by coordinating the work of advocates,

releasing injury data, talking to reporters, testifying before Congress, and submitting comments to the CPSC. Largely because the CPSC and congressional leaders were more sensitive to business than consumer interests, progress on these issues was incremental.

Real Estate Competition and Protections: At the end of last year, CFA revived its campaign to increase consumer choice in dealing with real estate brokers, including coordinating a group of advocates and nontraditional brokers. In Washington, we released widely reported-on studies on the “real estate cartel,” regulatory capture, and discrimination against nontraditional agents. We testified before the House Financial Services Committee on the industry’s anti-competitive practices. And we communicated with the U.S. Department of Justice, the Federal Trade Commission, and the Government Accountability Office, all of which had been critical of industry practices. At the state level, we opposed new state “minimum service” legislation that would disadvantage nontraditional brokers, including publishing op ed essays in Indianapolis and Albuquerque newspapers. At year’s end, we were increasingly fighting state battles while seeking to inform consumers about their brokerage options.

Strategies

CFA utilized various strategies in advocating the consumer interest on more than 40 issues considered by Congress, federal regulatory agencies, state legislatures, state regulatory agencies, and the courts. These strategies included legislative and regulatory communications, coalition-building, grassroots-networking, advocacy-related research, press outreach, and court interventions.

1. Legislative and Regulatory Advocacy

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	House Energy/Commerce	Weintraub	Car title fraud
	Arkansas leg	Fox	Payday loans
	IRS	Fox, others	Payday loans
	Senate Banking	Plunkett, others	Regulatory relief
	FDIC	Plunkett, Woodall	Industrial loan charters
	Fed bank regulators	Fishbein	Exotic mortgages
March	NAIC	Plunkett, Hunter	Regulatory relief
	SEC	Roper	Sarbanes-Oxley
	SEC	Roper	Broker advice
	CPSC	Weintraub	Pool safety

Month	Committee/Agency	CFA Rep	Issue
April	FDIC	Plunkett	Industrial loan charters
	House Fin Services	Hunter, Woodall	Title insurance
	Treasury	Hunter	Terrorism insurance
	FCC	Fox, others	Cell phone privacy
May	Senate Commerce	Cooper	Telecom competition
	FCC	Cooper, CU	AT&T/BellSouth merger
	Senate Banking	Brobeck	Financial education
	USDA	Waldrop	Salmonella
	Senate Banking	Hunter	Title insurance
	IRS	Fox, NCLC	RALs
June	Atlanta FHLB	Fishbein	Exotic mortgages
	Senate Judiciary	Hunter	Antitrust exemption
	House Fin Services	Plunkett	Catastrophe insurance
	Senate Commerce	Weintraub	ATVs
	CPSC	Weintraub	Agency reporting
	House Fin Services	Brobeck	Real estate brokerage
September	House Fin Services	Brobeck	Financial education
	Senate Banking	Fishbein, Woodall	Exotic mortgages
	House Judiciary	Hunter, Plunkett	Surplus insurance lines
	Senate Banking	Hunter, Plunkett	Insurance regulation
	California Ins Dept	Hunter	Title insurance
	SEC	Roper, FD	Mutual fund governance
	Federal Reserve	Fox, NCLC	Regulation E
	DOJ	Plunkett	Credit counseling
October	Virginia Assembly	Fox	Payday loans
	FDIC	Fox	Bank overdrafts
	FCC	Cooper	Media ownership
	FCC	Cooper	Inter-carrier competition
November	USDA	Foreman, Waldrop	Food inspection
December	CPSC	Weintraub	ATVs
	FTC	Fox, others	Prerecorded calls

2. Public Education: The Press

CFA's main link to consumers, and an important ingredient in our efforts to influence legislation and policymaking, is the media. In addition to reacting to hundreds of stories, CFA frequently made news. In 2006, we prepared 39 press releases on issues that were reported on by the press. We were interviewed hundreds of times by national TV news programs and major newspapers. And, we published the following op-ed essays and letters-to-the-editor.

Publication	Author	Issue
<i>New York Times</i>	Hunter	Flood insurance
<i>New York Daily News</i>	Hunter	Homeowner insurance
<i>Miami Herald</i>	Hunter	Hurricane insurance
<i>Wall Street Journal</i>	Roper	Securities regulation
<i>USA Today</i>	Foreman	Animal cloning
<i>Minneapolis Star Tribune</i>	Weintraub	ATV safety
<i>San Jose Mercury News</i>	Cooper	Network neutrality
<i>San Francisco Chronicle</i>	Cooper	Fuel efficiency
<i>Indianapolis Star</i>	Woodall	Real estate regulation
<i>Albuquerque Journal</i>	Woodall	Real estate regulation
<i>American Banker</i>	Brobeck	Bankless
<i>American Banker</i>	Brobeck	Credit union conversion

