

Consumer Federation of America

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**2011**

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**ANNUAL REPORT**

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## Consumer Federation of America

March 8, 2012

Dear CFA Member,

The 2010 election of a Congress less sympathetic to consumer interests ended a period of several years of significant legislative reforms. Executive Branch departments and agencies, however, continued their leadership on many consumer issues.

Especially noteworthy was a White House proposal to establish a 56 mpg fuel economy standard by 2025 that was accepted by car manufacturers. Also important was the Department of Energy's adoption of rules strengthening efficiency standards for central air conditioners, furnaces, and heat pumps.

In the area of communications, the Federal Communications Commission insisted on appropriate conditions to approve the Comcast-NBC merger and reformed the Universal Service Fund while the Federal Trade Commission proposed pro-consumer internet privacy rules. In financial services, the Federal Deposit Insurance Corporation effectively ended RALs.

In the safety area, the Consumer Product Safety Commission completed its Consumer Incident Database and issued strong crib safety standards. The National Highway Traffic Safety Administration proposed a new visibility rule to lessen the safety risks of vehicles backing up. And the U.S. Department of Agriculture declared additional E. coli strains to be adulterants, issued a pro-consumer rule on interstate shipment of meat and poultry, and proposed a new testing policy on pathogens in meat and poultry.

CFA advocacy to support these reforms, and counter congressional opposition, included leading DC-based coalitions, mobilizing grassroots support with assistance from Consumers Union, writing hundreds of letters, submitting dozens of testimonies and comments, preparing a couple dozen studies, and communicating with and through the press, including issuing 89 press releases. Also useful were the 25 issues of CFAnews Update.

During the year, CFA undertook wide-ranging education and social marketing efforts that included the creation of new websites on identity theft and credit scores. But our principal initiative remained the America Saves campaign, now in its 11th year, that enrolled 35,000 new Savers, bringing the total to more than 280,000, and co-sponsoring the fifth annual America Saves Week, which involved over 2000 organizations.

Faced with the exhaustion of longtime funding sources, we cut costs sufficiently to generate a small surplus and preserve a healthy reserve fund. I and staff colleagues thank you for your support and look forward to working with you in the coming year.

Sincerely,

Stephen Brobeck  
Executive Director



## Consumer Advocacy

### Major Accomplishments

**Communications:** With Consumers Union, CFA continued to take leadership on structural communications issues. To support the pro-consumer network neutrality rules, which the Federal Communications Commission had issued last year, we criticized congressional legislation to roll back the rules. The House passed but the Senate rejected the legislation. To support expanded shared use of public airwaves, we prepared a paper on unlicensed spectrum, talked to regulators, and testified before Congress. To support the FCC's new universal service fund proposal, we participated in an FCC workshop and a Hill briefing, and with Consumers Union, submitted comments to the agency, which adopted the proposal. And after we urged the FCC to adopt meaningful conditions for the proposed Comcast-NBC merger, the agency did so.

**Consumer Credit:** CFA continued to work for stronger credit protections by publishing an updated survey of overdraft fees charged by large banks, by briefing and providing information to Consumer Financial Protection Bureau staff numerous times, and by filing comments with several regulatory agencies, most notably with the Office of the Comptroller of the Currency on credit products tied to bank accounts. As the end to a long campaign, we successfully worked with allies to encourage the Federal Deposit Insurance Corporation to stop the last bank from facilitating refund anticipation loans made by tax preparers. In states, we supported the work of advocates against high-cost lending through a listserv, monthly phone meetings, state forums, and the annual one-day Summit. To better inform consumers, press, and policy-makers, we added information to our payday loan website about internet lending, including CFA surveys and a compilation of all FTC enforcement cases.

