

Consumer Federation of America



2013

ANNUAL REPORT





Consumer Federation of America

March 21, 2014

Dear CFA Member,

In the past year, much of CFA's advocacy focused on successful implementation of major financial services, food safety, product safety, and energy reform legislation enacted during the past five years. With allies, we made significant progress on several issues but, more importantly, helped block numerous anti-consumer proposals. We also worked hard to ensure that companies not subvert the digital revolution by undermining competition, universal service, and consumer privacy. And, we focused much attention on lower-income consumer problems related to auto insurance, high-cost lending, communications, and product and food safety.

CFA's advocacy on these and other issues included working with member organizations, leading or helping lead a dozen coalitions, supporting grassroots efforts with assistance from expanded funding from Consumer Reports, preparing 17 research reports, submitting over 100 comments and testimony, communicating broadly through expanding social media efforts, and communicating through the press, including issuing 80 issue-related press releases.

CFA's main outreach to individual consumers continued to be through America Saves and Military Saves. These related campaigns expanded grassroots savings initiatives, signed up more than 1,000 organizations to participate in America Saves Week, and persuaded more than 50,000 individuals to enroll or pledge as Savers, bringing the total number of American Savers to more than 375,000.

CFA Board and staff members worked closely together on a campaign to increase CFA membership. That campaign included much outreach to cooperative organizations. By year's end, we were well on our way to meeting an ambitious two-year goal.

CFA's financial condition remained strong. A budget surplus allowed us both to increase our reserve fund and expand program activities.

I and staff colleagues thank you for your participation in and support of the federation. We look forward to working with you in the coming year.

Sincerely,

Stephen Brobeck
Executive Director

Consumer Advocacy

Major Accomplishments

Communications: CFA continued its longtime work to help ensure that the expanding digital world is consumer and citizen friendly. To oppose efforts by big companies to restrict wireless competition, we issued a major report, wrote and sent comments to the FCC, and briefed Hill staff. To oppose the attempt of record companies to distort and retard digital progress, we issued a report, submitted comments to the FCC, participated in discussions at the Department of Commerce, and published an op-ed in *The Hill*. Other efforts included comments to the FCC on public obligation, comments to DOJ on the Ebook case, and an amicus brief in the AERO case.

Consumer Credit: CFA continued to lead a broad-based coalition of consumer, military, and civil rights groups that worked for stronger consumer credit protections and against creditor efforts to evade existing protections. Most importantly, the coalition successfully advocated for the release of final interagency guidance on bank payday lending. We also led a successful push for initiation of a rulemaking process on new protections for members of the military. Our efforts included a scan of online credit providers, study of dozens of consumer and service member loan contracts, and a report on the applicability of military financial protections in states with military bases. With members of Americans for Financial Reform, CFA worked with the CFPB on numerous issues while also seeking to protect its authority and independence. These issues included new mortgage rules (issued early in the year), expanded debt collection protections (with National Consumer Law Center), an improved consumer complaint process (with Consumer Action), and effective payday loan protections. Our advocacy focused on new research, released to the press, which we communicated to CFPB staff.

Consumer Protection: CFA worked with allies to help convince the Federal Trade Commission not to delay the implementation of the amendments to its Children's Online Privacy Protection Rule. We briefed the House Privacy Task Force and continued to advocate for better privacy protection in other areas, including government surveillance, mobile apps, online behavioral tracking, and consumer travel. To fight fraud, CFA collaborated with other groups on comments to the FTC strongly supporting its proposal, still pending, to ban from use in telemarketing transactions certain forms of payments that provide no effective consumer recourse. To better understand the issues around consumer rights in mobile payments, CFA's Consumer Protection Institute organized a dialogue with consumer, industry, and government representatives. With the North American Consumer Protection Investigators, CFA organized and released its 21st annual survey of complaints to state and local protection agencies.

