
Consumer Federation of America



2007

ANNUAL REPORT



February 2, 2008

Dear CFA Member,

In 2007, we made more progress persuading policymakers and industry to improve products and related protections than in any other year that I have led CFA.

In Washington, we helped persuade Congress to pass legislation significantly raising motor vehicle fuel economy standards and to move bills strengthening the Consumer Product Safety Commission and product safety standards, preventing predatory mortgage loans, providing mortgage relief for bankrupts, and establishing new credit card protections. We also helped convince Congress to block or improve anti-consumer legislation related to insurance and food safety. In the regulatory world, we helped persuade federal agencies to better protect military service personnel against high-cost loans, to reconsider an ill-advised restructuring of meat and poultry inspection, and to advance internet "network neutrality" and digital TV "open access."

In the states, we coordinated a network of advocates that made significant progress protecting consumers against high-cost loans. In this product marketplace, we also helped convince tax preparers and their banks to terminate pay-stub loans. And our communications to Congress and credit card issuers were instrumental in noteworthy improvements to this product.

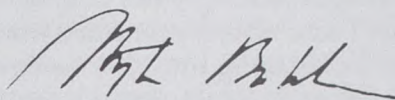
On all this advocacy, we worked closely with CFA member organizations, increasingly with state and local groups that received new advocacy grants made possible by funding from Consumers Union.

The America Saves campaign to persuade and assist lower-income households to save more effectively also made significant progress. An additional 25,000 Savers enrolled, bringing the cumulative total to nearly 100,000. The first America Saves Week was supported by organizations ranging from the Federal Reserve Board and Department of Defense to United Way and the Cooperative Extension Services. A subsequent alliance with the American Savings Education Coalition offered the real future possibility of a national week when thousands of organizations would persuade and assist tens of millions of Americans to assess and improve their saving capacity.

With Board assistance, we strengthened the administrative infrastructure of the organization. And by increasing reserves, we improved its resource base, better preparing us for the economic slowdown that will restrict fundraising opportunities.

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

Sincerely,



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 powerful communications companies to dominate markets and disadvantage consumers and citizens. To promote open communications networks, we took the lead in petitioning the Federal Communications Commission to issue a rule requiring that cable and telephone companies operate their networks in a nondiscriminatory manner. When the FCC opened a proceeding on this “network neutrality,” we filed comments. To preserve competition in radio broadcasting, CFA led opposition to the XM-Sirius merger, which not only would create a monopoly in satellite radio service but would also set an anti-competition precedent for future media mergers. Although the Department of Justice’s professional staff opposed the merger, it appears they were overruled by political appointees. Nevertheless, the FCC may block the merger. To preserve competition between newspapers and TV stations, we helped lead unsuccessful efforts — including filing over 1,000 pages of comments — to persuade a majority of FCC commissioners to reject a proposal to relax merger restrictions. After this anti-consumer decision, we began planning appeals to Congress and the courts. To help ensure public access to the spectrum used by wireless communications, we and consumer allies persuaded the FCC to auction part of the digital TV spectrum under an “open access” requirement. Subsequently, Verizon announced that it would operate its network as an open platform.

Consumer Credit Protections: CFA led or helped lead several campaigns to protect consumers against unfair and unconscionable practices by consumer lenders. Concerning small, high-cost loans: We helped ensure that the Department of Defense issued regulations, implementing the 2006 Military Lending Act, that protected those in military service and their families from payday, car title, and refund anticipation loans. With the National Consumer Law Center and grassroots advocates, we persuaded tax preparers and their partner banks to terminate their pay-stub refund anticipation loans. And we continued to support a network of several hundred state activists that convinced Oregon and the District of Columbia to establish rate caps on most small loans, Iowa to enact caps on car title loans, Georgia to preserve their strong protections, and other states to reject appeals from lenders to sanction high-cost loans that are currently prohibited. Concerning credit card practices: We led a consumer coalition that convinced Congress to launch unprecedented investigations of industry abuses, hold a series of oversight hearings, and introduce legislation containing strong consumer protections. These efforts persuaded leading credit card issuers to reform certain practices. Concerning the 2005 bankruptcy law’s implementation of credit counseling requirements: on the basis of our information, the U.S. Government Accountability Office issued a report concluding that there was no evidence the credit counseling requirement encouraged debtors to choose alternatives, such as credit counseling, to bankruptcy.

