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House Passes Credit Union Membership Bill

The House gave overwhelming approval in April to legislation that would partially restore a credit union membership policy overturned in February by the Supreme Court.

The Senate Banking Committee approved a similar version of the legislation later that month and was expected to bring the measure to the Senate floor in May.

"This is a major victory for the millions of American consumers, many of low and moderate income, who rely on credit unions to meet their financial needs," said CFA Executive Director Stephen Brobeck.

"This legislation will help to ensure not only that no current credit union member will lose that membership, but also that millions of non-members will have the opportunity to join these non-profit cooperatives," he said.

At issue is a policy that, for the past 16 years, has enabled federal credit unions to serve more than one group, as long as each of the groups served had its own "common bond," such as a shared occupation or community.

In February, the Supreme Court ruled that this policy was "contrary to the unambiguously expressed intent of Congress."

H.R. 1151, which the House adopted on a 411-8 vote, is designed to overturn that decision.

Membership Policy Partially Reinstated

As approved, the bill would allow credit unions to accept members from more than one group, as long as the groups have no more than 3,000 potential members and are located within "reasonable proximity" to the credit union.

In addition, the 20 million current credit union members who fall outside their institution's original group would be allowed to retain their memberships.

The bill also contains a provision, similar to the Community Reinvestment Act for banks, which requires credit unions to serve members of "modest means" and requires the credit union administration to review institutions' lending records periodically to ensure compliance.

It also requires the credit union administration to set new capital requirements for credit unions to ensure their "safety and soundness."

"The legislation would impose new requirements on credit unions that are fairly reasonable," Brobeck said. "What is essential is that senators not listen to banks who wish to impose onerous requirements."

The bill passed the Senate Banking Committee on a 16-2 vote, but the fair lending provision prompted a confrontation in committee that could pose problems for the bill on the Senate floor.

Lending Regulations Debated

Several committee Republicans voiced their opposition to imposing new lending regulations on credit unions when they favor eliminating those regulations for banks.

Sen. Phil Gramm (R-TX) proposed an amendment to eliminate the bill's lending requirements, and Sen. Richard Shelby (R-AL) offered an amendment to repeal CRA requirements for banks with assets of less than $250 million.

The Shelby amendment died on a 9-9 vote when Committee Chairman Alfonse D'Amato (R-NY) joined with panel Democrats in opposition. Sen. Gramm then withdrew his amendment.

However, both Sens. Gramm and Shelby said they would offer their amendments on the floor, although Sen. Gramm has said he would not attempt to delay the bill's passage.

"This legislation should not be used as an excuse to eliminate community reinvestment requirements for commercial banks," Brobeck said. "Those regulations have been highly successful at ensuring adequate investments in low and moderate income communities at a time when banks are enjoying record profits."

Reform of Insurance Regulation Urged

The current system of state insurance regulation is failing consumers because of the "overwhelming and pervasive influence of the insurance industry" in the activities of the National Association of Insurance Commissions, leading consumer advocates have charged.

"State regulation is becoming less viable due to banks' and insurers' merging, Internet sales of insurance, and insurance's becoming a global, not a state, business," said CFA Director of Insurance J. Robert Hunter.

"Therefore, state regulators must become independent of insurer influence and work closely with one another, independent of that influence, if state regulation is to survive and be effective and efficient as we move into the new millennium," he said.

In March, CFA joined with Ralph Nader, Consumers Union, and U.S. Public Interest Research Group in writing to governors, calling on them to "inject some balance into a system where the insurance industry is setting its own rules, dictating policy, and dominating the weak oversight structure."

The key to reform, they said, is developing a funding structure for the NAIC that "promotes independence and freedom from insurance industry control."

To accomplish that goal, the advocates suggested allocating a small percentage of the currently collected premium taxes and other fees paid to the states by the industry to the NAIC.

The NAIC's budget of roughly $40 million represents just 0.4 percent of the $9.7 billion in 1996 revenue generated for the states by insurance premium taxes, fees, fines, and other revenues from insurance transactions, Hunter explained. Thus, states could allocate sufficient money to fund NAIC without feeling any financial pinch themselves, he said.

Another possible solution suggested by the advocates is creating an interstate compact to control and fund the NAIC.