Energy Efficiency: CFA continued its consumer leadership on motor vehicle fuel economy. In late 2012, the Obama Administration issued a 54.5 mpg standard to be achieved by the year 2025. Since then, we have worked to monitor industry progress and to inform policymakers and the public of the consumer benefits of this new standard. These efforts included analyzing automaker progress in meeting the standards and consumer vehicle preferences, based in part on survey research. Away from Washington, we supported an agreement by eight states to put 3.3 million zero emissions vehicles on the road by 2025. We also began analyzing the consumer benefits of increased fuel economy for medium to heavy duty trucks and communicated with the White House, federal agencies, truck manufacturers, and trade unions on this issue. CFA also continued its

longtime role as the principal consumer group supporting higher appliance efficiency standards. We worked with allies on federal energy efficiency standards affecting dryers, external power supplies, portable room air conditioners, and ENERGY STAR qualified computers. We also joined in comments on revisions to the EnergyGuide label by the FTC. On the state level, we played an active role in the California Energy Commission's process for setting new appliance standards.

Food and Agriculture Policy: Working closely with other consumer and public health groups, CFA continued to play a leadership role on food policy issues. We submitted comments to the FDA and met with key agency leaders on multiple proposed regulations implementing the Food Safety Modernization Act. We also continued to work with diverse allies to ensure funding increases for FDA so that the agency can adequately implement and enforce FSMA. On meat and poultry safety, CFA continued to work with allies to oppose a proposal by the Food Safety and Inspection Service to weaken its poultry inspection program. We also successfully advocated for labeling of mechanically tenderized meat and provided comments on the proposed rule. And we worked with Senator Gillibrand to develop legislation that would modernize the meat and poultry inspection system. On labeling issues, CFA and allies prevented Congress from repealing or changing country of origin labeling requirements as part of the Farm Bill. And as a result of CFA advocacy, the Tax and Trade Bureau took an important step towards providing consumers with alcohol and nutrition information on alcoholic beverages. CFA also released a new study reviewing the impacts of foodborne illness on low-income consumers and began efforts to raise greater awareness on this issue.

Housing: CFA continued to be a leader in the areas of mortgage regulation and mortgage finance reform. To ensure that lenders base mortgage decisions on a consumer's ability to repay, we worked closely with the CFPB and other consumer and civil rights groups during the implementation of the bureau's mortgage rule. We were a key participant in advising the CFPB as it developed that regulation's "Qualified Mortgage" definition, which provides lenders with incentives to offer most consumers basic longterm loans with clear provisions. As Congress considered housing finance reform, we worked with Senate Banking Committee staff, individual Members, and the Administration to promote consumer-friendly provisions in any bill that might emerge. We were especially involved in discussions about the bipartisan Corker-Warner bill, on which we submitted detailed comments. This legislation resembles in many ways the recommendations of the Bipartisan Policy Center's Housing Commission on which CFA serves, and we continued to promote the commission's recommendations to policymakers and advocates.

Insurance: CFA continued to lead efforts to increase auto insurance affordability for low- and moderate-income drivers. We released and distributed three separate reports on the use by auto insurers of discriminatory factors in their pricing of policies and a major study on auto insurance rate changes over the past 25 years. We pushed the NAIC's Working Committee on Low-Income Auto Insurance that was created as a result of our earlier research and worked with a congressional office to develop legislation that would prohibit insurer use of discriminatory factors such as occupation and education. And we worked both with national groups and with state groups to mount campaigns in three states. On a related issue, we exposed the increasing insurer practice of "price optimization," noting how it particularly disadvantaged lower-income policyholders, in comments to the Casualty Actuarial Society and in a letter and testimony to the NAIC. On force placed homeowner insurance, we urged federal and state policymakers to curb abuses through communications with FHFA and Fannie Mae, an op-ed in *The Hill*, and comments in Florida, and reforms were made. To help homeowners, we also testified in New York on title insurance and filed comments in Maryland on credit insurance. CFA continued its consumer leadership on insurance related to natural and manmade disasters by

serving on a New York commission on Sandy, talking to federal officials about flood insurance, working with homeowner groups with coastal property, submitting comments to the Federal Insurance Office on Natural Catastrophe Insurance, and talking to policy-makers about terrorism insurance.

International: CFA joined other public interest groups to work on consumer issues related to trade negotiations between the U.S. and the European Union. Through the Transatlantic Consumer Dialogue and in coalition with a broad range of public interest organizations, we advocated for transparency in the negotiating process and against any efforts, through the agreement, to weaken consumer protections or hamper the ability to strengthen them in the future. CFA also continued to advise the Organization for Economic Cooperation and Development in areas such as mobile payments and sales of digital content.

