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AOL-Time Warner Merger Cleared, With Conditions

America Online Inc. and Time Warner Inc. won approval of their proposed $103.5 billion merger in January, but not without first agreeing to a number of conditions designed to protect competition on the Internet.

The Federal Trade Commission (FTC) gave the merger its go-ahead in December after laying out a number of requirements to ensure that independent Internet service providers have competitive access to the company's cable lines in order to offer high-speed Internet services.

CFA Research Director Mark Cooper praised the agency for going "about as far as it could go" within its jurisdiction as an antitrust enforcement agency to ensure "competitive" access.

Specifically, the FTC settlement requires AOL Time Warner to offer at least one competing Internet service over the merged company's cable lines before offering AOL service and to offer at least two other competing Internet service providers within 90 days. It also requires AOL Time Warner to negotiate in good faith with additional Internet service providers and not to arbitrarily limit their access.

Complaint Process Established

In addition, the settlement establishes a complaint process and a monitoring trustee to oversee implementation. The trustee will be responsible for adjudicating disputes, monitoring developments, and reporting on complaints and violations to the Federal Communications Commission (FCC).

Taken together, these steps go a long way toward ensuring "fair negotiation in a competitive marketplace," Cooper said.

The FCC followed with its approval of the merger in January. While the FCC focused primarily on access to the Instant Messenger service in its order, it also added some modest requirements with regard to competitive access.

The order specifies that independent Internet service providers must have control of the first screen that subscribers see when they log on and must be able to bill customers directly.

It also prohibits AOL Time Warner from discriminating against competitive Internet providers in the technical quality of service.

Finally, it prohibits AOL Time Warner and AT&T from entering into exclusive agreements with each other that would limit competing Internet service providers' access to the two companies' cable systems.

While these steps stop short of the full, non-discriminatory carriage requirement for all Internet service providers that consumer advocates have sought from the FCC, they represent a victory for consumers, Cooper said.

"The conditions that the FCC placed on the AOL Time Warner merger came about as the result of a vigorous effort by public interest groups to educate the public and policy makers at the local and federal levels about the threat that the cable TV industry's closed proprietary approach poses to freedom of speech and the Internet," Cooper said.

More Remains To Be Done

"The conditions requiring AOL Time Warner to negotiate with unaffiliated Internet service providers are a small victory in what is shaping up as a protracted war," he added.

If consumers are to benefit, "the public interest community must make sure that federal regulators enforce the commitment to bargain in good faith," he said.

"More importantly, the FCC must be compelled to extend the concept of open access to the rest of the cable industry, which is gearing up to fight non-discriminatory access," Cooper said.

Whether and how to require all cable companies to open their lines to competing Internet service providers is the subject of an on-going inquiry at the agency.

Cooper has criticized the FCC in the past for dragging its feet by asking questions, and the wrong questions at that, when it should be proposing a rule.

"We know broadband Internet is a telecommunications service, we know the cable companies have market power, and we know they are excluding people," he said. "We need a non-discriminatory access rule now."

How such a rule will fare in a Republican-controlled FCC is unclear, since both Republican commissioners opposed even the modest conditions placed on AOL Time Warner as a condition of its merger approval.

President Vetoes Unfair Bankruptcy Bill

Calling the bill unfair to ordinary debtors and working families who fall on hard times, President Clinton vetoed bankruptcy legislation that had been pushed through the Congress during the post-election session.

"We applaud President Clinton for pointing out that this bill doesn't meet the basic test of fairness and balance," said CFA Legislative Director Travis Plunkett.

"It is time for Congress to go back to the drawing board and come up with legislation that stops the small number of Americans who are misusing the bankruptcy courts without erecting harmful bankruptcy barriers to those who have suffered genuine financial misfortune," he said.

With time running out on the 106th Congress, Senate Majority Leader Trent Lott (R-MS) used a highly irregular legislative maneuver to bypass bipartisan negotiations and force a vote on a bankruptcy bill that was far more severe even than the anti-consumer measure passed by the Senate in February.

Supporters, who had been unable to reach agreement on a final bill during bipartisan conference negotiations, circumvented that process by substituting a secretly negotiated conference report for State Department authorizing legislation.

That bill passed the House on a voice vote in October. The Senate approved the bill on a 70-28 vote in December.