Industry Backlash Precipitates Crisis

The current crisis for state regulation was precipitated by an insurance industry backlash against regulators' attempts in the late 1980s and early 1990s to gain some independence.

At that time, states had taken a number of important steps "to change the industry domination of the NAIC," by:

- eliminating the industry advisory groups that participated in drafting model laws and regulations;
- creating a program to fund consumer participation in NAIC meetings;
- setting minimum solvency regulations; and
- beginning to collect meaningful data for analysis in such areas as redlining and consumer complaints.

Industry members responded by refusing to pay database fees, an important source of revenue for the NAIC.

"Unable to fight fairly because the facts were not on their side, members of the industry resorted to what they know best – money," Hunter said. Their refusal to pay the database fees amounted to a boycott of the NAIC, he said.

As reported in the *Wall Street Journal*, industry members also took NAIC leaders to an ex-parte meeting at a Chicago restaurant, at which time they reportedly laid out the changes they wanted NAIC to make in its operations.

NAIC has apparently responded to that meeting by, among other things, cutting back spending on market regulation and restoring industry's formal role in the association's decision-making process.

"The boycotters won," Hunter said.

Regulation At A Crossroads

Regulators' capitulation to industry pressure could not have come at a worse time, the consumer advocates noted in their letter to governors.

"State regulation is at a crossroads," the letter states. "Monumental trends" – such as insurance mergers with banks and securities firms, Internet sales, and the sharp growth of alternative insurance markets, including securitization of risk – "require coordinated responses by the states."

"How can state regulation cope without solid national coordination, research, analysis and action?" the letter asks. "State regulation as a viable alternative to federal regulation depends upon an effective, independent NAIC."

The only way to accomplish that goal is through independent funding, according to the advocates. "The NAIC should never be put in the position of having to go, hat in hand, to the regulated to beg for money and to shave the agenda to meet the demands of the regulated."

"This collapse of state responsibility is a low point in state regulation of insurance," the letter to the governors concludes. "You can remedy this by assuring that regulation is not captive to financial influence of the regulated. If you do not remedy it, the calls for federal regulation of insurance will grow louder."

Auto Insurance Rates Too High

In April, CFA released a report charging that auto insurance rates in a number of states are too high and calling on insurance commissioners in those states to consider lowering rates.

Hunter, who is author of the report, noted that, "while some insurance companies have begun to drop prices, many are delaying action and are, thus, raking in excessive profits of at least $3 billion."

The report analyzes data, such as operating ratios, to identify excess profits. Operating ratios are calculated by subtracting the claims costs and expenses from premiums and adding the investment income on insurance reserves.

Overall, operating ratios on private passenger car insurance have dropped from

(Continued on Page 2)

Campaign To Promote Safe Internet Use

Teaching families how to use the Internet safely and wisely is the aim of a new campaign recently launched by CFA, the National Education Association, and MCI.

"The Internet can be a major learning tool for children," said CFA General Counsel Mary Ellen Fise. "Unfortunately, it can also expose children to an ever growing barrage of commercial messages as well as numerous inducements to surrender their privacy."

"This campaign is designed to help families reap the benefits of the Internet while avoiding the dangers," she said.

The campaign got underway in April with the first of a series of free workshops on Internet safety for parents and their school aged children. That Washington, D.C. workshop was also multicast live across the Internet.

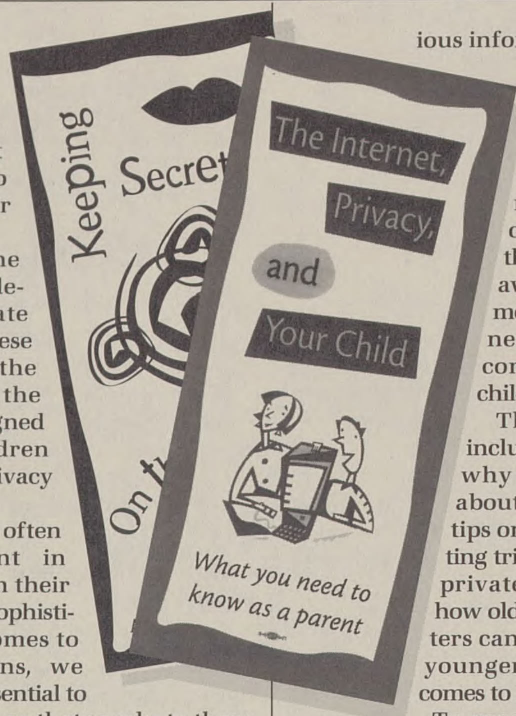
Additional workshops are planned throughout the summer and early fall in Los Angeles, Chicago, New York, and Atlanta.