Investor Protection: CFA's investor protection advocacy focused on three issues – inclusion of investor protections in a rule implementing the JOBS Act, adoption of pro-investor fiduciary rules by the SEC and DOL, and successful implementation of the Dodd-Frank Act to help prevent future financial crises. On the JOBS Act, CFA continued to work with allies to urge the SEC to include investor protection provisions in its rule governing advertising of private offerings. To do so, we met with the SEC Chair, commissioners, and staff; briefed the National Economic Council; met with Hill staff; wrote blog posts; and communicated with the press. The SEC ended up approving the original rule with minor changes but issuing a separate proposed rule incorporating some of our recommended changes. And with AARP, we organized a group of experts to develop new approaches to the definition of accredited investors. On fiduciary duty, CFA led coalition efforts to respond to the SEC's request for information regarding rulemaking, submitted detailed comments and a letter to the SEC Chair, and communicated our concerns in meetings with the Chair, with other SEC commissioners, and with congressional offices. CFA led successful efforts within the SEC Investor Advisory Committee to adopt a recommendation in support of SEC rulemaking to adopt a strong, pro-investor rule. CFA also participated in a coalition supporting DOL rulemaking, including meeting several times with a DOL assistant secretary and staff. In addition, we helped lead efforts opposing legislation that would impede SEC and DOL fiduciary rulemaking, including communicating with the Hill, the NEC, and Treasury. To help ensure effective implementation of Dodd-Frank, CFA continued to work with allies to ensure the adoption of strong rules, especially those related to derivatives cross-border policy and CFTC funding. We participated in group meetings with the chairs and commissioners of both the CFTC and SEC as well as with the Treasury Secretary.

Product Safety: CFA continued to take leadership on both broad and product-specific safety issues. We testified before the Senate about the impact of the federal government shutdown on consumer protection. We also worked closely with a broad public interest coalition to oppose regulatory reform measures that would cripple the ability of the CPSC and other agencies to protect consumer health and safety. And we issued a report on, and convened a dialogue of experts and stakeholder groups to discuss, safety hazards faced by low-income children and ways to mitigate these hazards. At the CPSC, our top priority was successful implementation of the Consumer Product Safety Improvement Act, which we monitored, reported on, and communicated with CPSC commissioners and staff about. On specific products: We filed one petition urging the CPSC to reduce strangulation threats to children from corded window coverings, and another petition urging a ban or mandatory standards to prevent injuries and deaths to children from adult bed rails. With other groups, we filed comments to the CPSC on a voluntary standards rule, on strollers, on flame retardants in upholstered furniture, on hand held carriers, and on bed side sleepers as well as on window coverings and bed rails. And CFA testified before the CPSC about magnet sets and about agency priorities, and communicated with OMB about the Chronic Hazard Advisory Panel on phthalates.

Strategies

1. Legislative and Regulatory Communications

CFA's principal advocacy strategy was communicating information and viewpoints to members of Congress, the Administration, and regulators. While most of these communications took place in individual conversations, we also frequently submitted letters, comments, or testimony to legislatures, legislative committees, the White House, federal regulatory agencies, state regulatory agencies, and even European government bodies. During the course of the year, we submitted over one hundred of these written communications, often with allied organizations.

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 2013, we issued 80 press releases on issues and held 15 live press conferences and tele-conferences. We also published op-ed essays and blogs on investment, housing, beverages, and energy issues.

3. Research

CFA staff prepared important studies demonstrating the need for consumer protections, the preservation of existing protections, or the rejection of anti-consumer measures. Most of the following studies were reported on by news media. Much other research was incorporated into press releases but not written up in separate reports.

Communications

Competitive Broadband Service Providers and the Baby Bell Duopoly

Consumer Protection

Nation's Top Ten Consumer Complaints Survey

Energy

Energy Efficient Performance Standards: Cornerstone of a Consumer-Friendly Energy Policy

On The Road to 54 MPG: A Progress Report on Achievability

Financial Services

Driven to Disaster: Car-Title Lending and Its Impact on Consumers

Gaps in the Military Lending Act Leave Many Service Workers Vulnerable to Abusive Lending Practices

Something Old, Something New in Tax-Time Financial Products: Refund Anticipation Checks and the Next Wave of Quickie Tax Loans