"This shoddy legislative maneuver shows the lengths to which creditors will go to ram through harmful barriers to bankruptcy protection," said CFA Chairman Sen. Howard Metzenbaum (Ret.). He praised the president for stepping in to protect financially strapped families from punitive "reforms."

Despite its claim to reform abuses, the bill would have allowed wealthy debtors to continue to retain expensive homes while filing for bankruptcy, one of the most pervasive abuses in the current system.

Instead, it would have made it harder for modest-income Americans to get financial relief by filing for chapter 7 bankruptcy and would have increased the likelihood that they lose their homes and cars in chapter 13 restructuring plans.

In addition, it would have compromised the post-bankruptcy payment of high-priority debts, such as child support and alimony, by increasing the amount of credit card debt for which debtors would have been liable.

At the same time, it would have imposed onerous legal and paperwork burdens that would have disadvantaged cash-strapped families unable to afford a lawyer.

While imposing all these unwarranted burdens on creditors, the bill did virtually nothing to rein in abusive practices by creditors that help lead families into unsupportable debt.

One reform sought by advocates was a requirement that creditors disclose on credit card billing statements approximately how long it would take to pay off

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Brobeck Participates In Bush Economic Forum

When President-elect George W. Bush and his chief economic adviser Lawrence Lindsey convened an economic forum in Austin, Texas in early January, CFA Executive Director Stephen Brobeck was the only leader from a non-profit organization to participate.

Brobeck was invited to the meeting, also attended by some 30 corporate CEOs, to provide a consumer perspective on the current state of the economy.

His message to the president-elect in private, which he also reported at an impromptu press conference following the forum, was that most Americans are not affluent. The majority live in households with incomes below $40,000, net assets including home equity and retirement savings of under $100,000, and considerable consumer debt.

Brobeck stressed that it is important to consider these less affluent Americans' interests when developing economic policies on issues ranging from taxation to energy to bankruptcy.

Brobeck also noted at the press conference that CFA has not taken a position on the president-elect's tax proposal, but that he had discussed providing Lindsey the opportunity to discuss it with CFA leaders.

In commenting on the forum, Brobeck said: "While wishing that there had been other consumer, community, and worker voices in the room besides my own, I am grateful that President-elect Bush provided CFA with the opportunity to communicate our concerns about the economic condition of less affluent Americans."

Food Policy Update:

Labels, Safety Reviews Urged for Gene-Altered Food

A U.S.-E.U. panel released a report in December advocating mandatory, pre-market safety reviews of genetically engineered foods. The report of the E.U.-U.S. Consultative Forum on Biotechnology also calls for labels on product packages when there is new genetic material in the finished food product.

Calling the report "a landmark document in the global debate on genetically engineered food products," Carol Tucker Foreman, Director of CFA's Food Policy Institute, urged both the in-coming and out-going administrations to heed its recommendations.

"The report doesn't go quite as far as I would like, but it is a giant step in the direction of consumer rights on GE foods," said Tucker Foreman, who served as the U.S. consumer advocate on the panel.

Formed at the request of President Bill Clinton and European Commission President Romano Prodi, the panel concluded:

- that regulatory agencies must be reasonably certain products are safe before they are offered for sale to consumers;
- that risk/benefit considerations should not be considered until the basic threshold of safety has been met; and
- that, in the face of uncertainty about safety, governments should act on the side of safety in considering the approval of the product.

It also calls for more government funding for research on the safety of these products.

"Genetically engineered food products have great potential – potential to help feed an expanding world, potential to improve nutrition, and potential to free us from ever-increasing pesticide use," Tucker Foreman said.

"But they will never reach that potential if today's consumer angst is not calmed," she added. "The recommendations in this report, if adopted by the U.S. and European governments, would go a long way toward eliminating discontent and fear over these products."

Proposed Merger Poses Concentration Threat

As this issue of the newsletter went to press, the Justice Department (DOJ) appeared poised to approve a merger that threatens to increase concentration in the already dangerously concentrated meat processing industry.

DOJ was conducting an expedited review of the proposed merger between IBP, Inc., the nation s largest beef processor, and Tyson Foods, Inc., the nation's leading poultry producer. The merger was expected to be approved.

