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CONSUMER FEDERATION OF AMERICA

Mergers, Draft Bill Threaten Broadband Competition

The Justice Department and Federal Communications Commission gave their approval in October to two massive mergers in the telecommunications industry that consumer groups had opposed on the grounds that they would undermine competition.

The approval of the Verizon-MCI and SBC-AT&T mergers highlights the need for Congress to adopt legislation "to restore an open communications network that supports competition, promotes innovation, and protects consumers," said CFA Research Director Mark Cooper.

Congress has undertaken to draft new telecommunications legislation.

Unfortunately, the version being drafted in the House Energy and Commerce Committee "does nothing to stop major cable and phone companies from controlling high-speed Internet markets — even allowing them to prevent their own customers from freely accessing content on the Web," according to a joint statement on the draft bill issued in November by CFA and Consumers Union.

CFA and CU had opposed the mergers on the grounds that they would put an end to any remaining hope for head-to-head telephone competition.

The FCC's two Democratic commissioners, Jonathan Adelstein and Michael Copps, did succeed in getting some minor conditions placed on the mergers.

Specifically, the companies will be required to allow consumers to buy Internet and phone services separately, and the companies will be required to adhere to enforceable "net neutrality" standards designed to ensure that consumers have free access to Internet sites and services.

Most of the conditions placed on the merged companies expire within two years to 30 months, however, and were included over the opposition of FCC Chairman Kevin Martin. That raises questions about how effectively they will be enforced, Cooper said.

Conditions On Mergers Inadequate

"These conditions are not nearly enough," Cooper said. "Chairman Martin's failure to agree to meaningful protections against pricing abuse means competitors can be squeezed out of the market and consumers face price increases.

"The short term enforcement of network neutrality, and the absence of similar enforcement mechanisms for other telephone and cable companies, means that Internet service providers and applications developers can be undermined by anti-competitive practices of network owners," he added.

Those concerns were echoed by CU Senior Director of Public Policy Gene Kimmelman. "Above all, this action underscores how critical it is for Congress to jump in and prohibit any form of discrimination that prevents all consumers from receiving affordable, high-speed Internet from diverse commercial vendors," he said.

The draft House bill fails that test, Kimmelman said in November testimony on behalf of CU and CFA before a House Energy and Commerce Committee subcommittee.

"Consumers have suffered for years under laws that allow cable companies to continually hike prices and prevent competition," he said. "Unfortunately, this bill would effectively do the same for Internet services."

In that testimony, CU and CFA applauded the panel for including language in the draft bill to prohibit federal preemption of cities and towns interested in offering their residents affordable municipal broadband services.

But they said the bill overall "heads in exactly the wrong direction."

Of particular concern is the fact that the bill "effectively repeals 70 years of protections under the Communications Act" for the high-speed networks "that will become the dominant means of communications in the Twenty-first Century," the groups noted.

As a result, "it relieves major broadband providers of the obligation to provide connections under just and reasonable rates, terms and conditions," Kimmelman said. It also "hands over unprecedented power to broadband providers to prevent their own customers from freely accessing content on the Internet and to use applications and devices of their choice," he said.

Bill Permits Anti-Competitive Practices

"This bill effectively lets a broadband company tell its customers what they can access on the Internet via their lines, or what devices they can use, such as Internet phones," Cooper added. "The telephone and cable companies can get away with untold anti-competitive and anti-consumer mischief under this type of standard."

The bill would also:

- preempt cities and towns from requiring new video entrants to provide services to all consumers in a franchise area;
- federalize all consumer protection standards and enforcement, narrowly limiting the types of standards that the FCC must set, leaving out critical existing consumer protections, and preventing states from taking final enforcement action for violation of even minimal federal standards;
- provide minimal federal remedies and cumbersome complaint processes for consumers and competitors mistreated by the major broadband providers.

As a result, the bill "would hamper competition, stifle innovation, and do little to promote affordable access by all consumers to advanced Internet services," Kimmelman said.