**Consumer Financial Protection Bureau:** In the wake of successful work to create a federal Consumer Financial Protection Bureau, CFA led efforts to help ensure that the agency would be effective when it began operations in July. With allies, we provided input to the CFPB regarding its initial policy priorities, staffing, and communications with the public, as well as how the agency should launch its research, rulemaking, supervision, and enforcement efforts. On issues related to CFPB supervision of large non-bank financial services companies, we joined with other groups to file detailed comments that focused on installment loan companies. Our efforts — which included coalition leadership, public and congressional communications, and grassroots organizing — highlighted the need for the agency to quickly address serious consumer problems such as predatory practices targeting military personnel, mortgage foreclosure and servicing abuses, bank overdraft loans, inadequate prepaid card protections, and payday lending. CFA also contributed significantly to successful advocacy opposing congressional legislation that would have weakened the CFPB's independence and sharply reduced its funding. By year end, the agency had about 700 employees and had committed to many policy priorities we had identified.

**Consumer Protection:** CFA continued to work with allies on several privacy issues. Before Congress, we and allied groups supported new privacy protections and opposed bills that would expand the federal government's ability to obtain and store information about individuals and that would erode mobile phone privacy. In response to privacy frameworks proposed by the Department of Commerce and the Federal Trade Commission, we submitted comments. Through the Transatlantic Consumer



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Dialogue, we presented consumer perspectives to US and EU governments on cloud computing, smart meters, and online behavioral tracking. And we also advised the Consumer Financial Protection Bureau about its consumer complaint system, urged the FTC to update its industry guidance on online advertising, participated in an FTC public workshop on the use of new technologies for debt collection and filed related comments, and supported state advocates as they tried to curb debt collection abuses.

**Energy Efficiency:** CFA continued its effective consumer leadership of measures to improve motor vehicle fuel economy. To encourage the Administration to propose the highest feasible motor vehicle fuel economy standards, we surveyed consumer opinion and released the positive findings, developed analysis showing that higher standards saved consumers money, mobilized state groups, opposed an industry exception for SUVs, and in congressional testimony, stressed the importance of the proposal for meeting the nation's long-term energy needs. When the Administration proposed strong standards, we talked to the White House, Environmental Protection Agency, and the National Highway Traffic Safety Administration about strategy, participated in auto shows in Detroit, New York, and Los Angeles, and prepared and ran a radio ad. And we worked with the Environmental Protection Agency on new pro-consumer fuel economy labels. In support of stronger appliance efficiency standards, CFA continued to work with environmental and efficiency groups. We supported the Department of Energy's central air conditioning, furnace, and heat pump proposal, then applauded the department for adopting the proposal. We also supported, including by giving testimony, a Senate proposal to implement a national consensus agreement to increase appliance efficiency.

**Food and Agriculture Policy:** CFA continued its leadership on many food policy issues. In January, the FDA Food Safety Modernization Act, whose passage had been a high CFA priority, was signed into law. Throughout the rest of the year, we worked with other consumer and public health groups to encourage the agency to adopt the most pro-consumer regulations required by the new law. With allies, we also successfully advocated for an increase in FDA funding to improve its food inspection and scientific capacity, and we urged FDA to require labeling of genetically engineered foods. On meat and poultry safety, CFA and other consumer groups successfully persuaded the USDA's Food Safety and Inspection Service to prohibit from the ground beef supply six additional strains of pathogenic *E. coli* bacteria. This FSIS decision represents one of the most significant improvements to meat and poultry inspection in many years. And, after years of CFA advocacy through written comments, meetings with agency officials, and a CFA-led symposium, FSIS ruled that companies could not ship meat and poultry products into commerce until the agency received confirmation of negative test results.

**Insurance:** Much of our work on insurance was related to natural disasters. As Congress considered reforming the federal flood insurance program, we advised both Democrats and Republicans working on the issue and testified before the Senate Banking Committee. We also advised both regulators and consumers about how to deal with Hurricane Irene, prepared a report on catastrophe insurance trends and rates, and talked to a Senate leader about catastrophe insurance. Our other major area of work related to use of auto, life, and homeowners insurance by low- and moderate-income families. We prepared white papers on all three issues and organized Ford Foundation convenings on auto and life. By year's end, we were organizing a major campaign to lower auto insurance costs for lower-income families. Our work on other issues included testimony and comments to the new Federal Insurance Office on improving insurance regulation, testimony to the Massachusetts legislature on the use of credit scores in insurance pricing, testimony to the New York State Health



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Department on medical malpractice insurance, and a letter to the Department of Labor on life insurance payouts.