3. Public Education: Research

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

Banking	<p><i>Consumers Pay Steep Premium to "Bank" at Check Cashing Outlets</i> (Fox, CRL)</p> <p><i>Another Year of Losses: High-Priced Refund Anticipation Loans Continue to Take a Chunk Out of Americans' Tax Refunds</i> (Fox, Woodall, NCLC)</p>
Communications	<p><i>The Case Against Media Consolidation</i> (Cooper)</p> <p><i>The Impact of the Vertically Integrated, Television-Movie Studio Oligopoly on Source Diversity and Independent Production</i> (Cooper)</p> <p><i>How Bigger Media Will Hurt Fourteen States</i> (Cooper)</p> <p><i>Mapping the Terrain in the Battle Over Access to Knowledge in the Digital Information Age</i> (Cooper)</p> <p><i>The Importance of Open Networks in Sustaining the Digital Revolution</i> (Cooper)</p>

Energy

Stuck in Neutral: America's Failure to Improve Motor Vehicle Efficiency, 1996-2005 (Gillis)

2006 Best and Worst Fuel Economy Ratings (Gillis)

A Blueprint for Energy Security: Addressing Consumer Concerns about Gasoline Prices by Reducing Consumption and Imports (Brobeck, Cooper)

50 by 2030: Why \$3 Gasoline Makes the 50 Mile Per Gallon Car Feasible, Affordable, and Economic (Cooper)

Time to Change: The Record on Oil Policy (Cooper)

Debunking Oil Industry Myths and Deception: The \$100 Billion Consumer Rip-Off (Cooper, Consumers Union)

Housing

Women Are Prime Targets for Subprime Lending (Woodall, Fishbein)

Subprime Locations: Patterns of Geographic Disparity in Subprime Lending (Woodall, Fishbein)

Exotic or Toxic? An Examination of the Non-Traditional Mortgage Market for Consumers (Fishbein, Woodall)

Investments

Investors' Mutual Fund Purchase Practices (Roper, Brobeck)

Real Estate

How the Real Estate Cartel Harms Consumers and How Consumers Can Protect Themselves (Brobeck)

State Real Estate Regulation: Industry Dominance and Consumer Costs (Woodall, Brobeck)

Nontraditional Real Estate Brokers: Growth and Challenges (Woodall, Brobeck)

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 and Credit Education: Using court-awarded grants resulting from auto loan markup litigation, we expanded our America Saves program to better inform Hispanic and African-American consumers about automobile financing and consumer credit. We revised and distributed tens of thousands of bilingual publications to community programs, offered an auto purchase workshop in five cities, and worked through Hispanic and African-American press to inform their audiences.

Consumer Literacy: We continued to distribute English and Spanish versions of the “66 Ways to Save Money” brochure from our offices, through many websites, and through the Federal Citizen Information Center, where it remains the most popular publication distributed for a fee. Forty thousand copies were requested, 19,000 in Spanish. And the FCIC’s “66 Ways to Save Money web page” received over 160,000 page visits.

Emergency Savings: With support from the Ford Foundation, CFA completed two reports on lower-income household emergency savings needs and the essential role of financial institutions in meeting these needs. After review by savings experts, these reports were circulated to and discussed with key regulators and financial services industry leaders. This work dovetailed with and complemented America Saves program that encouraged financial institutions to facilitate and promote household saving.

Energy Efficiency: With support from the Energy Foundation, we continued to research motor vehicle fuel economy and to inform consumers, the press, policy-makers, and other influentials about related consumer and societal needs and opportunities. Significant research findings included the importance of and consumer support for a wide range of fuel economy measures, the fact that these measures will pay for themselves through lower fuel costs, and failure of auto manufacturers to improve the overall fuel economy of their fleets.

Food Safety: CFA produced a consumer brochure about avian influenza that we distributed to federal and state lawmakers, state and local consumer groups, and individuals. We also provided consumer leadership within the Partnership for Food Safety Education, which continues to inform consumers about safe food handling.

High-Cost Credit: With support from the Annie E. Casey Foundation and the Fannie Mae Foundation, CFA continued its efforts to research, educate, and protect consumers in the short-term small loan marketplace. We issued reports on check cashing outlets and refund anticipation loans. We organized local and national forums on payday lending. And, we launched a payday loan information website for consumers and provided technical assistance to payday loan activists around the country.

Homeownership: With support from the Ford Foundation, Annie E. Casey

Foundation, and Fannie Mae Foundation, CFA continued to promote homeownership as a key wealth-building strategy. Our broad-based research included topics ranging from subprime mortgage loan disparities and abuses to exorbitant closing costs and brokerage fees. This and other research was discussed at two housing forums we organized and shared with nonprofit housing groups, press, and policymakers.