"This merger is likely to result in higher prices and fewer choices for consumers, lower prices for farmers and ranchers, plant closings, job losses, erosion of local tax bases, and environmental damage," said CFA Assistant Director Art Jaeger.

Jaeger and Tucker Foreman wrote to acting antitrust division chief Douglas Melamed in December urging the agency to reject the proposed merger.

While meat processing mergers can trigger economies of scale that lower consumer prices in the short run, "when mergers on [this] scale ... are proposed, the merits of achieving economies of scale must be balanced against the danger of creating a non-competitive market," they wrote.

"Regardless of potential short-term price benefits, when too few companies dominate a market, the longer-term result for consumers is negative."

Investigation of Dairy, Food Marketing Industries Also Sought

Also this fall, CFA asked Justice to investigate the dairy and food marketing industries in light of the growing gap between what farmers receive for raw milk and what consumers pay for processed milk in the supermarket.

"Since January 1999, the base price farmers receive for milk is down about 36 cents per gallon, or 27 percent," the letter stated. "Over the same time period, the retail price has also fallen – but by only five percent, or about 14 cents per gallon."

While several factors may have contributed the gap, CFA urged DOJ investigators not to overlook growing concentration among milk processors, food retailers, and cooperatives as a likely cause.

"A key question concerning today's milk prices is whether cooperatives, processors, or retailers are taking advantage of recent declines in raw milk prices and not passing savings on to consumers," the letter stated.

LaFalce, Gramlich Address Predatory Lending

Eliminating predatory practices throughout the financial marketplace should be the House Financial Services Committee's top priority in 2001, Rep. John LaFalce (D-NY) said in a keynote speech at CFA's 13th annual financial services conference.

Rep. John J. LaFalce (D-NY)

Federal Reserve Governor Edward M. Gramlich

"We are seeing unfair and deceptive practices that can only be described as predatory in every area that affects consumers and in connection with everything that consumers need most," he said.

These include homes, automobiles, credit cards, "the short-term credit we need to make it to payday," and "the most intimate and confidential aspects of our personal lives and our financial privacy," he said.

Predatory mortgage lending is particularly harmful, Rep. LaFalce said, since it threatens not only "the most important purchase that most consumers will ever make," but also "the primary source of savings for most American families."

He defined several characteristics that make a sub-prime loan "predatory," including: unusually high interest rates; excessive, and often hidden, fees and points; lump-sum payment and financing of credit insurance; balloon payments; huge prepayment penalties; and arbitrary lender call provisions.

Legislation To Be Reintroduced

One of the first bills he plans to introduce in 2001, he said, is the "Predatory Lending Consumer Protection Act," which he first introduced last April with Sen. Paul Sarbanes (D-MD).

"By restricting the tools that make [abusive] practices profitable, and by enhancing private remedies and civil penalties to deter violations, I believe we can prevent much, if not all, of the losses American families are experiencing at the hands of predatory lenders," he said.

Rep. LaFalce said he also intends to reintroduce bills: to improve disclosures regarding auto leases and restrict abuses associated with lease advertisements; to "correct the most egregious practices of credit card companies;" to put an end to high cost payday lending; and to enhance consumer privacy protections.

Efforts to address abuses in the sub-prime mortgage lending market were also the focus of comments by Governor Edward M. Gramlich of the Federal Reserve System in his keynote address.

The growth of sub-prime lending has been "a welcome development of the 1990s," he said, since it "gives borrowers who do not meet the prime lending criteria much greater access to credit" and helps to bring credit to low and moderate income people.

"At the same time," he said, "there are increasing reports of abusive practices," including practices that can cause people to lose much of the equity in their homes or to lose the home itself. "This lending destroys people and communities, and I think is a clear problem in this otherwise attractive picture," he said.

Better Data Should Aid Reforms

To help combat abuses, the Federal Reserve Board has proposed changes to the Home Mortgage Disclosure Act, including:

- increasing the number of non-depository lenders who are required to submit data on their loans;
- clarifying and expanding the types of transactions covered to include refinancings and home improvement loans; and
- expanding the data that must be reported to include the annual percentage rate on the loan, whether the loan is subject to the Home Equity Protection Act, and whether it involves a manufactured home.

"More information is an important policy prerequisite in this whole area of subprime lending and predatory lending," Gramlich said. "It will help distinguish the positive features of the sub-prime market from the negative features.