The workshops are designed to educate families on: the basics of Internet safety and beneficial usage; how to effectively monitor their children's on-line activities; how to use filtering software; and how to encourage family-friendly Internet navigation.

In addition to a panel discussion of these issues, the two-hour workshops feature hands-on, individualized training in using the techniques discussed by the panel.

As part of the educational campaign, CFA and MCI have also teamed up with the Center for Media Education to produce a brochure on privacy concerns related to children's use of the Internet.

"Corporations are increasingly making use of the Internet's capacity to collect private information from individuals, including children, who use it," Fise said. "This brochure explains the issues surrounding privacy on the Internet and what families can do to protect their privacy."



One side of the brochure is designed to educate parents about these issues, while the other side of the brochure is designed to teach children directly about privacy concerns.

"With children often more competent in Internet use than their parents, but less sophisticated when it comes to privacy concerns, we thought it was essential to produce a brochure that speaks to them directly as well as to their parents," Fise said.

Both sides of the brochure describe various information gathering practices used on the Internet.

The side targeted at adults also discusses methods parents can use to protect their child, resources available for learning more about the Internet, and good, non-commercial sites for children.

The children's side includes a discussion of why they should care about privacy as well as tips on how to avoid getting tricked into giving up private information and how older brothers and sisters can look out for their younger siblings when it comes to Internet use.

To receive a copy of the brochure, send a Self-Addressed, Stamped Envelope to Kids' Internet Privacy, P.O. Box 12099, Washington, D.C. 20005-0999.

Electronic Commerce Protection Is Needed

Consumer groups wrote to Senate Banking Committee Chairman Alfonse D'Amato (R-NY) in April urging him to delay mark-up of electronic authentication legislation until serious problems with the legislation can be addressed.

In its current form, S. 1594, "The Digital Signature and Electronic Authentication Act of 1998," would "undermine federal and state consumer protection laws when financial transactions or disclosures are electronically consummated," according to the letter from CFA, the National Consumers League, the National Consumer Law Center, and the U.S. Public Interest Research Group.

In pursuit of its goal of preventing regulations from impeding the development of electronic banking or commerce, the legislation "goes too far," said CFA Director of Consumer Protection Jean Ann Fox.

The legislation makes the use of authentication technology optional for financial institutions. While regulators could disallow the use of a particular technology, they could not require the use of authentication technology.

"Consumers and financial institutions need a reliable and consistent system to guard against fraud and abuse," Fox said. "Digital signatures, or equivalent authentication technology, should be required in most financial transactions over the Internet."

Legislation Should Be Strengthened

The groups expressed support for federal legislation to deal with these complex issues, but outlined a number of areas the legislation should address that are not dealt with adequately in S. 1594.

Specifically, the groups argued that any legislation should:

- establish a system of checks and balances that places the burden of loss resulting from any breakdown in the conduct of electronic commerce on the parties that are establishing that system;
- assure that existing state and federal consumer protection laws are bolstered, rather than undermined, by the electronic provision of disclosures and agreements;
- require that financial transactions made electronically be made in a technologically appropriate manner that assures both parties of the other's identity, their actual agreement to the terms of the transaction, and their ability to hold the other to those terms;
- direct regulators to oversee the use of digital signatures to ensure consumer protection as well as safety and soundness; and
- ensure that individuals' privacy is protected.

International Guidelines Proposed

Meanwhile, the Organization for Economic Cooperation and Development, an international trade policy group, issued its draft standards for consumer protections for electronic commerce.

In April, CFA provided informal comments on the draft at the request of the Federal Trade Commission.

While acknowledging that the guidelines "seem to cover the right points," such as cooling off periods and charge-backs of transactions, Fox said they rely too heavily on voluntary compliance.

"What is missing is the essential element of enforceable consumer protections that apply to the entire marketplace, not just to those companies which voluntarily adopt self-regulatory regimes," she said.

Fox also seconded the concerns expressed by National Consumers League about provisions that appear to allow businesses to determine which country's laws will govern disputes.

