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Treasury Proposals Could Bankrupt Consumers

Treasury Department proposals to allow commercial purchase of banks and to allow banks to expand into risky securities operations would encourage broad consumer deception, placing consumer savings at high risk, according to a CFA analysis of the proposals.

Furthermore, by threatening the safety and soundness of banks, these proposals also threaten the solvency of the very deposit fund they are purportedly designed to protect, putting taxpayers in the position of having to pay for another costly bailout.

Released in early February, the proposals are expected to form the blueprint for administration backed legislation in the 102nd Congress. They include provisions to:

- strengthen bank supervision and enforcement, including early intervention when banks begin to fail, annual examinations, retained dividend capabilities, growth limits, and stronger capital standard requirements;
- consolidate financial regulatory bodies (though the National Credit Union Administration would remain separate);
- limit insurance fund exposure by limiting insurance to \$100,000 for savings and \$100,000 for Individual Retirement Accounts per individual;
- allow banks into securities and insurance; and
- allow increased concentration and consolidation by removing all interstate bank restrictions as well as prohibitions against purchase of banks and thrifts by securities and commercial firms, and vice versa.

The proposals are silent, however, on the basic banking needs of low and moderate income individuals and contain no provisions to ensure the flow of money to local communities.

"While we strongly support the Treasury's proposals on bank supervision, enforcement, and consolidation of the regulatory process—and will work for their passage through the legislative process—the proposal fails to address the endemic problems causing current bank failures," said CFA Legislative Representative Peggy Miller, author of CFA's analysis of the proposal.

"Furthermore, the ultimate effect of increasing banks' ability to get involved in high risk areas would be to threaten the federal desposit insurance fund, lead to consumer deception and confusion, and produce product displacement and steering of credit," she said.

"Allowing sale and management of securities in bank affiliates and allowing

CFA Legislative Representative Peggy Miller presented CFA's reform proposals at a January news conference.

commercial control of banks is just too risky," Miller said.

If mutual funds or other securities are allowed to be sold in banks or affiliates, consumers will be misled into thinking that such investment instruments are actually savings instruments protected by federal insurance, she said. Such abuses have already come to light, most recently in the highly publicized Lincoln Savings and Loan scandal, the Germania Bank case, and the NBW bailout.

"As banks and thrifts continue to collapse, consumers who unknowingly placed their money in uninsured accounts will lose their entire savings," Miller said.

Restricting sales to an affiliate does not solve this problem, she said, because the potential for deceptive cross marketing, through identification with the institution's name and FDIC logo, will remain. There are indications that banks are already preparing marketing information to disguise investments as savings vehicles.

The potential for deception is particularly strong in those states that allow affiliates to operate in the bank lobby, denying consumers even the protection of physical separation.

In addition to the potential for consumer harm, any additional move to allow securities affiliates within the Bank Holding Company Act system places the deposit fund at risk, Miller added. As an example of the potential for abuse, Miller cited the Continental Illinois case, in which the bank wrongfully shifted bank funds into its affiliate in an attempt to shore up that affiliate during the 1987 stock market crash.

"The simple fact is that regulators cannot adequately police such risky powers when they are system-wide, and the fund could go bankrupt as a result," she said. "They simply don't have the regulatory tools."

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Opposition Mounting To Caller ID

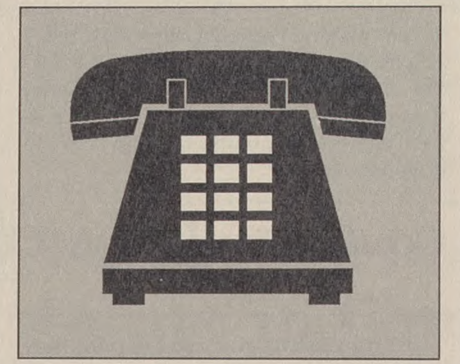
With decisions pending in a number of states over how Caller ID will be configured, the tide appears to be turning in favor of consumers in the battle over this controversial new service.