"The best defense of all against predatory lending is thorough consumer education," he concluded.

Dot-Coop Internet Domain Added

The Internet's oversight body voted in November to add seven new suffixes for Web addresses, including the suffix "coop" for use by non-profit cooperatives.

The proposal for the dot-coop domain was put forward by the National Cooperative Business Association, a CFA member group. CFA and Consumers Union wrote at letter to the Internet Corporation for Assigned Names and Numbers (ICANN) in support of the proposal in October.

"While corporations worldwide have benefited greatly from the well known dot-com suffix, consumer cooperatives, which annually save consumers billions of dollars on needed commodities, have not had that same simple Internet recognition," said CFA Assistant Director Art Jaeger.

"The decision by ICANN to add a dot-coop domain will help to distinguish consumer cooperatives from their corporate counterparts on-line," Jaeger said. "Not only will this increase consumer access to these vital organizations, it will relieve the pressure on the commercial dot-com domain."

It will be several months before dot-coops start appearing on the Internet, as negotiations between ICANN and the National Cooperative Business Association (NCBA) must be completed before the new addresses will be made available.

Under the NCBA proposal, fees paid by users of the dot-coop domain would go to a "digital divide" fund to help limited resource coops, such as those in developing countries, do business on the Internet.

Another round of suffixes is expected to be considered next year, including a dot-union suffix that CFA also expects to support.

Home Equity Flat Despite Rise in Ownership

Despite record level home ownership, home equity has declined somewhat nationally, according to an analysis of Census Bureau data prepared for CFA by Freddie Mac housing economist Frank E. Nothaft.

Specifically, at a time when home ownership rose to 67 percent, average home equity per homeowner declined in inflation- adjusted (1999) dollars from $91,000 in 1989 to $89,500 in 1999, according to the analysis, which was released in November by CFA.

"In a period when income and wealth have grown rapidly, it is worrisome that home equity has been stagnant," said CFA Executive Director Stephen Brobeck.

Home equity makes up roughly half of household net worth, according to Federal Reserve Board research, and represents a large majority of this net wealth for low- and middle-income families, Brobeck noted.

"The good news is that aggressive public and private policies, coupled with a buoyant economy, have helped many less affluent households build wealth through home ownership," he added.

Low Income See Rise in Home Equity

The study found, for example, that homeowners with incomes below area medians saw their home equity increase by an average of six percent between 1989 and 1999, from $76,000 (in 1999 dollars) to $80,400.

African American homeowners experienced average home equity growth of 12 percent in the same period, from $53,400 (in 1999 dollars) to $59,700.

Consumers are concerned about a decline in home equity, according to an opinion survey undertaken for CFA by the Opinion Research Corporation International in which 51 percent of respondents said that a significant decline in home equity was bad for the country.

One apparent reason for this concern is the belief by a large majority of Americans (89 percent of respondents) that it is important to have paid off a mortgage by retirement to reduce housing costs.

Despite these concerns, the ratio of mortgage debt outstanding to the value of all homes increased from 31 percent to 34 percent between 1989 and 1999.

The Freddie Mac analysis identified two primary reasons for the trend:

• increased borrowing by homeowners on their home equity, with the percentage of homeowners carrying home equity debt rising from 58 percent to 61 percent between 1989 and 1999; and

• an increase in the number of first-time homeowners using low down payment mortgages.

That analysis is supported by Federal Reserve Board research, which found that about two-fifths of the growth in outstanding mortgage debt in the late 1990s represented home equity loans and cash-out refinancing.

The ORCI survey found that about one-fifth of homeowners had borrowed on their home equity in the past five years, with loans averaging $36,000. Nearly one-third of these borrowers (31 percent) used the loans to refinance consumer debt, and one-quarter of the borrowers said they were concerned about repaying this debt.

Older consumers are less likely to be burdened by such debt. Although home equity declined for age groups under 55, it increased for age groups older than 55, according to the Freddie Mac analysis.

Disturbingly, households headed by someone younger than 45 years of age had 14 percent less equity in 1999 than their counterparts of a decade earlier.

In addition, loan to value ratios increased between 1989 and 1999 for each age group under the age of 65. For households headed by individuals between the ages of 35 and 54, debt ratios increased by about 16 percent during this period.