**Investor Protection:** CFA provided leadership on several important investor protection issues related to Dodd-Frank reforms that achieved limited success. On derivatives dealer business conduct rules, despite our many efforts to persuade the Commodity Futures Trading Commission to issue a strong rule — which included extensive communications with the CFTC, the Securities and Exchange Commission, and the Hill — the agency adopted a final rule that did not provide adequate safeguards. On credit rating agencies, although we and allies communicated orally and in writing with the SEC, as did a key senator, this agency issued a proposed rule that was weak. On fiduciary duty, the SEC did issue a favorable staff report, and we and allies vigorously supported this proposal to the press and members of Congress, yet by year's end, the agency had taken no further action. CFA and allies also supported administration proposals to increase funding for the SEC and CFTC, with the former gaining a modest increase. Legislation to weaken the SEC's rulemaking authority did not make headway, but other congressional proposals to weaken various investor protections, including Sarbanes-Oxley reforms, gained momentum and were likely to be approved in some form in 2012.

**Mortgage Credit:** Much of CFA's work in this area was related to two rulemakings required by the Dodd-Frank Act. In response to the so-called "Qualified Residential Mortgage" (QRM) exception on risk retention for asset-backed securities that would restrict access to mortgage credit by lower-income families, we joined with consumer, housing, and industry groups to express strong opposition to the regulators who had proposed the rule, to Congress, and to the media. And in response to a rule issued by the Federal Reserve implementing new standards for mortgage underwriting by loan originators including the "Qualified Mortgage" (QM) standard, we joined with allies to file comments. On issues of mortgage finance reform, we continued to play a lead role, commenting critically on an Administration white paper, holding meetings with top regulators including the Federal Housing Authority Administrator and Federal Reserve Governors, speaking at a Fed conference, and working with and advising other public interest groups. We also worked with these groups to respond to rulemakings and policy directives from the Federal Housing Finance Agency. In December, CFA's lead housing advocate was appointed to a housing commission, created by the Bipartisan Policy Center, to develop comprehensive recommendations on housing policy for the next decade.

**Product Safety:** CFA continued to monitor the Consumer Protection Safety Commission's implementation of the Consumer Product Safety Improvement Act and oppose industry and House efforts to weaken critical provisions of the law and reduce agency funding. At year's end, the agency had withstood these attacks and had taken effective action on several issues. For example, with strong support from CFA, the agency completed a Consumer Incident Database that provided important information to consumers. And, culminating years of work by CFA and other advocates on crib safety, the agency issued strong crib safety standards that were required by the CPSIA. On other issues, through communications with the agency, Congress, and the press, CFA continued to urge the CPSC or other standard-setting organizations to improve the safety of all-terrain vehicles, glass front fireplaces, portable bed rails, play yards, window coverings, and products with excessive lead levels. Through a nationwide survey, press conference, and outreach, we heightened consumer and industry awareness of registration requirements for durable infant products. And we worked with a broad public interest coalition to oppose regulatory reform measures that would severely limit the ability of agencies, such as the CPSC, to issue needed regulations.



# Strategies

## 1. Legislative and Regulatory Communications

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

Month	Committee/Agency	CFA Rep	Issue
January	Commerce	Cooper	Internet economy
February	FTC	Grant	Privacy
	CFTC	Roper, AFR	Business conduct
	Fed Reserve	Fox	Debit card interchange
	House forum	Plunkett	Fin agency budgets
March	Senate Energy	Cooper	Appliance efficiency
	House Energy/Commerce	Cooper	Car fuel economy
	NHTSA	Weintraub	Car rear visibility
	DOE	Cooper	Refrigerator pricing
	FCC	Grant	Phone rates
April	House Energy/Commerce	Weintraub	Product safety
May	FTC	Grant	Debt collection
	FDA	Waldrop	Menu labeling
	USDA	Waldrop	Meat/poultry inspection
June	Senate Banking	Plunkett	Flood insurance
	USDA	Waldrop	Catfish inspection
July	FDA	Waldrop	Food registry
	Senate Banking	Roper	Investor protection
	Fed Reserve	Zigas	Risk retention
August	Fed Reserve, others	Zigas	Business conduct
	SEC	Roper, AFR	Credit rating agencies
	SEC	Roper, AFR	Business conduct
September	USDA	Waldrop	Salmonella
	House Fin Services	Roper	Fin intermediaries
	FHFA, others	Zigas, AFR	Foreclosures
	CFPB	Fox	Military lending
	DOE	Cooper, Hall-Crawford	Set top boxes
October	CPSC	Weintraub	ATVs
	NYS Health Dept	Hunter	Medical malpractice
	DOE	Hall-Crawford	Appliance efficiency