Caller ID is the new telephone technology which allows service subscribers to identify the originating numbers of the calls they receive.

Consumer advocates have argued that offering Caller ID without also offering callers the ability to make calls without transmitting their number is an unwarranted invasion of their privacy. Public utility commissions and courts in a number of states are beginning to share that view.

"The industry and utility commissions have learned that the public is defining their interests differently than companies had originally foreseen as a result of their market-based strategy," said CFA Research Director Mark Cooper, who has represented consumer interests in a number of the major state Caller ID cases.

Maryland, for example, which was one of several states to institute Caller ID without a prior hearing and without blocking, has reversed that decision.



Meanwhile, in several states the issues have been debated in hearings and/or court cases with mixed results:

- a Pennsylvania court ruled Caller ID illegal;
- a South Carolina court ruled it legal;
- the Georgia commission allowed Caller ID to be offered on a trial basis without blocking;
- in Indiana, Kentucky, and Nevada, the commissions ordered that blocking be offered when Caller ID is offered;
- while in California, where legislation was passed requiring that blocking be offered, the precise form of blocking is currently being decided.

Decisions are pending in a number of other states as well.

Meanwhile, in a major reversal, four of the seven "Baby Bells"—U.S. West, NYNEX, PacTel, and Southwest Bell—now support offering per-call blocking when they offer Caller ID.

Many consumer advocates see this as only a partial victory, however, and are pressing phone companies to offer, not just per-call blocking, but optional or universal per-line blocking.

Consumer advocates have also begun to press phone companies to offer automatic call trace—a potential alternative to Caller ID—in a way that better meets consumer needs.

Before the advent of new technology, call trace was considered by phone companies to be part of the basic service for which there was no extra charge.

"It was unwieldy. It took a long time to get it installed. You had to keep a log of all your calls. But the service was unbilled, part of the phone company's obligation to manage the network," Cooper said.

"Now that they have a new and very potent technology, the phone companies are trying to take it out of basic service and profit from it," he said.

Some companies have tried to divert call trace to Caller ID, at a hefty charge of between \$6.50 and \$7.50 a month. Others have put a steep price on call trace itself, ranging from \$1 per activation to \$10 for installation and \$10 per activation.

As a result, consumer advocates have attempted to have automatic call trace returned to basic service or, at least, priced "in a manner that reflects the desire to see it used, not as a profit center, but as a mechanism for managing the network," Cooper said.

"Caller ID is just the tip of the iceberg with respect to the information management capability of the network," Cooper said. "It is the lead element in what is going to be a long and intense struggle over how we define privacy in the information age and how we define the configuration of technology to meet the public interest."

"The fact that Caller ID was introduced in such a chaotic, state-by-state manner underscores the absence of a clear coherent policy forum, framework or strategy for rolling out the information age," he said.

Brobeck Named Federal Reserve Bank Director

In January, the Board of Governors of the Federal Reserve appointed CFA Executive Director Stephen Brobeck as a director of the Federal Reserve Bank of Richmond. He is the first representative of a consumer or community group to be selected as a Federal Reserve Bank director.

"The appointment reflects the commitment of the Federal Reserve to providing consumers with a voice in Fed policymaking," said Brobeck. "I have been assured that, in the future, consumer representatives will be selected as directors of other Federal Reserve Banks."

There are twelve Banks within the Federal Reserve system. The Richmond Bank serves a region extending from Maryland to South Carolina.

Each Bank has nine directors who are elected to serve three-year terms, then are usually reappointed for another three-year term. Six of these directors are appointed by the Bank, and three by the Board of Governors. The latter, known as "class C directors," are the only ones who can serve as chairman or vice chairman. Brobeck is a class C director.

CFA Executive Director Stephen Brobeck

The responsibilities of directors range from supervision of the Reserve Bank to making recommendations on monetary policy. Specific responsibilities include appointing the Reserve Bank president and other Bank officers, reviewing the Bank's budget and expenditures, setting the Bank's discount rate every two weeks, and advising the Bank's president for meetings of the Fed Open Market Committee.