On the **Web**
www.consumersunion.org/pub/core_telecom_and_utilities/002823.html
www.consumersunion.org/pub/core_telecom_and_utilities/002851.html#more
www.HearUsNow.org

Legislative Update

Congress Sends TRIA Extension to President

In a last-minute deal reached in the final days of the session, Congress cleared legislation for the president's signature that extends for two years a scaled-back version of the Terrorism Risk Insurance Act (TRIA).

The insurance industry had sought, and the House had passed, legislation expanding the federal subsidies granted to the insurance and real estate industries under TRIA.

The final bill more closely resembled the Senate bill, however, increasing the share of losses insurers must pay in the event of a terrorist attack, reducing the lines of insurance that will be covered under TRIA, and moving towards a definite end to this temporary program after 2007.

"While the evidence shows that the insurance industry has the financial capacity to cover more losses in the event of future terrorist attacks than required under the legislation, we estimate that this two-year extension will save taxpayers an actuarial value of three-quarters of a billion dollars compared with the program that it replaces," said CFA's Director of Insurance J. Robert Hunter.

Hunter praised Senate Banking Committee Chairman Richard Shelby (R-AL), Senators Robert Bennett (R-UT) and Christopher Dodd (D-CT), and the Treasury Department for insisting on the limited extension.

"The Senate bill sponsors and Treasury Department fought off fierce efforts by insurance lobbyists to actually increase taxpayer payments and industry subsidies and weaken consumer protections," Hunter said.

House Panel Approves Regulatory Relief Bill

The House Financial Services Committee gave unanimous approval in November to regulatory relief legislation for financial services firms containing an array of anti-consumer provisions.

"Aside from a single laudatory provision that attempts to create lower-priced alternatives for check cashing and international remittances by allowing more credit unions to offer these services, this bill would hurt consumers in a number of ways," said CFA Legislative Director Travis Plunkett.

CFA, U.S. PIRG, Consumers Union, the National Consumer Law Center, the Center for Responsible Lending, and the National Community Reinvestment Coalition wrote to committee members in October, prior to the mark-up, urging opposition to provisions of the legislation that would "override important state laws with weak substitutes, undermine key consumer protections under federal law, jeopardize the safety and soundness of the deposit insurance system, and mire consumers in federal court proceedings that threaten home ownership."

The following are among the key aspects of the bill opposed by consumer groups:

- It would allow Industrial Loan Companies (ILCs) to branch at will into all 50 states, enabling financial firms and some commercial entities to set up a new, nationwide commercial banking system through ILCs subject to much less rigorous oversight than under the current structure.
- It would remove restrictions on interstate branching by national and state banks, making it harder for states that currently do not allow banks to branch automatically to protect their consumers by conducting audits of these institutions to determine both their safety and soundness and their commitment to the needs of local communities.
- It would preempt the voter-mandated constitutional interest rate ceilings in the state of Arkansas, thus prohibiting the people of Arkansas from establishing any limits on interest rates in their state.

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Dugan Voices Concern on Negative Amortization

Comptroller of the Currency John Dugan voiced concern over the increasing prominence of negative amortization in retail credit products in a keynote address at CFA's seventeenth annual financial services conference in December.


Comptroller of the Currency John Dugan

Negative amortization loans "raise substantial, and intertwined, consumer protection and safety and soundness issues," Dugan said.

"Too many consumers have been attracted to products by the seductive prospect of low minimum payments that delay the day of reckoning, but often make ultimate repayment of growing principal far more difficult," he said.

"At the same time, too many lenders have been attracted to the product by the prospect of booking immediate revenue without receiving cash in hand, a process that often masks underlying credit problems that could ultimately produce substantial losses," he added.

Non-traditional Mortgages Pose Risks

A recent spike in non-traditional mortgages — such as "payment option" mortgages that allow payments that do not cover the outstanding interest — indicates that these loans "are no longer largely confined to well-heeled borrowers who can clearly afford them," Dugan said.

"Increasingly, they are being mass marketed as affordability products to borrowers who appear to be counting on the fixed period of exceptionally low minimum payments ... as the primary way to afford the large mortgages necessary to buy homes in many housing markets across the country," he said. "And, as the loans become more popular, the prospect of using them to penetrate the sub-prime lending market cannot be far behind."