Businesses should have to comply both with the law of the country in which they reside and the laws of the countries in which their customers reside, Fox said. This is necessary, she noted, because "consumers have unequal bargaining power and information on which venue's laws should apply to disputes."

Insurance Regulation *(Continued from Page 1)*

99.6 percent in 1987 to 94.8 percent in 1996, according to the report. With passenger auto insurance premiums now over $107 billion, that improvement is worth more than $5 billion to the insurers, Hunter said.

Breaking information down on a state-by-state basis, the report identifies those states where rates appear to be too high.

High, Low Rate States Identified

Specifically, Hunter said rates should probably fall by up to 25 percent, or $200 per car, in Hawaii, 15 percent, or $125 per car, in Rhode Island, and about 10 percent, or $75 per car, in New York and California.

While most insurance departments should be looking at rate relief, Hunter said, the report also identifies four states – Kentucky, Nebraska, North Carolina, and Tennessee – where modest rate increases may be needed.

Hunter credited a number of factors with improving the profit picture for auto insurance, including: the aging of the baby boom generation, which has passed its high risk driving years; safety measures, such as airbags, which have dropped the cost of claims; anti-drunk driving measures; and increased fraud awareness by the industry.

"People are getting into fewer accidents, buying larger, safer cars, and avoiding hazardous behavior," Hunter said. "They should be rewarded by receiving the lower insurance rates they have earned."

He called on insurance companies to adjust their rates to return a portion of their excess profits to consumers.

He also called on commissioners in states where data indicates the largest decreases are warranted – Hawaii, Rhode Island, New York, and California – to call the top policy writers in the state in for a public hearing to determine if their rates should be lowered.

"Informational hearings would allow the public and the commissioner to see if prices are fair and meet the statutory requirements of being not excessive without requiring the insurers to amend their prices," he said.

"The time is ripe for all players to adapt to the new reality of excess auto profits," he said.

Copies of the report, "Private Passenger Car Auto Insurance Profitability and Rate Implications," are available for $10, paid in advance, from CFA, 1424 16th Street, N.W., Suite 604, Washington, D.C. 20036.

Bankruptcy Reform *(Continued from Page 4)*

of-credit, including to many individuals that would have been considered non-credit-worthy in the past," Rouleau said.

"What we need is a balanced approach that carefully targets both abusive debtors and creditors," she added. "Unfortunately, neither of the bills under consideration offers that balance."

Bills Are On A Fast Track

Both the House and Senate bills were expected to be marked up in full committee in early May.

"These bills are on a dangerous fast track that has allowed little or no time to examine the radical reforms being proposed," Rouleau said.

Bankruptcy judges, scholars, and such groups as the Alliance for Justice have all urged Congress to slow down and study the issue more carefully, she noted.

"These bills are highly technical, and very few people understand how disruptive their implementation would be. It's a classic case of the law of unintended consequences," she added. "Congress cannot afford to throw the bankruptcy system and American families into crisis by rushing to accept the rhetoric of the credit industry."

Senate Panel Votes To Limit Fraud Lawsuits

The Senate Banking Committee approved legislation in April that would further limit the ability of defrauded investors to recover their losses in court.

The bill, S. 1260, would require all class action lawsuits involving securities traded on a national exchange to be brought in federal court under the federal law.

"We still don't know whether defrauded investors will be able to recover their losses under the federal standards adopted by Congress in 1995 as part of the Private Securities Litigation Reform Act," said CFA Director of Investor Protection Barbara Roper.

"It would be highly irresponsible for Congress to slam shut the door to state courts without first knowing the effects of the new federal law on meritorious cases, but that is what this legislation proposes to do," she added.

Caution is particularly warranted in this case, Roper noted, since both federal and state securities regulators opposed the PSLRA on the grounds that it tips the balance too far in favor of securities fraud defendants.

The preemption bill gained momentum, however, when Securities and Exchange Commission Chairman Arthur Levitt announced at his reconfirmation hearing in April that he had agreed to endorse S. 1260 after negotiating some modest changes to the bill.

These include adding report language clarifying that the PSLRA was not intended to eliminate recklessness as a basis for securities fraud lawsuits and revising slightly the definition of class action.

"While we appreciate Chairman Levitt's efforts to improve the bill, the changes he was able to negotiate are largely cosmetic. They are insignificant when measured against the remaining inequities in this legislation," Roper said.