As he performs these duties, Brobeck said he will urge Federal Reserve leaders to consider the special needs of consumers as they formulate and express policy positions.

It is widely believed that the appointment of Brobeck is related to Congressional criticism of the Federal Reserve system for failing to consider consumer points of view in its policymaking. Last year, the House Banking Committee released a report charging that consumer, labor, minority, and women perspectives were not adequately represented within the Fed.

For years, representatives of consumer and community groups have served on the Fed's Consumer Advisory Committee (CAC). Nearly all consumer advocates with banking expertise have served on this committee, where they enjoy some access to Federal Reserve Board Governors and staff, as well as an opportunity to comment on Fed consumer research and policy.

Advocates, however, have sometimes complained that they constitute a minority on the CAC (which also includes academic and industry representatives), that CAC votes have been used in bank lobbying against consumer legislation, and that Governors ignore their advice.

RTC Affordable Housing Program Struggling

Ineffective implementation in its affordable housing program is hampering the ability of the Resolution Trust Corporation to sell eligible properties to its low income target audience.

CFA, which worked legislatively for creation of the program and, during the agency's planning process, for effective program guidelines, continues to work at both the federal and the local level for the changes needed to make the program work.

The RTC, created by the savings and loan bailout bill to dispose of the assets of insolvent thrifts, is required through this program to identify less valuable residential assets, those appraised at under approximately $67,500 in value, and make them available for bid by low income individuals and by non-profit organizations willing to set aside a portion of the residences for low income housing.

From the outset, however, the agency has failed to implement many of the key elements needed to make the program effective, according to CFA Legislative Representative Peggy Miller.

In testimony before Congress and in comments to the agency, Miller has advocated the use of deep discount pricing policies, concessional seller financing by RTC, and an effective clearinghouse structure that includes compensation for these functions and use of non-profit organizations and certain public agencies experienced in low income housing issues to perform them.

Recently, RTC staff at the national level decided to allow discount pricing, seller financing, and absolute auctions, but little has been done to implement these capabilities at the local level, Miller said.

Furthermore, Miller said, "little has been done to increase clearinghouse capacity by using low income representatives, to use effective low income media techniques, or to transfer information to potential buyers about the number of assets, how the program works, what the assets are."

"Given these new tools to enable low income individuals to buy the properties, the next step was to make sure the right people heard about the auctions, discount pricing, and seller financing, and had the information and technical assistance needed to buy the properties," Miller said.

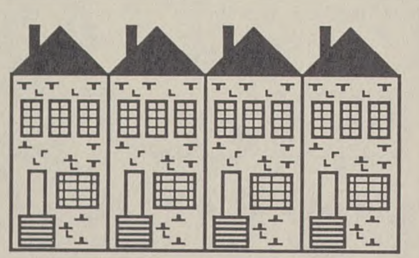
With that in mind, CFA and the Edison Electric Institute convened a meeting late last year in Houston, bringing together representatives of the low income community with RTC representatives, bankers, utilities, and representatives of local government to determine what needed to be done on the local level to get the information out to potential buyers and make the program work.

Houston was selected both because it has the largest number of assets for disposition and because the program there had been identified as particularly ineffective.

"At that meeting, we saw how the program could be made to work," Miller said. Strategies were devised to get information to potential buyers through multilingual radio spots and brochures distributed through churches.

Participants also explored the potential for connecting the program with government money available for rehabilitation to ensure that any rehabilitations to homes sold under the program would be energy efficient, and thus would help keep utility bills low. Utility companies offered their assistance.

In addition, participants discovered at the meeting that the local program office had $2.5 million earmarked for technical assistance, "but not a dollar had been spent to bring in help on developing an effective information and technical assistance campaign. Furthermore, only one phone line existed to take calls, a line that is always busy," Miller said.



The meeting revealed other bad news as well. The RTC announced that the auction in January would be conducted through a sealed bid approach, which low income populations tend not to understand.

Furthermore, it would not be an absolute auction; properties could not be bid below 50 percent of their appraised value. (Those properties not bid on, however, would be sold at an auction to developers, who would be allowed to bid down to zero.)