If the housing market should decline, borrowers who are counting on being able to refinance the loans or sell their property before the higher payments kick in "could face the bleak prospect of loan balances that exceed the value of the underlying properties" and could be unable to escape "huge payment shocks" as a result.

This raises questions, he said, of whether consumers really understand the risks, whether this is an appropriate product to mass market, and whether lenders are "really prepared to deal with the consequences — including litigation risk — of providing such products in markets where real estate prices soften or decline or where interest rates substantially increase.

"I fear the answer to all these questions may be, 'no,'" he said.

Because of these concerns, federal banking agencies are proposing new guidance regarding nontraditional mortgage products, he said. (See box.)

The goal is to ensure that lenders adopt appropriate standards for qualifying borrowers for these loans that take potential payment shock into account; that disclosures are clear, timely, and meaningful; and that lenders have "very substantial" controls in place to manage the potential risks of such loans, he said.

State Preemption Defended

In addition to discussing negative amortization issues, Dugan used his speech to challenge criticisms by consumer advocates regarding preemption of state laws by the National Bank Act.

He defended preemption, including preemption of state predatory lending laws, on the following grounds:

- the Office of the Comptroller of the Currency (OCC) "has extensive regulatory and enforcement authority under federal law to protect national bank consumers" and has "used that authority responsibly and effectively;"
- any gaps in legal protections that result from preemption represent, not a regulatory void, but the intended consequence of the dual banking system in which states are free to experiment with new laws in their states and Congress is free to adopt new federal laws, based on those experiments, where it deems appropriate; and
- given finite regulatory resources at both the federal and state level, "it makes no sense for both federal and state officials to focus their limited supervisory resources on redundant enforcement actions against nationally chartered banks or their subsidiaries, especially when those institutions are already extensively examined and supervised by the OCC."

Consumers would be better served, he said, if state officials focused on the "thousands of non-bank lenders and brokers that are not subject to bank-like examination and supervision" and that are "commonly cited as a significant source of abusive lending practices."

"The multiple cops on the beat argument simply does not fly," he said. "The more apt analogy ... would be having all cops on the same beat, leaving other parts of the neighborhood inadequately protected."

Advocates Warned To Adapt To Changing Media Market

In a second keynote speech, *New York Times* financial reporter Diana Henriques questioned "whether the consumer protection message is changing fast enough" to accommodate rapid changes occurring in the media marketplace.

Advocates too often focus their media efforts on major metropolitan dailies, such as the *Times*, which provide a good method of reaching policy makers but serve less well as a means of reaching consumers, she said.

In order to reach the audience advocates need to reach — the less educated, more vulnerable consumers — they need to look to such non-traditional outlets as Spanish language newspapers, "freebie" newspapers, college radio stations and newspapers, and door-to-door canvassing, she said.

"The predators are using all of them to reach consumers," she said. "You should too."

"How a message is delivered is critical to how much meaning that message conveys," Henriques noted. "Society's watchdogs are going to have to adapt to keep the message alive and effective" as the medium for delivering that message is dramatically changing, she said.

Guidance Issued on Alternative Mortgages

Federal banking regulators issued proposed interagency guidance in December on non-traditional mortgage products.

The guidance would cover "interest-only" mortgage loans, where a borrower pays no principal for the first few years of the loan, and "payment option" adjustable-rate mortgages, where a borrower has flexible payment options that include the potential for negative amortization.

The proposed guidance, which is currently open for comment, is intended to encourage management to:

- assess a borrower's ability to repay the loan, including any balances added through negative amortization, at the fully indexed rate that would apply after the introductory period;
- adopt strong risk management standards as well as appropriate capital and loan loss reserves; and
- ensure that borrowers have sufficient information to clearly understand loan terms and associated risks prior to making a product or payment choice.

"CFA commends federal banking regulators for finally tackling the increased use of non-traditional mortgages, which if not properly underwritten could create excessive risks for homeowners and lenders alike," said Allen Fishbein, CFA's Director of Credit and Housing Policy.