Energy Costs and Efficiency: Most significantly, CFA took the lead among consumer groups to successfully persuade Congress to pass major energy legislation substantially increasing motor vehicle fuel efficiency (CAFE) standards. Our advocacy included preparing consumer impact analyses, comparing the impacts of competing legislative proposals, analyzing changes in the fuel economy of consumer passenger vehicles, commissioning public opinion surveys, publishing op-ed essays, organizing grassroots support for ads in Hill newspapers, organizing grassroots communications to key members of Congress, working with environmental allies, and communicating directly with many congressional offices. After President Bush signed the legislation into law, we began planning efforts to convince the National Highway Traffic Safety Administration to issue rules consistent with congressional intent and to persuade consumers to purchase vehicles whose fuel economy will, over the next 15 years, improve considerably.

Food and Agriculture Policy: CFA continued its leadership on numerous food safety issues. When the U.S. Department of Agriculture threatened to launch a new "risk-based" inspection program for which it had no supporting data, we sought assistance from Rep. DeLauro, a key subcommittee chair, who successfully amended legislation to require Office of Inspector General review of USDA claims. This subsequent review, and the USDA's own admission, confirmed many of our concerns and persuaded the department to begin revising its proposal. When state agriculture departments tried to persuade Congress to allow state-inspected meat to be sold in inter-state commerce, we worked with union, small farmer, and state inspection leaders to craft a compromise that was included in the Senate-passed Farm Bill and approved by key Senate and House leaders. To promote an effective single food safety agency, we persuaded Rep. DeLauro to seek a separate Federal Food Administration within the Department of Health and Human Services. After a six-year delay in implementation of country-of-origin labeling requirements, we worked with other groups to develop a compromise that will be included in the Farm Bill. And we helped lead efforts to limit and label milk and meat from cloned animals that entered the food supply, including supporting Sen. Mikulski's amendment requiring the Food and Drug Administration to study the issue further before making a final decision. When it became apparent that FDA would ignore this requirement, we helped organize a coalition of consumer and industry groups to protest the agency's action.

Insurance Protections: CFA continued its long-time leadership of efforts to protect consumers and taxpayers from the insurance industry's irresponsible policies and practices and its support for weakening of federal and state consumer protections. Our widely circulated report on record industry profits, our white paper on industry policies and practices, and our communications to Congress considerably slowed industry attempts to persuade Congress to allow insurers to opt out of state regulation, to broaden and lengthen taxpayer support for terrorist-caused industry losses, and to shift liability for wind claims from insurers to taxpayers. We also helped develop and supported Senate legislation that would repeal the industry's longstanding antitrust exemption. In the states, we helped persuade: Florida to pass reforms allowing the state residual market to compete effectively with insurers; Florida and Louisiana to ban the use of short term weather projections that unjustifiably increase homeowners' insurance rates; Florida to force GEICO to modify their use of education and occupation in ratemaking; and Oklahoma to reject medical malpractice legislation that would cap damages paid to injured con-

sumers. The effectiveness of this advocacy was considerably enhanced by our leadership of a new consumer insurance coalition we had organized the previous year.

Investor Protections: CFA continued to take the lead on a wide range of investor protection issues on the Hill and at the Securities and Exchange Commission. Investors scored a victory in June, when an appeals court overturned the SEC's fee-based brokerage account rule. CFA had discussions with the SEC chairman and staff, met with key Hill staffers, wrote letters to the agency and congressional leaders, and filed comments to help shape regulatory policy in this area in the wake of that decision. CFA also took the lead in opposing efforts to weaken post-Enron protections by using research, media interviews, meetings with key Hill staffers, and letters to Congress to counteract misinformation from the industry and its allies about regulatory burdens threatening U.S. competitiveness. Through comment letters, meetings with key policymakers, and letters to Congress, CFA fought unsuccessfully to prevent further weakening and delay of internal control audit requirements. Although legislation to exempt most companies from these requirements was defeated in the Senate, the SEC and Public Company Accounting Oversight Board approved revised standards that erode the rule's investor protections, and the SEC approved another delay in the rule's implementation for small companies.

Mortgage Loan Protections: Working with other consumer groups, CFA played a major role in persuading influential legislators to introduce and advocate significant new mortgage loan protections for consumers. Protections that would curb the future sale of predatory loans were part of bills introduced in the Senate by Banking Committee Chairman Dodd and in the House by Financial Services Committee Chairman Frank and Reps. Miller and Watt. The House bill, which was weakened in committee, passed the House in November. Relief for homeowners facing bankruptcy, which would allow them to restructure their mortgage loans in order to keep their homes, was the focus of legislation that was reported out of the House Judiciary Committee and, in early 2008, is expected to be marked up by the Senate Judiciary Committee. During the year, we also helped lead consumer advocacy on other housing issues ranging from GSEs to credit scoring and released influential research and analysis on subprime mortgage lending.