Month	Committee/Agency	CFA Rep	Issue
November	CFTC	Roper, AFR	Business conduct
	Senate Banking	Roper	Capital formation
	MA legislature	Hunter	Credit scores
	FTC	Gillis	Vehicle sales
December	USDA	Waldrop	E. coli
	FIO	Hunter	Insurance regulation
	PCAOB	Roper	Auditor independence

## 2. Press

CFA's main link to consumers, and an important means of influencing legislation and policymaking, is the media. In addition to being interviewed for hundreds of broadcast and print stories, CFA frequently made news. In 2011, we issued 89 press releases on a wide variety of issues and held nine live press conferences and tele-conferences. And newspapers and periodicals published the following op-ed essays and articles we wrote.

Publication	Author	Issue
<i>Food Safety News</i>	Tucker-Foreman	Food safety
<i>Food Safety News</i>	Tucker-Foreman	Food safety
<i>Food Safety News</i>	Waldrop	Nutrition
<i>The Hill</i>	Cooper	Vehicle fuel economy
<i>The Hill</i>	Cooper	Oil consumption
<i>Huffington Post</i>	Cooper	Vehicle fuel economy
<i>American Prospect</i>	Zigas	Homeownership
<i>Huffington Post</i>	Zigas	Housing finance
<i>NY Bar Association Journal</i>	Hunter	Insurance regulation
<i>Forbes</i>	Roper	Fiduciary duty
<i>Huffington Post</i>	Roper	Financial crisis report
<i>Wall Street Journal</i>	Weintraub	Window blind safety
<i>Sun Sentinel</i>	Weintraub	Child safety



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### 3. Research

CFA staff prepared many studies demonstrating the need for 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.

#### Communications

Cooper, *The "Quarter-Life Crisis" of the Digital Revolution in the Transition from a Public Switched Telephone Network to a Public Digital Communications Network*

Cooper, *Internet Access and Network Management Practices*

#### Consumer Protection

Grant, *2010 Consumer Complaint Survey Report*

#### Energy

Cooper, *Excessive Speculation and Oil Price Shock Recessions*

Cooper, *Setting the Record Straight on Increasing Fuel Economy Standards*

Cooper, *Will Policymakers Get Serious About Ending Our "Addiction to Oil" by Supporting 60 MPG Fuel Economy Standards?*

Cooper, *Gasoline Prices and Expenditures in 2011*

Cooper, *Public Attitudes Toward Energy Efficiency and Appliance Efficiency Standards*

#### Financial Services

Fox, *Survey of Online Payday Loan Websites*

Fox, *2011 CFA Survey of Big Bank Overdraft Fees and Terms*

Plunkett and Roper, *A Progress Report on the Dodd-Frank Wall Street Reform and Consumer Protection Act*

Fox and NCLC, *End of the Rip-Off: The NCLC/CFA 2011 Refund Anticipation Loan Report*

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

Brobeck and Experian, *Public Opinion Survey on Consumer Credit and Savings*

Brobeck and VantageScore, *Public Opinion Survey of Consumer Credit Score Knowledge*

Brobeck and CUNA, *12th Annual CFA-CUNA Holiday Spending Survey*

#### Housing

Zigas, *Proposed Qualified Residential Definition Harms Creditworthy Borrowers While Frustrating Housing Recovery*

Zigas with Mortgage Finance Working Group, *A Progressive Plan to Reform the U.S. Secondary Market for Residential Mortgages*



## *Consumer Research and Education*

**Consumer Protection:** CFA conducted its annual survey of complaints to state and local consumer protection agencies with the National Association of Consumer Agency Administrators and the North American Consumer Protection Investigators. Throughout the year, CFA emailed alerts to state and local protection agencies. We also organized a consumer agency meeting on debt collection abuses and a phone briefing on sweepstakes gaming at internet cafes. And we made available new videos and tips for consumers on the “grandparent scam,” work-at-home scams, lottery scams, and new payment methods scams to protection agencies, consumer groups, elder groups, and businesses.