"Non-traditional mortgages are all too often marketed as the solution to skyrocketing real estate costs, but stop short of providing consumers with the necessary understanding that these loans can have rapidly escalating monthly payments that can put their new homes at risk," Fishbein added.

"While CFA applauds the banking regulators for taking this first step, it needs to be understood that mere guidance is insufficient to protect consumers from unscrupulous actors," he said

Court Urged To Dismiss Fund Rule Challenge

In an amicus brief filed with the U.S. District Court of Appeals in October, CFA and Fund Democracy urged the court to dismiss the Chamber of Commerce's attempt to overturn rules designed to strengthen the independence of mutual fund boards.

The rules, initially adopted by the Securities and Exchange Commission in July 2004, require all mutual fund boards to have an independent chair and to be composed of at least 75 percent independent directors.

Currently, most fund boards are chaired by the fund manager, calling into question their commitment to acting in shareholders' best interests when addressing issues where the fund manager has a conflict of interest.

"The Commission rules to strengthen the independence of fund oversight are an appropriate response to evidence of widespread failure among fund managers to fulfill their fiduciary obligations to fund shareholders," said CFA Director of Investor Protection Barbara Roper.

"These rules are necessary not only to address specific abuses revealed in the trading scandals, and to prevent abuses where similar conflicts of interest exist, but also to restore badly shaken investor confidence in the integrity of the mutual fund industry," she added.

In what it openly acknowledged was a "shot across the bows" designed to discourage the SEC from further such rulemaking, the Chamber of Commerce sued the Commission, claiming that it lacked the authority to adopt the rules and that the rationale behind the rules was inadequate.

While twice affirming both the agency's authority and rationale, the Court of Appeals did issue a limited order requiring only that the Commission consider further the costs of the governance conditions and the alternative of merely requiring disclosure of a fund board's makeup.

In response, the Commission in June prepared a new cost-benefit analysis and a more detailed explanation of why it considered disclosure an inadequate response and reaffirmed the rule on a 3-2 vote.

"The Commission, to its credit, expeditiously heeded the court's request, producing a thorough and extensive analysis of both issues just one week after the court's decision," said Fund Democracy President Mercer Bullard.

The Chamber, however, once again challenged the Commission's action, petitioning the court for review.

Instead of arguing the only substantive issue remaining before the court — whether the Commission fulfilled its obligation to consider further the costs of the governance conditions and the disclosure alternative — the Chamber in its brief again attacked the Commission's authority and rationale.

"This is a transparent attempt to delay the inevitable," Bullard said. "The Chamber hopes for a third bite at the apple. The court's answer should be, 'Three strikes and you're out.'"

Credit Counseling Mandate Off To Troubled Start

When the new bankruptcy law took effect in October, serious problems in implementation of the new requirement that those seeking bankruptcy first receive credit counseling were immediately revealed.

The most serious of these involve failure of some approved providers of the counseling services to inform potential clients that the law requires them to provide services regardless of the client's ability to pay or that fee reductions are available.

"There is no use in requiring agencies to provide counseling regardless of a person's ability to pay if they don't tell consumers about this right," said CFA Legislative Director Travis Plunkett.

CFA, National Consumer Law Center (NCLC), and New York Law School Professor Karen Gross wrote in November to the Executive Office for the United States Trustees (EOUST) — the agency responsible for overseeing the requirement and approving providers — with the results of a quick survey they conducted of provider fee practices.

The groups called and checked the websites of seven approved providers, including five agencies that have been approved to offer counseling throughout the country.

None of the agencies called informed potential clients that they provide services without regard to ability to pay, as required by the new law.

In each case, the agency informed callers about a mandated fee without stating that the fee could be reduced or waived. Moreover, the agencies repeated this policy even after being asked whether there were any reductions available.

Only one of the seven agencies had information on its website that informed clients that fee waivers might be available under certain circumstances.

Lack of Disclosure Could Create Barrier To Entry

"Some consumers simply will not schedule an appointment to receive counseling if they are not informed when they contact the agency that the fee will be based on their ability to pay and could be waived entirely," the groups wrote.