"Over the past decade, younger households have increased home ownership but decreased home equity," Brobeck said. "These families should be cautious about taking out home equity loans."

Consumers seem to share that view, with 95 percent of respondents to the ORCI survey saying that "homeowners should be more cautious about taking on this debt" and 62 percent saying homeowners should be "much more cautious."

Credit Card Access To Home Equity Opposed

Survey respondents looked very unfavorably on the idea of consumers' being able to use a credit card to borrow on their home equity, with 83 percent saying this was a bad idea and 65 percent saying it was "a very bad idea."

Older consumers were more likely to say this was a very bad idea. Among respondents over the age of 65, 79 percent expressed strong concern, compared with 44 percent of those 18 to 24 years of age.

"Despite the rise of home equity borrowing, most Americans believe that homeowners should be cautious about 'spending' this equity by borrowing or cashing it out," Brobeck said.

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Auditor Independence Rules Approved

Under intense pressure from Congress and industry to abandon the initiative, the Securities and Exchange Commission nonetheless voted unanimously in November to adopt new auditor independence rules.

The rules are designed to expose and restrict conflicts of interest that arise when auditors also serve their audit clients as consultants, a growing practice among the major accounting firms.

"When an auditor is simultaneously competing to win a multi-million dollar consulting contract from the audit client, it throws temptation in the auditor's path," said CFA Chairman Sen. Howard Metzenbaum (Ret.). "That can undermine the credibility of the audit, even when it does not compromise its quality."

Fearing the loss of an increasingly important source of income, however, three of the major accounting firms and the industry's trade association began lobbying Congress to kill the rules before they had even been officially proposed.

A number of members of both parties responded with threats to attach a rider to an appropriations bill to prevent the agency from moving forward on the initiative, at least until the next administration takes office.

As a result, the agency was forced to settle for a watered down version of the rules.

SEC Caught in Political Tight Spot

CFA Director of Investor Protection Barbara Roper praised the agency for its good faith effort to increase auditor independence but expressed dismay that the industry's "scorched earth tactics" had proved at least partially successful.

"While we would have preferred to see stronger rules adopted, rules that more closely tracked the agency's original proposal, we recognize that, had the agency adopted such rules, they would almost certainly have been overturned by Congress," she said.

A central feature of the rule proposal was a clarification of the standards that should be used to determine whether a particularly consulting activity creates an unacceptable conflict of interest.

Those principles were removed from the final rule and relegated to the status of "general guidance," where "there is a risk they will be ignored by an SEC less committed to auditor independence than the current one," Roper said.

Like the initial rule proposal, the final rule also outlines specific services that auditors are prohibited from offering to audit clients.

Consulting Limits Weakened

These prohibitions were weakened in two key areas: consulting related to the design and implementation of financial information systems, and work on financial statements prepared internally for management and board use. Both would have been banned altogether under the original proposal.

Instead, in the area of information technology consulting, the rule requires that the relationship be reviewed by the company's board committee for possible conflicts and that fees be disclosed.

Similarly, the final rule would require management to take responsibility for and make all management decisions concerning internal audits, and the audit firm would be limited to performing up to 40 percent of the client's internal audit work.

"While we recognize that the SEC probably got the best deal it could under extremely difficult circumstances, we are concerned that the final rules preserve major, serious conflicts of interest that can't help but compromise the integrity of the audit process," Roper said.

"It would be unfortunate if it took yet another rash of major accounting scandals to convince the industry that it has a vital interest in preserving the independence that its recent rush into consulting services has threatened," she said.

Bankruptcy Overhaul, ***Continued from Page 1***

the balance making minimum payments and what the total costs would be.

Although such a provision was included in the bankruptcy bill passed by the Senate in 1998, it was severely weakened in last session's legislation.

"Unlike the Senate's 1998 bill, this legislation would not provide Americans with meaningful information to help them avoid bankruptcy," Plunkett said.

"This is prime example of how the bankruptcy bill does not balance responsibility between working families and creditors whose practices have contributed to the rise in bankruptcies," he added.

The lack of balance was also highlighted by President Clinton in his veto message.

The president noted his "deep concern that the bill failed to address some creditor abuses and also unnecessarily disadvantaged all debtors to stem abuses by a few."