**Credit Scores:** In partnership with VantageScore Solutions, CFA surveyed the nation’s knowledge of credit scores and developed a related interactive website ([creditscorequiz.org](http://creditscorequiz.org)) and brochure that we released at a press conference which generated extensive press coverage. We also explained the survey and website to numerous government and nonprofit groups and urged their use. By year’s end, over 20,000 consumers had taken the credit score quiz.

**Energy Efficiency:** With continued support from the Energy Foundation, we researched public attitudes about fuel economy and related consumer impacts, then communicated our findings to policymakers, press, and consumers. Also with support from this foundation, we surveyed consumer attitudes about appliance efficiency and researched consumer impacts that we communicated to press and policymakers.

**Fake Checks:** CFA concluded its initiative, with banks and credit unions in ten states, to distribute more than 700,000 brochures about fake check scams. We also advised state protection agencies and financial institutions in other states how they could replicate the project and spoke at an FTC conference about the project.

**Financial Education:** With the FINRA Investor Education Foundation, we updated materials on savings and credit that were distributed to millions of students by Channel One.

**High-Cost Credit:** With continued support from the Annie E. Casey Foundation and the Ford Foundation, CFA issued reports on tax refund anticipation loans (with NCLC), large bank overdraft fees and practices, and internet payday loan websites. We also began researching the impact of the Military Lending Act on service members, presenting preliminary findings at CFA’s financial services conference. And we maintained our payday loan website, participated in a forum in Alabama, assisted coalition-building in Missouri, organized a Summit attended by over 50 advocates, and provided information for a grasstops network of over 400 activists and educators.

**Identity Theft:** CFA released “best practices” for identity theft services, updated tips for consumers about shopping for these services, and created a new website, [www.IDTheftInfo.org](http://www.IDTheftInfo.org), as a central source for consumer information.



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**Insurance and Lower-Income Households:** With support from the Ford Foundation, we completed studies of the lower-income marketplace for auto, life, and home insurance that were the basis for two Foundation convenings. The research and convening on auto insurance served as the basis for a new reform campaign.

**Life Insurance Rate of Return Service:** CFA's life insurance actuary analyzed cash-value life insurance policies, including rates of return, for some 300 consumers.

**Product Registration Cards:** CFA surveyed consumers nationwide about their understanding of and attitudes toward product registration cards that manufacturers of certain infant products were required to make available to purchasers. We released our survey findings to the press, generating coverage, and discussed them with the Consumer Product Safety Commission and industry groups.

**Wealth-Building in Lower-Income Households:** With funding from the Heron Foundation, Bank of America Foundation, Capital One, GE Money, and other sources, CFA continued to maintain and expand the America Saves campaign. More than 35,000 individuals enrolled or pledged as Savers, bringing multi-year enrollment to over 280,000. In addition to supporting several dozen local, regional, and state campaigns, we helped organize new initiatives in Illinois, Ohio, Connecticut, and Texas. In partnership with the American Savings Education Council, we organized the fifth annual America Saves Week, in which over 2000 nonprofit, government, education, financial services, and employer organizations around the country participated. Related press outreach reached over 45 million Americans, and events organized by participating organizations in 43 states included 500,000 individuals. An evaluation of the Week's activities revealed that many financial institutions saw an increase in the number of accounts opened.

**Wealth-Building Among Youth:** CFA led three distinct initiatives. The Young America Saves Employer Initiative piloted in Chicago with summer employers of youth not only has grown over the past two years, but also is being promoted nationwide to jobs programs and summer work programs by America Saves in partnership with the Federal Deposit Insurance Corporation. Young America Saves also established a high school savings initiative based on peer-based motivation and partnerships with financial institutions. And the University of Illinois is piloting a student saver drive that is intended to serve as model for other universities.