Ultimately, the local program office simply failed to implement the suggestions made at the Houston meeting.

"Despite all the progress we made at that meeting, despite all the offers of assistance, all the potential to really make this an effective program, the local office never returned phone calls and simply never followed through," said CFA Assistant Director Ann Lower, who helped organize the meeting.

Similar reports are coming through about the rest of Texas, as well as other parts of the country.

Meanwhile, Miller is taking the battle back to the Hill, where an RTC funding bill, which could be a vehicle for reforms, is already moving through Congress.

"This program is too important and offers too many potential benefits to allow it to languish because of ineffective implementation," she said.

Treasury Proposals Could Bankrupt Consumers

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Interstate branch banking, fostered by the Treasury plan, would provide a few capital cushion benefits, but it "falls far short of the mark" as a means of protecting the deposit insurance fund, and it could bring many harmful side effects, she said.

"What the banks need is capital, and capital comes from profitable, stable lending. Such lending comes from a diversified, strong economy," Miller said.

The economy has been eroded by 15 years of policies that have encouraged excessive concentration in a number of industries. "To solve this problem, we need to work towards diversifying the economy and develop risk-based capital standards and lending caps that reflect the high risks of concentration and dependence on uncontrollable global price structures set on vitally necessary products."

CFA released its own reform proposals in January that address these deposit insurance and structural reform issues through provisions to:

- move the giant money centers out of the federal deposit insurance system and into a private system regulated by the Federal Reserve Board and the Securities and Exchange Commission, and, in return, allow them to deal in securities;
- establish firm, permanent walls around banks so they cannot be purchased by outside interests and cannot deal in risky products and redesign regulatory machinery so it allows regulators to regulate;
- allow the name "bank" to be used only by federally insured financial institutions;
- redefine the risk-based capital standards and lending safeguards to reflect the risk of national, regional, and local industrial concentration and dependence on highly risky global price structures, such as those for oil and agricultural crops;
- reform the secondary market to package more low and moderate income loans and contribute to low income housing buy-downs; and
- require FDIC institutions to offer affordable banking products.

Such revised standards would not only encourage economic flexibility but also would enhance supervisory capabilities.

"Consumers want safe, affordable banking products and a secure banking system. The Treasury Department proposals will work against these goals. We can't afford to continue to make these mistakes when the safety and soundness of our financial institutions is at stake," Miller concluded.

102nd Congress Will Debate S&L Bailout

In a keynote speech before CFA's sixth annual financial services conference, Rep. Byron L. Dorgan (D-ND) predicted that questions of who should pay for the savings and loan bailout, how that money should be raised, and how quickly, will be the subject of intense congressional debate early in 1991 when the next increment of funding for the bailout becomes necessary.

Rep. Dorgan said that such a discussion never took place in the last Congress because of uncertainty until last June over whether the president would accept any increase in taxes.

"As a result, we never really got to the question of how quickly we should extract money to pay for the savings and loan problem, and from whom we should extract it," he said.

Such a discussion is needed in light of the fact that the refusal to "deal with the cost in the short term" dramatically raises the ultimate cost, he said.

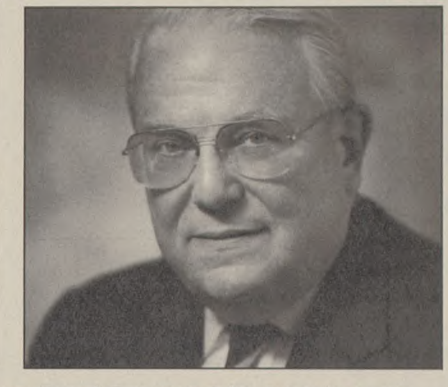
He said any decision on funding must recognize that lower and middle income individuals, who did not for the most part benefit from the high interest rates offered by the savings and loans, are the primary source of revenues. As a result, "you have a transfer of funds from the bottom of the scale to the upper end of the scale."