Unfortunately, Chairman Levitt's endorsement was used by S. 1260's sponsors as evidence that the bill was both justified and beneficial to investors, and they immediately marked up and approved the bill.

Before approving the bill on a 14-4 vote – with Sens. Paul Sarbanes (D-MD), Richard Bryan (D-NV), Tim Johnson (D-SD), and Richard Shelby (R-AL) casting the dissenting votes – the committee turned aside several pro-investor amendments.

Two, in particular, were designed to retain important state law protections absent from the federal law – the availability of aiding and abetting liability in 49 states and the longer statutes of limitation that most state laws afford.

The amendments, offered by Sen. Bryan and Sen. Sarbanes respectively, would have allowed plaintiffs to continue to rely on the more favorable state laws governing aiding and abetting and statutes of limitations when their cases were forced into federal court.

Both amendments failed on a 6-12 vote, with Sens. Jack Reed (D-RI) and John Kerry (D-MA) joining with the four bill opponents in supporting the amendments.

"The refusal of the committee to adopt even these modest amendments preserving vital state law protections clearly demonstrates the total lack of balance in this legislation," Roper said.

"The handful of members who opposed the bill and supported these amendments deserve the thanks of all investors," Roper said. "We owe a particular debt of gratitude to Sen. Sarbanes and Sen. Bryan for their principled and impassioned opposition to this anti-investor legislation."

The bill was headed for floor consideration in the Senate in May. The House, meanwhile, was expected to hold hearings on the legislation in May and to begin moving a bill soon thereafter.

ATV Safety Improvements Urged

A coalition of consumer groups called on the Consumer Product Safety Commission to take further action to reduce the tragic toll of deaths and injuries caused by All-Terrain Vehicles.

CFA, Public Citizen, and the U.S. Public Interest Research Group issued their statement in April on the expiration date of the consent decree designed to address ATV hazards.

That consent decree, negotiated by the agency and the ATV industry in 1988, has not adequately reduced the risk to consumers, particularly children who ride ATVs, the consumer groups said.

"Approximately 80 children died and almost 24,000 children were treated in emergency rooms because of ATVs in 1996 alone. The consent decree's provisions, particularly those addressing children's safety, have simply not been adequate," said CFA General Counsel Mary Ellen Fise.

Overall, ATV crashes have killed more than 3,115 people and seriously injured more than one million others since 1982, according to CPSC data. About 40 percent of the victims were children under 16.

"The tragic toll of childhood deaths and injuries will continue until we get these hazardous vehicles out of the hands of children," Fise said.

The consumer groups called on the CPSC to: ban the sale of ATVs for use by children; ban three-wheeled ATVs; and require manufacturers to offer refunds for all three-wheeled ATVs and for all four-wheeled ATVs purchased for use by children under 16.

"Children simply do not have the developmental skills and maturity needed to operate any ATV safely," Fise said. "Limiting the use of ATVs to adults will prevent thousands of needless childhood deaths and injuries."

The consent decree stopped the sale of new three-wheeled ATVs by the five major manufacturers of ATVs for ten years.

"Given that the Commission has determined that three-wheeled ATVs are inherently unstable and unreasonably dangerous, a permanent ban on three-wheelers is necessary to ensure that these machines are not reintroduced in the future," Fise said.

Finally, unless manufacturers are required to offer a refund for three-wheeled ATVs and for four-wheeled ATVs sold for use by children, the ATVs are likely to remain in use and "the debilitating injuries, paralysis, and deaths which have been associated with these vehicles will persist," she said.

CPSC General Counsel Jeffrey S. Bromme said the commission expects to announce new ATV safety programs within the next few weeks. In the meantime, industry has agreed to continue important features of the consent decrees, including training and the prohibition on sales of adult-size ATVs to children, he said.

"The commission shares the concern about the disproportionately high death and injury rate to children under 16," Bromme said. "We do not believe the expiration of the consent decrees should mark the end of ATV safety efforts."

Free Brochure Promotes Energy Efficiency

As part of a joint energy efficiency project between the Environmental Protection Agency and the Consumer Research Council, the CRC issued a free brochure in April promoting the use of energy efficient products.