**Wealth-Building in the Military:** With support from the FINRA Investor Education Foundation and others, we continue to work closely with the Department of Defense on Military Saves. All four service branches continue to participate — as have the National Guard, Coast Guard, and Reserves — not just in the US but also increasingly at installations around the world. They have been assisted by military support organizations, military banks, and defense credit unions. A central focus of Military Saves has been Military Saves Week, where workshops, classes, seminars, and financial fairs reached hundreds of thousands of military personnel and, in five years, have persuaded nearly 100,000 to take the Military Saves pledge.



## *Member Services*

### CONFERENCES

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The most important CFA meetings were associated with the 45th annual Consumer Assembly. The more than 250 persons attending this March event heard speakers including Congressman Henry Waxman, NHTSA Administrator David Strickland, CPSC Commissioner Robert Adler, FTC Commissioner Julie Brill, former top Treasury official Professor Michael Barr, Economic Policy Institute President Lawrence Mishel, and Dante Chinni, author of "Our Patchwork Nation," address issues related to the theme of public policy challenges in the 21st century.

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

To address specific issues more thoroughly, CFA organized conferences on food and financial services. In September, more than 350 persons heard keynote speakers including USDA Secretary Tom Vilsack, FDA Commissioner Margaret Hamburg, Congresswoman Chellie Pingree, and Bread for the World Institute Director Asma Lateef address the 34th annual National Food Policy Conference. In December, nearly 250 persons heard Congressman Barney Frank, Congresswoman Judy Biggert, Acting CFPB Director Rajeev Date, Wall Street Journal editor David Wessel, and others discuss banking, housing, investment, and insurance issues at CFA's 27th annual Financial Services Conference.

In June nearly 400 persons participated in CFA's 41st annual Awards Dinner to recognize distinguished consumer service. Congressman Paul Kanjorski, CFA Life Insurance Actuary Jim Hunt, and financial columnist Humberto Cruz received awards while Consumer Union's Consumer Reports received special recognition on its 75th anniversary.

### PUBLICATIONS

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CFA member organizations received the following publications.

- Twenty-five issues of the CFAnews Update, which reports consumer news and advocacy.
- The 2011 policy resolutions adopted at CFA's annual meeting
- The 2010 CFA Annual Report.

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



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## CONSUMER COOPERATIVE INITIATIVES

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Consumer cooperatives and public power groups have been important members of CFA since the organization's founding. CFA staff continued to organize and lead quarterly meetings with national cooperative and public power leaders to exchange information and discuss important challenges and opportunities. On specific issues we:

- Contributed research and support to a coalition led by rural electricians and public power to ensure adequate, affordable rail transport.
- Supported rural electric efforts to gain funding to extend broadband services in rural areas.
- Worked with credit union leaders to develop a CFA statement of support for credit unions that later was approved by the CFA Board.
- For the twelfth year, with CUNA conducted a holiday spending survey that was widely reported on by press.
- Worked with many credit unions and leagues to inform consumers about fake check scams.
- Worked with many credit unions to promote personal saving during America Saves Week.

## STATE AND LOCAL RESOURCE CENTER

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CFA's State and Local Resource Center, supported by the Colston E. Warne Fund of Consumers Union, helped strengthen state and local member groups by supplying them with information, technical assistance, and resources. The Center continued to devote most of its resources to grassroots advocacy to help ensure that the implementation of the Dodd-Frank Act included the consumer protection components contained in the bill. Our emphasis was mainly on the formation of the Consumer Financial Protection Bureau. The Center also continued to support state and local initiatives and organizational capacity-building projects. We formed a State and Local Advisory Committee and provided small grants to those groups to help us plan the State and Local Roundtable at Consumer Assembly. In addition to the Consumer Assembly roundtable, we organized a second roundtable held in conjunction with the Financial Services Conference. The Center provided more than \$17,000 to help cover travel and lodging expenses for state and local participants who attended the roundtables and conferences.



## *Finances*

CFA met 2011 financial targets, achieving a small surplus in large measure because of cost-cutting. Unrestricted assets exceeding 50 percent of annual expenditures helped ensure the continued financial stability of the organization.

Income	\$2,713,865
Expenses	2,691,765
Net Assets	
Temporarily restricted	752,204
Unrestricted	1,545,981