"Moreover, if consumers are to compare and contrast potential providers, there needs to be complete transparency of, among other things, the fees to be paid and the standards that are used in determining those fees," they added. "The burden should not be on these financially distressed consumers to ask about possible fee waivers and to then negotiate on their own behalf."

They also raised the concern that agencies may be violating the law by encouraging only those who do have the ability to pay the fee to seek the mandated briefing.

They urged the EOUST:

- to immediately require all approved agencies to inform consumers both on their websites and at the time the agency is first contacted that fees may be reduced or waived;
- to require all approved agencies to inform consumers on their websites about the specific criteria for reducing fees or granting a waiver and the documentation that is required to receive such reduction or wavier; and
- to develop a publicly available policy on fee reduction and waiver requirements after receiving public comment.

Additional Concerns Also Cited

CFA and NCLC have indicated they plan to monitor implementation of the new law, with particular attention to whether consumers have ready access to the counseling services on a timely basis, whether the advice offered is appropriate, and whether the counseling is useful.

Immediately after implementation of the new requirement, there were reports of busy phone lines and unresponsiveness that may have prevented agencies from responding in a timely way to those who needed counseling.

"It appears that agencies have since increased their capacity to handle calls and offer counseling, but we will be watching carefully to see that agencies keep up with demand as bankruptcy filings increase," Plunkett said.

Plunkett also expressed concern that some agencies may be offering biased advice about the pros and cons of bankruptcy. CFA and NCLC have urged agencies not to offer individualized advice of any kind regarding whether to file for bankruptcy, noting that such advice could be construed as legal advice.

Serious questions also remain as to whether the counseling is useful, Plunkett said. If, as initial reports indicate, the vast majority of those who are in counseling are in such terrible financial shape that they could not benefit from the main alternative to bankruptcy — the debt management plan — "this begs the question of why counseling was required in the first place and whether those who must take it are helped in any way," Plunkett said.

CFA, NCLC, and Professor Gross indicated they plan to continue to contact EOUST with specific concerns in these areas.

Among the specific areas they are monitoring are: whether potentially expensive payment methods are being required, whether unlicensed agencies are being approved to operate in states that require licensing for all credit counselors, and what is the content of counseling sessions with regard to placement of consumers in debt management plans.

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Car Title Loans Target Vulnerable Consumers

Small cash loans secured by the title to cars that consumers own free and clear are the latest form of extremely expensive, high-risk credit targeting cash-strapped consumers, according to a CFA report released in November.

"Title loans trap borrowers in perpetual debt through unaffordable balloon payments, high interest costs, and the threat of repossession," said CFA Consumer Protection Director Jean Ann Fox. "Title loans for up to half the value of the consumer's car cost ten times more than it would to get an auto loan to finance the purchase of the same car," she added.

CFA's study, "Driven into Debt," includes a survey of 81 title loan stores in eleven states by CFA member groups. It also includes a scan of Internet title lenders that collected detailed information from 17 websites.

The survey found that title lenders will loan an average of 55 percent of the value of the vehicle and typically require consumers to hand over a duplicate set of keys.

APRs Average 300 Percent

It also found that title loan stores charge a median 25 percent per month finance charge, which translates to a 300 percent APR, plus additional fees averaging $25 per loan. Online title lenders quote rates up to 651 percent APR, according to the survey.

Defaulting on the loans is even more costly. Almost half the title loan clerks said failure to repay would result in repossession. Consumers can still owe money, even after their cars are sold to repay the debt, a fact that may be hidden in the fine print of loan contracts.

Title lenders engage in a number of practices that make it difficult for consumers to discover the true costs of loans, the survey found. For example, store personnel frequently quoted interest rates as monthly finance charges, rather than as annual percentage rates. Only six of the 81 sites surveyed posted the annual percentage rate for loans.

In addition, stores provided little consumer information. Some store personnel refused to quote the cost of borrowing $500 or hazarded guesses that were incorrect.

One online lender quoted very low monthly rates, then tacked on insurance costs that resulted in high overall rates.

Abuses Made Possible by Weak State Laws

These abusive practices are made possible by weak state laws, Fox said.