Third Annual Survey of Consumer Knowledge About Credit Scores

Savings Accounts: Their Characteristics and Usefulness

Financial Planning Profiles of American Households

Food and Agriculture

Federal Approval of Chinese Chicken: How It Happened

Chinese Food Safety Scares – 2013 Timeline

Housing

Best Intentions: The Highs and Lows of the Home Affordable Modification Program

Insurance

Employer-Sponsored Disability Insurance: The Beneficiary's Perspective

A Review of Auto Insurance Regulation in America and How Best Practices Save Billions of Dollars

The Use of Credit Scores by Auto Insurers: Adverse Impacts on Low- and Moderate-Income Drivers

Product Safety

Child Poverty, Unintentional Injuries and Foodborne Illness: Are Low-Income Children at Greater Risk?

Down the Regulatory Rabbit Hole: How Corporate Influence, Judicial Review, and Lack of Transparency Delay Crucial Rules and Harm the Public

Consumer Research and Education

Auto Insurance and Lower-Income Households: With support from the Ford Foundation, we continued to research lower-income auto insurance affordability issues and communicate the findings of three price discrimination reports to regulators, the press, and other advocates. We also encouraged and assisted similar research by advocacy groups in three states.

Consumer Protection: CFA conducted its 21st annual survey of complaints to state and local consumer protection agencies in partnership with the North American Consumer Protection Investigators. We created a short video, tips, and a guide to help consumers understand their telemarketing rights and avoid fraud. We created a short video and tips for consumers about phishing and issued tips about how to avoid ID theft and fraud in the new health insurance marketplace as well as adding new resources and articles to our website, www.IDTheftInfo.org. Throughout the year, CFA emailed alerts to our state and local group and agency members.

Credit Scores: In partnership with VantageScore Solutions, CFA again surveyed the nation's knowledge of credit scores and also updated an interactive website (www.creditscorequiz.org) and related brochure. Our efforts to publicize both included a well-attended press conference and briefings to nonprofit groups. By year's end, more than 40,000 persons had taken the quiz.

Energy Efficiency: With continued support from the Energy Foundation, we researched public attitudes about motor vehicle fuel economy, released survey findings and money-saving tips, and disseminated both to the public mainly through news coverage.

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.

Financial Planning: With Princeton Survey Research Associates International and the CFP Board, we researched the financial planning attitudes and habits of a representative sample of adult Americans. The final report identified several financial planning profiles and reinforced the importance of even modest planning efforts.

Group Disability Insurance: With Matt Greenwald & Associates and Unum, we studied the impacts of group disability insurance on several hundred beneficiaries and released a related report.

High-Cost Credit: With continuing support from the Ford Foundation and Annie E. Casey Foundation, CFA researched numerous high-cost credit issues, maintained our payday loan website (www.PaydayLoanInfo.org), organized another annual advocates' Summit, and helped support the activities of a grasstops network of more than 400 activists.

Internet Disclosure: With funding from FINRA, we completed a draft of a report on how the Internet can be used to improve the effectiveness of disclosures by investment firms.

Life Insurance Rate of Return Services: CFA's life insurance actuary analyzed cash-value life insurance policies, including rates of return, for several hundred customers.

Military Saves: With support from the FINRA Investor Education Foundation and Well Fargo, CFA continued to work closely with the Department of Defense on Military Saves. All four service branches participated in the year-round effort, with military installations in the U.S. and abroad promoting good savings behavior. They were supported by 413 defense credit unions, military banks, service banking liaison officers, and nonprofit service organizations who signed up to participate in Military Saves Week. Their activities and ours, which included social media engagement of 1.6 million Twitter impressions and 12,800 Facebook likes, resulted in 29,300 individuals taking the Military Saves pledge. That brought the total number of pledges and repledges to nearly 160,000 since 2007.

Wealth-Building in Lower-Income Households: With funding from cy pres awards and financial institutions, CFA continued to maintain and expand the America Saves campaign. Nearly 50,000 individuals enrolled or pledged as Savers, bringing the total number of America Saves and Military Saves sign-ups to more than 375,000 since 2001. In addition to supporting more than 60 local, regional, and state campaigns, we helped organize twelve new initiatives. In partnership with the American Savings Education Council, we organized the seventh annual America Saves Week. More than 1,000 nonprofit, government, education, financial services, and employer organizations from 48 states signed up to participate, a significant increase from last year. Federal agencies involved more than 600,000 individuals in activities during the week, and related press coverage reached over 35 million Americans.