Product Safety: CFA's leadership and coordination of consumer advocacy related to the Consumer Product Safety Commission was especially important this past year, as the agency's failures became more apparent, and the Administration sought to appoint an industry leader as chairman. Spurred by concerns over unsafe imported products and encouraged by the advocacy of consumer groups, Congress held a series of hearings, at which we frequently testified, and introduced bills that were approved by the Senate Commerce Committee and by the full House. That legislation incorporated reforms we have been seeking for more than two decades. Earlier in the year, we coordinated the successful efforts of consumer groups to fully inform Congress about the irresponsibility of approving a National Association of Manufacturers leader as the chairman of the CPSC. Faced with increasing congressional and public criticism, the nominee withdrew his name from consideration. Throughout the year, CFA also continued its efforts at the CPSC, in Congress, and in the states to ensure consumer safety when using products ranging from all-terrain vehicles to cribs.

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.

I. Legislative and Regulatory Communications

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

Month	Committee/Agency	CFA Rep	Issue
January	FL Insurance Comm	Hunter	Insurance rates
	FDIC	Fox	Bank loans
	Senate Banking	Plunkett	Credit cards
	FCC	Cooper	Carrier fees
	Senate Commerce	Cooper	Airline competition
February	SEC	Roper, others	Corporate fraud controls
	PCAOB	Roper, others	Internal controls audit
	House Fin Services	Weintraub	CPSC budget
	DoD	Fox	Loan protections
	House Agriculture	Foreman	Food inspection
	Senate Banking	Plunkett	Terror insurance
March	Senate Commerce	Weintraub	CPSC reauthorization
	CPSC	Weintraub, CU	Lead in toys
	House Oversight	Fox	Predatory loans
	FDA	Waldrop	Cloning petitions
	House Fin Services	Fishbein	Subprime loans
	House Fin Services	Fishbein	GSEs
	Senate Judiciary	Hunter	Insurance antitrust
April	FTC	Fox	Gift cards
	Senate Banking	Brobeck	Financial education
	Senate Commerce	Hunter	Insurance regulation
	NCSL	Hunter	Title insurance
	CPSC	Weintraub, CU	Crib safety
May	FDA	Foreman, Waldrop	Cloned animals
	Senate Commerce	Weintraub	ATVs
	Fin services regulators	Fishbein	Subprime mortgages

Month	Committee/Agency	CFA Rep	Issue
June	FCC	Cooper	Network neutrality
	FCC	Cooper	Sirius-XM merger
	FDA	Waldrop	Produce inspection
	Fed	Fishbein	Predatory mortgages
	DC Council	Fox	Payday loans
	FTC	Fox	Debt collection
July	USDA	Waldrop	Country-of-origin labels
	Treasury	Waldrop	Alcohol labeling
	MD Assembly	Fishbein	Foreclosures
	House Fin Services	Plunkett	Financial services
	House Fin Services	Fox	Overdraft loans
	DOL	Roper, Fund Democracy	401(k) disclosures
September	House Fin Services	Hunter	Flood insurance
	NAIC	Hunter	Insurance regulation
	NAIC	Hunter	Modeling regulation
October	Import Working Group	Waldrop	Food import safety
	House Fin Services	Hunter	Insurance regulation
	SEC	Roper	Broker/adviser regulation
	Senate Commerce	Weintraub, Plunkett	CPSC reform
	Import Working Group	Weintraub	Product import safety
	FCC	Cooper	Media concentration
	House Fin Services	Fishbein	Credit scoring
November	NY Insurance Dept	Hunter	Insurance regulation
	Treasury	Roper, others	Financial regulation
	House Energy/Commerce	Weintraub	CPSC reform
	NM Energy Dept	Cooper	Auto emissions
	SEC	Roper, Fund Democracy	Broker/adviser regulation
	SEC	Roper, Fund Democracy	Principal trading
December	Treasury	Waldrop	Alcohol labeling

2. 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 2007, we prepared 58 issue-related press releases that were usually 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>	Cooper	Fuel economy
<i>Wall Street Journal</i>	Cooper	Fuel economy
<i>Milwaukee Journal</i>	Cooper	Fuel economy
<i>Rocky Mountain News</i>	Cooper, Brobeck	Fuel economy
<i>Mercury News</i>	Cooper	Broadband service
<i>Regulator Magazine</i>	Hunter	Insurer profitability
<i>Miami Herald</i>	Hunter	Insurance regulation
<i>National Underwriter</i>	Hunter, Plunkett	Flood insurance
<i>Washington Flyer</i>	Foreman	Cloned animal products
<i>Wall Street Journal</i>	Roper	Market competition
<i>Ignites.com</i>	Roper	Market competition

3. 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 the news media.