The study found, for example, that almost half the states permit predatory title lending, either through weak authorizing laws or through failure to close consumer loan loopholes.

In California and South Carolina, for example, lenders only make loans that are large enough not to trigger rate caps. In Virginia, Iowa, and Kansas, lenders claim their loans are open-ended in order to get around state limits for small loans.

Tennessee and Mississippi permit loans up to $2,500 to be due in thirty days. And Georgia permits title lenders to keep all the proceeds earned from selling a repossessed car, even if it exceeds the value of the outstanding loan.

Online lenders entering the market claim to use the lax regulatory environment of New Mexico and Delaware to market loans nationwide.

Meanwhile, the industry is pushing for state laws to legalize title loans without rate caps or adequate protections.

"CFA urges states to close loopholes being exploited by title lenders and to reject industry-backed model legislation to legitimize predatory title loans," Fox said.

"States that currently fail to protect their consumers from one-sided title loans should repeal or reform their laws, as Kentucky and Florida recently did," she added.

Staff and volunteers from the following organizations assisted CFA in conducting the survey: Arizona Consumers Council, Georgia Watch, Land of Lincoln Legal Assistance (IL), Citizen Action Illinois, Gateway Legal Services (MO), Clark County Legal Services (NV), Oregon Consumer League, Oregon State Public Interest Research Group, South Carolina Appleseed Legal Justice Center, National Consumer Law Center (NH), the Consumer Law Litigation Clinic of the University of Wisconsin Law School, Public Interest Advocacy Project (UT), Virginia Citizens Consumer Council, and Virginia Poverty Law Center.

On the Web
www.consumerfed.org/pdfs/CTL_Press_Release_111705.pdf
www.consumerfed.org/pdfs/Car_Title_Loan_Report_111705.pdf

Legislative Update

Continued from Page 3

• It would exempt certain financial institutions from the annual privacy notice disclosure requirement under the Gramm-Leach-Bliley Act.

Far from deleting these anti-consumer provisions in mark-up, however, the committee made several harmful additions exempting check diversion companies operating under contracts with local prosecutors from the Fair Debt Collection Practices Act (FDCPA) and eroding certain FDCPA restrictions applicable to all debt collectors.

The bill is expected to be taken up on the House floor early in the 2006 legislative session. In addition, the Senate Banking Committee is expected to begin its review of regulatory relief proposals early next year.

"We will do everything in our power to eliminate the anti-consumer provisions of the House bill," Plunkett said. "Unfortunately, the bill has become a 'wish list' of proposals pushed by industry lobbyists rather than a thoughtful effort to streamline government rules without harming consumers."

Food Labeling Delayed Again

Congress passed and the president signed agriculture appropriations legislation in November that will once again delay mandatory country-of-origin labeling for meat products and fruits and vegetables sold in the United States, this time until October 2008.

The labeling was scheduled to begin this October, but meat packers and retailers worked with Rep. Henry Bonilla (R-TX), chairman of the House Agriculture Appropriations Subcommittee, to add a provision to the House bill that would have delayed the labeling for one year.

The Senate did not include a provision on labeling in its bill. Once the bill went to conference, however, conferees not only adopted the House provision, they added two years to the delay.

"It is unfortunate that some members of the congressional conference committee seem more concerned with the interests of the food industry than with the interests of the American people," said Chris Waldrop, Deputy Director of CFA's Food Policy Institute.

"Polls have repeatedly shown that consumers want their food labeled with country-of-origin information, but Congress refused to listen," he added.

Gun Liability Shield Signed Into Law

In October, Congress passed and the president signed legislation long opposed by consumer groups that protects gun manufacturers and dealers from civil lawsuits.

The new law (P.L. 109-92) prohibits most civil lawsuits against gun manufacturers, dealers, distributors, importers, and trade groups from being brought in state or federal court and dismisses pending lawsuits.

It includes exemptions from liability protections for anyone who sells a firearm knowing it is intended for use in a crime of violence or drug trafficking or who knowingly violates state or federal laws applicable to the marketing or sale of firearms, if the violation results in harm.