Rep. Dorgan also emphasized that additional steps need to be taken to "dampen the bubble of speculation" which has caused problems for banks and thrifts. He suggested two steps: substantially restricting brokered deposits and reform of the deposit insurance system "to deal with the question of too big to fail."

He added that he thinks President Bush "is attempting in a serious way to solve this problem," which he described as the direct outgrowth of "a decade in which. . . people hostile to the notion of government have been in a position to govern and have decided not to do so."

In another keynote speech, Federal Reserve Board Governor John P. LaWare said "in recent years a combination of higher expectations and greater effort has resulted in significant additional progress in community reinvestment."

He added, however, that "without strong and effective consumer and community group participation. . . CRA will never live up to its full potential."

Rep. Byron L. Dorgan (left) and Federal Reserve Board Governor John P. LaWare gave keynote speeches at CFA's sixth annual financial services conference.

Governor LaWare outlined several roles for consumer and community groups to play in promoting effective use of the CRA sytem, including:

- using the new CRA evaluation disclosures as "a jumping off point for constructive discussions about what needs to be done in the community and how banks might play a role;"
- helping to promote an accurate understanding of what CRA is and is not, including the fact that "it is not a charitable or giveaway program;"
- recognizing that "economically unsound community lending programs are counterproductive in the long run;" and
- helping to implement the programs by serving as a bridge for banks to neighborhoods.

LaWare emphasized that, despite concerns about the health of the real estate finance markets nationally, "there need be no conflict between CRA and safety and soundness."

The safety and soundness of the financial system was also the focus of a panel discussion on "Banks in Crisis? Protecting Depositors and Taxpayers."

Because "real estate markets are weak, and bank loan portfolios reflect that weakness," the deposit insurance fund "is under stress but at this point seems adequate to handle any foreseeable problems," said Andrew C. Hove, Vice Chairman of the Federal Deposit Insurance Corporation.

Hove also said that, should it be necessary to recapitalize the bank insurance fund, the banks would be able to fund the recapitalization themselves, without resorting to a taxpayer bailout.

Hove added, however, that continually mounting insurance assessments are not in the best interest of the industry. "It is better to lower deposit insurance losses," he said.

Robert E. Litan, a Senior Fellow with the Brookings Institution who has been conducting a study of the health of the FDIC fund for a congressional subcommittee, was less optimistic about the health of the banks and the fund that insures their deposits.

He said that the figures cited by Hove on the health of the banks are based on book value accounting figures which dramatically overstate the value of the bank. "Capital reserves at major institutions are far below what is being reported," he added.

"Looking out over the long run, the problems affecting the industry, even after the recession is over, highlight the urgent need for reform," Litan said.

Miller, who concurred that reforms are desperately needed, also noted that, whether a bailout is funded by the industry or by taxpayers, consumers will ultimately foot the bill.

If the banks fund the bailout, consumers will pay through increased fees, which fall particularly heavily on low and moderate income consumers, and through a shift in products, cuts in services, and elimination of branches, she said.

All three panelists agreed that additional regulatory and supervisory protections are needed, but disagreed over what form additional reforms should take. (See related article, page 1.)

The need for regulatory reform, this time in the insurance industry, was also the subject of debate in a session on "State Insurance Reform: A Status Report."

Despite the failure of the rate roll-back ordered under California's Proposition 103 to occur, state insurance reform packages are far from dead, according to two state officials who participated in a panel.

Michael J. Strumwasser, Special Assistant to the California Attorney General, said consumers are slowly beginning to see the benefits of other aspects of Prop 103 designed to restructure the insurance industry and "give consumers better access to a fairer, more competitive insurance market."

Progress has been accomplished, Strumwasser said, despite the reluctance to act of the former insurance commissioner. "The past two years have shown the perils of entrusting insurance reform to an appointed commissioner," he said. The newly elected commissioner will "have an opportunity to create a really effective system of prior approval rate regulation," he said.