The brochure, "Save Money and Save the Environment: A Consumer Guide to Buying Energy Efficient Products for the Home," provides information on the benefits to consumers of energy efficiency, what to look for when buying energy efficient products, and what products currently are eligible for the ENERGY STAR® label.

ENERGY STAR® is the label given by the EPA and the Department of Energy to appliances and products that exceed federal efficiency standards. These products are typically 20 percent more energy efficient than other comparable products and can be as much as 75 percent more efficient.

"If consumers make a concerted effort to buy energy efficient products – specifically those identified with the ENERGY STAR® label – they benefit the environment and their health as well as their pocketbooks through lower energy costs," said CRC's Special Projects Manager Mel Hall-Crawford.

The EPA estimates that Americans can save approximately 30 percent on their home energy bills if they buy energy efficient products. For the average household, that amounts to a savings of about $400 per year.

Buying energy efficient products also helps the environment, because, the less energy a household uses, the less power and pollution are generated by power plants.

According to the EPA, the average home is responsible for more air pollution than the average car. Pollution savings from equipping a single household with ENERGY STAR® labeled products can be the equivalent of taking a car off the road for seven years.

Reducing pollution also means reducing the risk of respiratory disease, smog, and acid rain.

As part of the energy efficiency project, the EPA is also funding projects by ten state and local groups to increase public awareness in their areas about the health, environmental, and economic benefits of buying energy efficient products for the home.

The groups – Arizona Consumers Council, Florida Action Coalition Team, Massachusetts Consumers' Coalition, Pennsylvania Citizens Consumers Council, Virginia Citizens Consumer Council, and Public Interest Research Groups in California, Connecticut, Illinois, New Jersey, and Ohio – participated in a day-long briefing with EPA in March.

To receive a free copy of the brochure, send a self-addressed stamped envelope to CRC-Energy Efficiency, P.O. Box 12099, Washington, D.C. 20005-0999. Groups interested in obtaining bulk copies of the brochure for distribution should contact Mel Hall-Crawford at 202-387-6121.

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Anti-Consumer Bankruptcy Bills Advance

House and Senate subcommittees approved bankruptcy bills in April that would make it far more difficult for cash-strapped consumers to discharge their debts while doing little or nothing to reign in irresponsible creditors.

"There is good reason to be alarmed about the record high number of personal bankruptcy filings. However, this reflects an underlying economic problem, not a problem with the bankruptcy code," said CFA Legislative Director Mary Rouleau.

"It is well documented that the rise in the number of personal bankruptcies follows a rise in consumer debt levels. In no small part, irresponsible credit card marketing has produced the current crisis," she said.

Both H.R. 3150 and S. 1301 "attempt to make the bankruptcy system the scapegoat for the industry's risky and predatory lending practices by turning the bankruptcy court into a taxpayer-funded collection agency," she said.

Although they take different approaches, the primary focus of both the House and Senate bills is limiting debtor access to Chapter 7 bankruptcy, in which debtors are able to discharge their debts and make a fresh start.

Under the bills, more debtors would be forced into Chapter 13 bankruptcy, in which debtors must repay as much of their debt as possible over a three- to five-year period.

Rouleau challenged the notion that this approach would result in increased debt recovery. "Most people who file for Chapter 7 are broke," she said.

Research by Georgetown University's Credit Research Center indicates that the average Chapter 7 bankrupt in 1996 had after tax income of $19,800 and credit card debts of $17,544, she noted. Furthermore, the median income for Chapter 7 debtors has continued to decline, she said.

Senate Bill Makes It Easier To Dismiss Cases

The Senate was the first to act on its bill, with the Subcommittee on Administrative Oversight and the Courts approving S. 1301 on a 6-1 vote in early April. Only Sen. Russ Feingold (D-WI) opposed the bill.

S. 1301 would make it easier for judges to dismiss Chapter 7 cases outright or force at least a partial repayment of debts. It would also allow creditors to mount legal challenges to the process.

Allowing creditors to file motions to dismiss the case would create "a significant drain on the court's resources" and would also impose substantial additional costs on debtors, many if not most of whom may be unable to afford to mount an adequate defense, she said.

Before approving the bill, the subcommittee did adopt an amendment by co-sponsor Sen. Richard Durbin (D-IL) to prevent families who make less than the median income from being subjected to a creditor's motion to dismiss.