The new law does include a requirement, sponsored by Sen. Herb Kohl (D-WI), requiring all licensed manufacturers, importers, and dealers to include a separate child safety lock or storage device with each handgun sold.

"In the absence of federal health and safety regulation, our civil justice system is the only way to hold the gun industry accountable when its negligent conduct harms consumers," said CFA Assistant General Counsel Rachel Weintraub. "Sadly, the passage of this legislation eroded one of the few avenues for recourse that consumers had."

Congress Considers Disaster Insurance Program

Among the provisions in the House TRIA extension bill rejected by the Senate was one that would have mandated a study on creation of a federal disaster insurance program.

The provision was adopted in the House in the wake of a second heavy hurricane season in a row, with state officials, federal lawmakers, and prominent insurers calling on Congress to set up a broad disaster insurance program covering such catastrophes as earthquakes and hurricanes.

"The federal government does not have a good record of setting up insurance programs that are well run," cautioned Hunter, who testified in the fall about problems with the federal flood insurance programs.

"Congress should determine why the National Flood Insurance Program has failed to cover most properties in flood zones and has subsidized unwise construction before it sets up another program," he added.

CFA released standards in November that should be used to measure whether such proposals are worthwhile.

These include: ensuring that loss of life and property are reduced by prohibiting construction in ultra-high-risk zones and limiting construction in high risk areas; requiring insurers to offer coverage to homeowners and small businesses that meet national "mitigation" standards to reduce future losses; and providing effective regulation and oversight at all levels of government, from local enforcement of building standards to state approval of insurance rates.

A complete listing of the principles is available on the CFA website.

On the Web
http://www.consumerfed.org/pdfs/TRIA_agreement_statement.pdf
http://www.consumerfed.org/pdfs/TRIA_House_Floor_Vote_Release120705.pdf
http://www.consumerfed.org/pdfs/TRIA_Senate_Release_110205.pdf
http://www.consumerfed.org/pdfs/Disaster_insurance_CFA_principles_release_111505.pdf
http://www.consumerfed.org/pdfs/Disaster_Insurance_Principles_111505.pdf

Consumers Say They're More Likely To Decrease Holiday Spending

Far more consumers said they would cut back holiday spending this year than indicated they would increase spending, and a key reason is the cost of gasoline and home heating, according to the sixth annual holiday spending survey commissioned by CFA and the Credit Union National Association (CUNA) and released in November.

Three in ten survey respondents (30 percent) said they would spend less on holiday spending this season than they did in 2004, while only 15 percent indicated they would spend more. About half (51 percent) said they would spend about the same.

The survey asked respondents about the influence of seven factors on intended holiday spending. Far and away the most important of these factors was the cost of gasoline and home heating, which more than four in ten (41 percent) said would either somewhat or greatly decrease their holiday spending. Next most influential, cited by 31 percent, was "general household expenses," a category that also includes consumer energy costs.

At the same time, the percentage of respondents who expressed concern about paying off credit card balances from holiday spending rose from 22 percent in 2004 to 25 percent in 2005, and those who are unconcerned dropped from 55 percent in 2004 to 45 percent this year.

That 45 percent figure is the lowest in the six years that CFA and CUNA have conducted the survey. The highest was in 2002, when 66 percent said they had little concern about paying off their holiday credit card bills.

"Rising energy prices could well either curb consumer holiday spending or boost related credit card debt," said CFA Executive Director Stephen Brobeck.

On the other hand, consumers seem to be less concerned about meeting their monthly debt overall. The number of those calling themselves somewhat or very concerned about making their monthly payments was down slightly, to 35 percent from last year's 38 percent. However, nearly half (49 percent) of those in the "middle-middle" income bracket of \$35,000 to \$50,000 said they were very or somewhat concerned about meeting their monthly debts.

"While the economy is showing strength, it is also apparent from these numbers that those in the very middle of the economic spectrum are feeling something of a squeeze," said CUNA Chief Economist Bill Hampel.

On the Web
www.consumerfed.org/pdfs/holiday_spending_release_05.pdf

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