BANKING

One Step Forward, One Step Back: Progress and Abuses in the Sale of Refund Anticipation Loans (Fox, NCLC)

Household Emergency Saving Needs and the Role of Banking Institutions in Meeting These Needs (Brobeck)

Survey on Emergency Savings Funds (Brobeck)

Survey on Credit Scores (Brobeck, WaMu)

Survey on Credit Card Attitudes (Plunkett, Brobeck)

Survey on American Savings Attitudes and Habits (Brobeck, Wachovia)

COMMUNICATIONS

The Case Against Media Consolidation (Cooper)

ECONOMY

Survey on Holiday Spending Plans (Brobeck, CUNA)

ENERGY

Big Oil v. Ethanol: The Consumer Stake in Expanding the Production of Liquid Fuels (Cooper)

A Consumer Pocketbook and National Cost-Benefit Analysis of "10 in 10" (Cooper)

Rural Households Benefit More From Increases in Fuel Economy (Cooper)

No Time to Waste (Cooper)

America's Continued Failure to Improve Motor Vehicle Fuel Efficiency: A Look at Changes in Top Selling Models, 2005-2007 (Gillis)

Technology, Cost and Timing: An Analysis of Competing Proposals to Raise Fuel Economy Standards (Cooper)

Florida's Stake in the Fuel Economy Battle (Cooper)

Survey on Fuel Economy Attitudes (Brobeck, Cooper)

Survey on Gasoline Consumption Impacts
(Brobeck, Cooper)

INSURANCE

Property/Casualty Insurance in 2007: Overpriced Insurance, Underpaid Claims, Declining Losses, Unjustified Profits (Hunter)

Excessive Prices and Poor Claims Practices at the Allstate Insurance Corporation (Hunter)

MORTGAGE LOANS

Rollercoaster of Residential Mortgage Risk: Non-Traditional Mortgage Products During Unprecedented Market Conditions (Fishbein, Woodall)

Racial Disparities in Subprime Mortgage Lending in Prince George's County (Fishbein, Woodall)

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 continued to inform and educate Hispanic and African-American consumers about automobile financing and consumer credit. We distributed tens of thousands of bilingual publications, offered an auto purchase workshop in five cities, commissioned the preparation of an auto purchase video, and released research on disparate treatment of African-American auto loan borrowers that received extensive press coverage.

Consumer Literacy: We continued to distribute English and Spanish versions of the "66 Ways to Save Money" brochure from our offices, through websites, and through the Federal Citizen Information Center, where it remains the second most popular publication and far and away the most popular one distributed for a fee. More than 25,000 copies were requested, and the FCIC's "66 Ways to Save Money web page" received over 100,000 page visits.

Credit Counseling: We continued to manage academic research, funded by American Express, on the effectiveness of counseling by ten leading consumer credit counseling agencies. Early findings were released to the press and widely discussed within the industry.

Credit Scores: In partnership with Washington Mutual, we commissioned the third national survey on consumer understanding and use of credit scores. The survey findings were extensively reported on by the press.

Emergency Savings: With support from the Ford Foundation, CFA completed a report on lower-income household emergency savings needs and the role of financial institutions in meeting these needs. With funding from the Annie E. Casey Foundation, we used Louisville as a laboratory to explore the feasibility of financial planning and advice sessions to help lower-income households build emergency savings. We also commissioned a consumer survey on emergency savings needs and capabilities that was released during America Saves Week and received extensive press coverage.

Energy Efficiency: With continued support from the Energy Foundation, we researched motor vehicle fuel economy and informed consumers, the press, policy-makers, and other influential people and organizations about related consumer and societal needs and opportunities. Research examined changes in the fuel economy of individual car models and those produced by individual manufacturers, and also surveyed consumer concerns about gas prices, oil imports, and global warming. All this research was reported on by the press.

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 a report on refund anticipation loans, organized local and national forums on payday lending,

maintained a payday loan information website for consumers, and provided technical assistance to payday loan activists around the country.

Mortgage Credit: With support from the Ford Foundation, Annie E. Casey Foundation, and Fannie Mae Foundation, we continued to research subprime mortgage loans and disseminate the results of that research to nonprofit groups, policymakers, and the press. This subject was the focus of the second consumer-lender mortgage forum that we organized.