Wealth-Building Among Youth: Our First Time Workers Initiative moved beyond the initial pilot in Chicago to include Cleveland and Indianapolis. More than 3,000 participants made progress making a saving commitment, opening a savings account, and saving a portion of their directly-deposited paycheck. This initiative is supported by the FDIC, the CFPB, and a variety of municipal, nonprofit, and bank partners. Also, our reach on college campuses continued to grow, with about 2,000 students joining the effort during the year. Campus campaigns now include Virginia Tech, Wiley College, CSU Northridge, University of Illinois, Duke University, and Ball State University, where freshman taking a required financial education course are encouraged to commit to saving by joining Young America Saves.

Member Services

CONFERENCES

The most important CFA meetings were associated with the 47th annual Consumer Assembly. More than 250 persons attended this March event. They heard speakers – including Senator Elizabeth Warren, former FDIC Chairman Sheila Bair, FCC Commissioner Mignon Clyburn, FINRA head Rick Ketchum, and Iowa Attorney General Tom Miller – who addressed issues related to the theme of current and future public policy challenges.

During this week, representatives from 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 April, more than 300 persons heard keynote speakers – including Senator Mark Pryor, FDA Deputy Commissioner for Foods Mike Taylor, and President of the Earth Policy Institute Lester Brown – address the 36th annual National Food Policy Conference. In December, more than 260 persons heard speakers – including CFPB Director Rich Cordray, FDIC Chair Martin Gruenberg, Comptroller of the Currency Tom Curry, SEC Commissioner Luis Aguilar, FHA Administrator Carol Galante, and housing expert Mark Zandi – discuss banking, housing, investment, and insurance issues at CFA's 29th annual Financial Services Conference.

In June, more than 350 persons participated in CFA's 43rd annual Awards Dinner to recognize distinguished consumer service. Representative Carolyn Maloney, Representative Jan Schakowsky, NRECA leader Glenn English, and CFA's Jack Gillis received awards.

PUBLICATIONS

CFA member organizations received the following publications:

- Nineteen issues of CFAnews Update, which reports consumer news and advocacy.
 - The 2013 policy resolutions adopted by CFA's annual meeting.
 - The 2012 CFA Annual Report.
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CONSUMER COOPERATIVE INITIATIVES

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 challenges and opportunities. We also:

- Contributed research and support to a coalition led by rural electric and public power to ensure adequate affordable rail transport.
- Supported public power efforts to ensure workable CFTC regulations regarding energy purchases.
- Supported public power efforts to ensure their fair tax treatment.
- For the 14th year, with CUNA conducted a holiday spending survey that was widely reported on by the press.
- Worked with NAFCU, CUNA, and many individual credit unions to promote personal saving during America Saves Week and Military Saves Week.
- Supported legislation that would expand small business lending opportunities for credit unions.
- Sought to work more closely with housing and food cooperatives.

STATE AND LOCAL RESOURCE CENTER

CFA's State and Local Resource Center, supported by the Colston E. Warne Fund of Consumer Reports, helped strengthen state and local member groups by supplying them with information, technical assistance, and resources. This year, with additional funding from CR, we were able to award grants to 19 state and local members for projects that included consumer education, staff training, computer equipment, Spanish language resources, website design, and fundraising. We continued our emphasis on supporting grassroots advocacy with six larger grants on advocacy related to high-cost credit products.

This past year, we initiated a series of conference call/webinar issue briefings for consumer advocate members. In the fall, CFA senior advocates organized and led sessions on the Affordable Care Act and on pre-paid card market issues. In addition, state and local organizations facilitated discussion groups at the Consumer Assembly Roundtable dealing with financial services and consumer protection issues. State and local leaders also participated in a second roundtable held in early December. The center provided more than \$15,000 to help cover travel and lodging expenses for these leaders to attend Consumer Assembly, other conferences, and forums.

Finances

With the aid of an unexpected *cy pres* award, CFA continued to do well financially. Income exceeded expenses, and unrestricted net assets – CFA’s reserve fund – were at a record high. Most restricted net assets represent *cy pres* funds received in 2012 that are available to spend on financial education.

Income	\$3,102,348
Expenses	2,986,309
Net Assets	
Temporarily restricted	\$4,357,477
Unrestricted	2,650,615