Jay Angoff, Deputy Commissioner in the New Jersey Department of Insurance, also cited repeal of the industry's anti-trust exemption as a key element of any reform package, along with more objective criteria for rate-setting, and strategies to reduce underlying costs, which have the potential to benefit both insurers and consumers, he said.

While arguing that "no case has adequately been made for repeal" of antitrust exemptions, David F. Snyder, Counsel for State Farm Insurance Company, also emphasized the need to increase cooperative efforts between insurers and consumers in areas such as highway safety, motor vehicle safety, and automobile repair costs.

Approximately 230 representatives of government, industry, and consumer organizations attended the conference, which addressed a wide range of financial issues, including the consumer impacts of banking deregulation, insurer solvency and the ability of states to regulate it, and new investment frauds and remedies.

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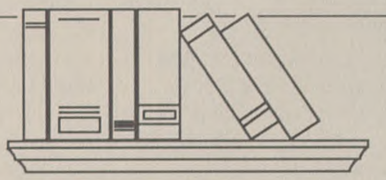
Book Provides Reference Guide To Consumer Movement



The consumer movement has been the subject of hundreds of books and articles in newspapers, magazines, and scholarly journals. *The Modern Consumer Movement: References and Resources* offers the first comprehensive guide to nearly a thousand wide-ranging sources.

Written by CFA Executive Director Stephen Brobeck, this annotated bibliography of the consumer movement is designed both to facilitate research and to provide an informed perspective on the movement.

The book includes an introduction that offers new definitions of the terms "consumer movement" and "consumerism" and explains how sources were selected and treated in the bibliography. It also contains an essay reviewing the literature on the consumer movement, defining and describing nine types of sources, identifying essential sources for the study of the movement, and outlining research needs.

The 943 annotated entries that follow are categorized according to 15 topics, including early history of the movement, public opinion, national organizations, state and local organizations, movement leaders, movement advocacy, political impacts, economic impacts, criticisms of the movement, and the international consumer movement.

Entries include brief biographies of key consumer leaders as well as descriptions of the major national consumer organizations.

Praised by scholars for its scope and its depth, the guide brings together a broad spectrum of both scholarly and popular sources, arranged for easy use as a quick reference, and it includes both an author and a subject index.

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The book, which sells for $39.95, is published by G.K Hall & Company.

State Insurance Consumer Services Vary in Quality

The consumer services of state insurance departments are improving, but vary widely in quality, according to a study prepared by consumer and insurance industry groups.

The report evaluates the departments in terms of 26 criteria, ranging from consumer access to services to staffing, which define a model program.

Particularly important are: an adequate budget; a toll-free hotline for information and complaints; readily available information on individual companies, including prices; and good complaint-handling procedures. No insurance department meets all the criteria of a model program, but those in Delaware, Florida, Kansas, New York, Texas, and Wisconsin are strongest.

Most Departments Offer Many Services

"The good news is that most departments offer many services to consumers," said Stephen Brobeck, Executive Director of CFA and a member of the Consumer Insurance Interest Group (CIIG). "The bad news is that a number of departments offer few services, and no state meets all the criteria of the model program."

The study was prepared by CIIG, the National Association of Professional Insurance Agents, the American Insurance Association, and the American Council of Life Insurance. It seeks to address the growing demand from consumers for assistance in purchasing insurance and resolving related problems.

The following are among the key findings of the study.

Spending Per 1,000 Population

Highest		Lowest	
Delaware	$712	Illinois	$65
Florida	$567	New Jersey	$65
Montana	$559	Massachusetts	$60
Colorado	$454	New Hampshire	$46
Washington	$444	Missouri	$45
Kansas	$407	Michigan	$38

Information Requests Per 1,000 Population

Highest		Lowest	
Oregon	29.1	New Jersey	0.1
Texas	28.2	Massachusetts	0.1
Arizona	28.0	Hawaii	0.1
Florida	24.3	Kentucky	0.1
Utah	21.3	Michigan	0.2

Complaints Per 1,000 Population

Highest		Lowest	
Georgia	18.55*	Indiana	0.79
Delaware	12.45	Utah	0.74
California	5.53	Michigan	0.72
Maryland	5.09	Alaska	0.72
Florida	4.22	Hawaii	0.60

*Includes requests and complaints.