Investor Education: With support from the NASD Investor Education Foundation, we completed an analysis of mutual fund investor information preferences and purchase practices and distributed this report to policymakers and press. Working with state regulators and industry groups, we drafted a brochure on selecting an investment professional, which was distributed by state regulators and linked to the SEC website.

Wealth-Building in Lower-Income Households: With funding from the Annie E. Casey Foundation, Herron Foundation, and many other sources, we continued to grow an America Saves campaign whose goals are to increase lower-income household savings and persuade major institutions to promote savings more effectively. Through extensive technical assistance, we helped organize or maintain dozens of local or state Saves groups in which over 1,000 organizations participated. These groups included about 200 banks and credit unions, which agreed to offer no- or low-cost savings accounts to those enrolled as Savers and often to undertake other savings education and promotion. During the year, more than 17,000 individuals became Savers, bringing the total of those enrolled to more than 65,000. We also began planning the first America Saves Week, to be held early in 2007, which involved both local Saves campaigns and national organizations such as the Federal Reserve Board, Department of Defense, Cooperative Extension Service, and United Way.

Wealth-Building in the Military: With support from the NASD Investor Education Foundation, we hired a full-time staffer to organize a Military Saves initiative involving DOD, all four branches of the military, and related financial institutions. That initiative focused on a Military Saves Week, to be held early in 2007, that was endorsed and promoted by DOD. At year's end, all four military branches and 60 financial institutions were planning activities that promised to enroll thousands of new Savers.

Wealth-Building Among Youth: The Youth Saves initiative that CFA spearheaded worked closely with national nonprofit organizations such as FCCLA, FBLA, and 4H. Its most significant activity was training over 300 teachers/advisers and over 1,300 students in 12 states for FCCLA school-based campaigns planned for 2007.

Member Services

CONFERENCES

The most important CFA meetings were built around the 39th annual Consumer Assembly. Nearly 300 persons in attendance at this March event heard speakers — including Senator Paul Sarbanes, SEC Chairman Christopher Cox, Iowa Attorney General Tom Miller, Common Cause President Chellie Pingree, NRECA Executive Director Glenn English, and Consumers Union President Jim Guest — 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, over 300 persons heard Senators Saxby Chambliss and Lisa Murkowski, Acting FDA Commissioner Andrew von Eschenbach, and other speakers address the 29th annual national Food Policy Conference. In December, more than 200 persons heard Representatives Barney Frank and Brad Miller, FDIC Chairman Sheila Barr, SEC Commissioner Roel Campos, and other speakers discuss banking, insurance, housing, and investment issues at CFA's 22nd Annual Financial Services Conference.

In June more than 400 persons participated in CFA's 36th annual Awards Dinner to recognize distinguished consumer service. Awards were presented to Senator Patrick Leahy, U.S. PIRG Consumer Program Director Edmund Mierzwinski, CUNA Executive Vice President and COO Pete Crear, and *Washington Post* reporter Caroline Mayer.

PUBLICATIONS

CFA member organizations received the following publications.

- Six issues of CFA's newsletter, *CFAnews*, which reports consumer news and advocacy.
- The 2005 policy resolutions adopted at CFA's Annual Meeting.

Member groups also have available free copies of dozens of consumer pamphlets on topics ranging from insurance to saving to product safety to consumer complaint resolution.

CONSUMER COOPERATIVE INITIATIVES

CFA continued to coordinate the work of a group of national cooperative leaders who met quarterly to exchange information and discuss challenges. Particular attention was given to threats to the nonprofit status of co-ops, especially conversion from nonprofit to for-profit status. Other CFA/co-op initiatives included our seventh annual holiday spending survey with CUNA and Saves initiatives with credit union groups.

STATE AND LOCAL RESOURCE CENTER

CFA's State and Local Resource Center exists to strengthen state and local member groups by supplying them with information, technical assistance, and resources. During the year, we shifted the main emphasis of the Center from organizational development to grassroots advocacy. The latter was the focus of the annual State and Local Roundtable and issue forums on high-cost credit, insurance, and communications issues. It also represented the new priority of the Ann K. Lower grant program, supported by Consumers Union's Colston Warne Fund, which supplied more than \$25,000 in grants. CFA also provided more than \$25,000 to state and local consumer advocates to attend CFA-sponsored conferences and forums. Increasingly, CFA's senior advocates worked with, and provided information to, the advocates of CFA's state and local members.

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Finances

Last year, we converted from a modified cash basis method of accounting to an accrual method. This changed how we counted income, most importantly, adding income that was committed but not received nor spent, which increased reported net assets. But net assets also increased because income received in 2006 and carried over from 2005 to 2006 exceeded actual and committed expenses. Another source of financial strength was the diversity of funding sources — chiefly member dues, conferences, the Awards Dinner, and nearly 50 separate grants.

Income	\$3,007,989
Expenses	2,979,052
Net Assets	3,974,921