Wealth-Building in Lower-Income Households: With funding from the Annie E. Casey Foundation, Heron Foundation, and other sources, we continued to expand the America Saves campaign, the goal of which is to increase lower-income household savings and persuade major institutions to promote this saving. Through technical assistance, we helped organize or maintain over 50 state or local Saves groups in which about 1,000 organizations participated. These groups included about 200 banks and credit unions, which offered no- or low-cost savings accounts to those enrolled as Savers. During the year, about 25,000 individuals became Savers, bringing the total of those enrolled to more than 90,000. We also engaged financial institutions, government agencies such as the Federal Reserve Board and Department of Defense, and national nonprofit organizations such as United Way and the National Foundation of Credit Counseling, in the organization of the first America Saves Week. During the Week, many Americans enrolled as Savers and about 10,000 opened up new savings accounts. By year's end, America Saves had joined forces with the American Savings Education Council, which focuses on workplace and retirement savings, to plan next year's America Saves Week.

Wealth-Building in the Military: With support from the FINRA Foundation and others, we worked closely with the Department of Defense, all four service branches, many military bases, several military support organizations, and banks and credit unions serving military personnel to organize the first Military Saves Week, which was held in conjunction with America Saves Week. During the Week or shortly thereafter, about 10,000 service men and women enrolled as Military Savers. The planning of an even more robust Military Saves Week 2008 was begun, with a goal of prompting tens of thousands of service personnel to take a savings pledge.

Wealth-Building Among Youth: With funding from the Citi Foundation, we continued to build support for youth saving within Family, Career, and Community Leaders of America. Materials were developed, several hundred teachers and students were trained at the annual FCCLA convention, and teachers and students at 40 schools in 15 states were advised about participation in America Saves Week 2008.

Member Services

CONFERENCES

The most important CFA meetings were built around the 40th annual Consumer Assembly. Nearly 300 persons in attendance at this January event heard speakers, including Senator Daniel Akaka, Representative Ed Markey, Representative Rosa DeLauro, FTC Chairman Deborah Platt Majoras, *Wall Street Journal* Washington Bureau Chief Gerald Seib, *U.S. News and World Report* Executive Editor Brian Kelly, NBC-TV Chief Consumer Correspondent Lea Thompson, and Center for Science in the Public Interest Executive Director Michael Jacobson 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, nearly 300 persons heard Senator Richard Durbin, Senator Tom Harkin, Representative Rosa DeLauro, Representative Collin Peterson, Acting Agriculture Secretary Chuck Conner, and other speakers address the 30th annual National Food Policy Conference. In December, nearly 200 persons heard *Washington Post* columnist Steven Pearlstein, FDIC Vice Chairman Martin Gruenberg, and other speakers discuss banking, insurance, housing, and investment issues at CFA's 23rd annual Financial Services Conference.

In June, 400 person participated in CFA's 37th annual Awards Dinner to recognize distinguished consumer service. Awards were presented to Governor Kathleen Sebelius, Senator Daniel Akaka, *Washington Post* syndicated housing columnist Ken Harney, and CFA's Director of Consumer Protection Jean Ann Fox.

PUBLICATIONS

CFA member organizations received the following publications.

- Five issues of CFA's newsletter, CFAnews, which reports consumer news and advocacy.
- The 2007 policy resolutions adopted at CFA's Annual Meeting.
- The 2006 CFA Annual Report.

Member groups also had 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 national cooperative leaders who met quarterly to exchange information and discuss challenges, including co-op conversion from nonprofit to for-profit status. To support consumer co-ops, CFA worked on this issue, coal rail rates, and future electric power needs. With CUNA, we also undertook the seventh annual holiday spending survey, which again received much press coverage.

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. The Center continued to strengthen the grassroots advocacy focus started in 2006. The annual State and Local Roundtable and issue forums provided opportunities to discuss grassroots advocacy strategies on high-cost credit, predatory home mortgages, and transportation efficiency. The Ann K. Lower State and Local Grants Fund provided over \$45,000 in grants, most going to grassroots advocacy initiatives. CFA supplied over \$20,000 to state and local consumer advocates to attend CFA-sponsored conferences and forums. CFA's senior advocates worked even more closely with member organizations on specific issues.

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Finances

CFA continued to be financially stable, with income exceeding expenses for the year and reserves of \$1.7 million at year's end. (Net assets were inflated by project money received in previous years that is being spent down over a period of several years.) One source of the organization's financial stability is the diversity of funding sources — chiefly member dues, conferences, the Awards Dinner, cy pres awards, and more than 40 separate grants.

Income	\$3,391,657
Expenses	3,086,728
Net Assets	4,114,561
Temporarily restricted	2,364,448
Unrestricted	1,750,113