Functions: Nearly all state insurance departments provide the three most important consumer functions—information, education, and complaint-handling.

Budget: Even when adjusted for population, consumer services budgets vary widely. For all states, they range from $38 per 1,000 population (Michigan) to $712 (Delaware), with an average of $230. From 1989 to 1990, these budgets increased significantly—an average of 12 percent.

Staffing: Most heads of consumer services have many years experience and report to a top official in the insurance department. Most staff work on complaint handling.

Consumer Access: About half the departments maintain toll-free hotlines. More than half maintain at least one walk-in office, but only five operate at least three of these offices.

Information Requests: In 1989, all reporting departments received nearly two million information requests. The rate per 1,000 population ranged from under 1.0 (10 states) to 29.1 (Oregon).

Information on Insurers: Half of reporting states distribute price information, 43 percent distribute information on insurer solvency, and 41 percent distribute complaint ratios on companies.

Consumer Education: Most insurance departments have consumer publications on different types of insurance. Texas and Illinois make brochures available in Spanish.

Complaint-Handling: States reported that in 1989 they received nearly 700,000 insurance complaints, an average of 16,428 per state.

Most have written procedures for handling complaints, store complaint information in computer data-bases, and categorize complaints by subject, thus facilitating analysis of potential problems.

A large majority of states periodically analyze complaints, but only two, New York and Oregon, report sharing this information with the general public.

Groups Urge Adoption of Model Program

The four organizations which compiled the survey are urging states to adopt features of the model program. As a first step, copies of the study were sent to insurance commissioners, governors, and grassroots consumer groups.

The report on consumer services is a followup to a study of state insurance department operations released by CIIG and PIA National in 1988, and to model standards for state insurance departments released by the two groups in 1989.

CIIG is an independent consumer organization initiated by Esther Peterson that also includes Brobeck, Joan Claybrook, President of Public Citizen, and Robert Hunter, President of National Insurance Consumer Organization. Single copies of the report are available free by calling Katherine Hoffman at PIA National, (703) 836-9340.

White House Meeting Plans Consumer Education Initiatives

In January, leaders of federal and state agencies, consumer groups, business organizations, and secondary schools met to discuss the results of CFA's consumer competency test and to develop strategies for redressing knowledge deficiencies.

Among those strategies considered were:

1) the establishment of a minimum body of practical consumer knowledge, formulated as questions, that would serve as the basis for consumer education curriculums, materials, and promotion;

2) the preparation of a study quantifying the economic benefits to the consumer of improved consumer knowledge; and

3) the use of communications and marketing experts to evaluate existing and new consumer education and information dissemination efforts.

The roundtable was planned by CFA, TRW (funder of the competency test), and the U.S. Office of Consumer Affairs (OCA). Participants included the Consumer Product Safety Commission's chairman, a Food and Drug Administration associate commissioner, the Federal Trade Commission's consumer protection bureau director, the Federal Reserve Board's director of consumer and community affairs, a Texas assistant attorney general, and the new OCA director, Ann Wallace.

CFA Executive Director Stephen Brobeck, who prepared the competency test report and co-chaired the roundtable with OCA Deputy Director Andrew Poat, said that the discussion "represents the first major effort to use the competency test results to build institutional support for improvements in consumer knowledge." He added that "CFA and other groups will try to implement several of the strategies discussed."

CFA is following up the competency test in other ways. It has prepared or will be preparing special reports on consumer competency in credit, auto insurance, life insurance, product safety, and food purchase/nutrition. These studies will be discussed at meetings of consumer, government, education, and business representatives, who will try to develop effective strategies for remedying knowledge deficiencies. They also will be released to the press.

In addition, with the Psychological Testing Corporation and American Express, CFA is conducting a special test of the consumer competency of high school seniors on money matters. The report of these test results will be used to try to improve secondary school consumer education programs that a 1989 CFA study termed "extremely weak."

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