Meanwhile, the House Commercial and Administrative Law Subcommittee approved H.R. 3150 on a voice vote in late April after turning aside numerous attempts by panel Democrats to amend the bill.

H.R. 3150 would set up a screening mechanism for debtors filing for Chapter 7 bankruptcy.

Debtors with income equal to at least 75 percent of median income would be subject to a test, using uniform average figures, to determine whether the debtor could pay 20 percent of his or her unsecured debt over a five-year period.

If that test is met, the debtor would be forced to file for Chapter 13 bankruptcy unless he or she could prove "extraordinary circumstances."

That attempt to prove extraordinary circumstances could result in a hearing, eating up court time and driving up attorneys fees, which most individuals seeking Chapter 7 simply don't have the money to pay, Rouleau said.

"This bill gives the green light to the credit industry to tie up Chapter 7 claims in litigation," she said. "As a result, it would drive up the cost of bankruptcy not only for debtors but also for taxpayers, through increased administrative burden on the courts."

Bills Fail To Target Creditor Abuses

Absent from both bills are any effective provisions to address abusive practices by creditors.

"Because these bills do not effectively sanction the conduct of irresponsible creditors, they will actually have the effect of encouraging even more extensions of credit," Rouleau said.

Rep. Jerrold Nadler (D-NY) is co-sponsor with Rep. John Conyers (D-MI) of legislation, H.R. 3146, that incorporates a number of provisions to reign in abusive creditors.

For example, the Nadler-Conyers bill would disallow claims by creditors:

- who knew, or should have known, that the credit extension would push the debtor's aggregate credit card debt over 40 percent of his or her income;
- who violated the Truth in Lending Act or other federal laws;
- who refused to waive interest in a debt counseling plan that subsequently failed;
- where the debt was incurred at a gambling facility;
- where the Annual Percentage Rate on the debt increased by more than five percent within 12 months of the filing; or
- where the suggested minimum payment would not amortize the principle in fewer than 15 years.

However, Rep. Nadler's attempts to offer amendments in subcommittee to incorporate some of these provisions in H.R. 3150 were defeated.

"There are dishonest debtors who intentionally abuse the system. But there are also creditors, particularly credit card companies, that have made billions of dollars while extending record levels of lines-

(Continued on page 2)

CFA Joins SEC-Led Savings Campaign

CFA has joined with a coalition of government, business, and consumer organizations in launching an ambitious grassroots campaign to combat America's financial literacy crisis. The hemisphere-wide campaign, led by the Securities and Exchange Commission and the North American Securities Administrators Association, is designed to motivate Americans to "get the facts" on saving and investing in order to avoid costly mistakes.

"We believe that this initiative addresses one of our most pressing societal needs," said CFA Executive Director Stephen Brobeck, who spoke at a February news conference to announce the campaign. During the week-long campaign kick-off March 29 through April 4, Brobeck also participated in an investor education town meeting and in a roundtable of government, industry, media, and consumer leaders to discuss the state of Americans' savings and investing and strategies for improvement.

As part of the campaign, the SEC released a new report, "The Facts of Saving and Investing," that summarizes recent polls and studies addressing the consequences of financial illiteracy, including CFA's joint survey with NationsBank, which found that approximately 65 million U.S. households will probably fail to realize at least one of their major financial goals, in large part because they have not developed a comprehensive financial plan. The report also highlights the fact that three-quarters of American workers have no idea how much they need to save for retirement. "At a time when Americans are increasingly responsible for their own financial security, that spells trouble," said SEC Chairman Arthur Levitt.

Brobeck emphasized that one of the greatest challenges in this area is providing the least affluent with the opportunity and incentive to save and invest. "While the least affluent face substantial barriers to saving – most importantly, their low incomes – these barriers can be overcome," he said.

One key to increasing the percentage of savers is "to make certain that all low and moderate income households have the opportunity to save," he said. Electronic funds transfers can offer this opportunity, by allowing inexpensive deposit of a portion of a paycheck or government check in a savings or investment account. Employers and financial institutions must be encouraged to provide all Americans with this opportunity, he said.

Another important element is for leaders to encourage all Americans to save, Brobeck said. "Influential institutions and leaders at the national and local levels must communicate the same pro-savings messages relentlessly over the period of years. Hopefully, this campaign will represent the start of such a broad-based, sustained effort."

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