"I would have signed a balanced bankruptcy reform bill that addressed known abuses, without tilting the playing field against those debtors who genuinely turn to bankruptcy for a fresh start," he said. "I have withheld my approval of H.R. 2415 because it does not strike the right balance."

Bankruptcy legislation is sure to be high on the agenda of the 107th Congress. How that legislation will fare in a new administration and a more evenly divided Congress is unclear.

"The good news for consumers is that the bill has garnered more opposition every time it has come up for a vote in the Senate," Plunkett noted. "The bad news is that the strong leadership provided by President Clinton is gone."

"We hope President Bush will take a hard look at any bankruptcy bill that crosses his desk to ensure that it does not further harm consumers who might already be suffering under a slowing economy," he said.

Millions Face Hardship, Utility Shut-Offs

Millions of low- and moderate-income families face financial hardship and possible utility shut-offs because of rising energy prices, according to a report released in December by CFA, the National Community Action Foundation (NCAF), and the National Consumer Law Center (NCLC).

Approximately 27 million low- and moderate-income households will spend an average of 19 percent of their family income on energy bills from October 2000 through September 2001, according to the report, *The Winter Energy Outlook for the Poor*.

Prepared by Economic Opportunity Studies of Washington, D.C. based on recently released price and survey data from the U.S. Department of Energy, the report also projects that more than a million low-income households will face utility shut-offs.

"Many poor families in cold climes will not be able to heat, eat, and pay the rent," said CFA Executive Director Stephen Brobeck. "They will certainly suffer discomfort and possibly great health risks, including death," he added.

"Our studies have shown many states do not have regulations prohibiting utility shut-offs except during 24-hour periods where the temperatures remain below freezing," said NCLC's Energy and Utilities Project Director John Howat.

"If temperatures are as cold as predicted, millions of low- income families will not be able to afford high heating bills," he said. "Thousands more will be left in the cold when their equipment fails and they cannot afford expensive repairs."

President-elect Bush Urged to Act

CFA, NCAF, and NCLC wrote to President-elect George W. Bush in December urging him to make this issue an early priority of his administration.

Short-term measures advocated for immediate action after President-elect Bush takes office include:

• releasing all of the $300 million appropriated at the end of the last congressional session for FY 2001 Low Income Home Energy Assistance Program (LIHEAP) contingency funding and giving states and local community action agencies the authority to use these funds;

• authorizing states to use the LIHEAP contingency funds for an emergency Department of Energy (DOE) weatherization program for repair and replacement of non-functioning or dangerous heating equipment and for rapid-response installation of energy efficiency measures by weatherization crews; and

• convening a White House task force of representatives from the gas, electric, and fuel oil industries, their state regulators, and national advocates for low-income energy consumers to develop strategies to prevent utility shut-offs and to lower household energy costs.

The letter also advocated:

• restoring DOE's weatherization funding to the $280 million level, as is recommended in the Bush campaign energy policy proposals;

• restoring the advance LIHEAP funding eliminated by Congress at the end of the last session and increasing the basic program from $1.4 billion to $2 billion;

• assuring that, as a condition of licensing to transport and store fuel oil, gas, or propane, marketers observe minimum storage requirements to avoid future shortages; and

• including residential consumer protections – including appropriate barriers to utility disconnection and incentives for public-private "energy affordability" programs – in administration energy policy proposals.

Fuel Prices Projected To Rise

Fuel price projections released by DOE in early December predict that fossil fuel prices will rise significantly, even if this winter's temperatures are just normal.

Winter gas bills are expected to be about 50 percent higher than last year in the natural gas-dependant Midwest, while heating oil bills in the Northeast are expected to be 35 percent higher than the already high levels reached in 1999 and 165 percent of 1997-1998 levels.

If those projections prove accurate, average costs for fuel oil-heated low- and moderate-income homes in the Northeast will rise to $923 in 2000-2001, while average costs charged gas-heated low- and moderate-income homes in the Midwest will rise to $822 in 2000-2001.

Based on this and other DOE data, the Economic Opportunity Studies report projects that lower-income households heating with fuel oil will pay an average of $1,317 for oil and electricity (29 percent of income) in the winter weeks between October 1, 2000 and March 31, 2001 and that comparable households heating with natural gas will spend $1,111 (or 27 percent of income) on their utility bills.

As a group, these 27 million households will be billed nearly $48 billion for residential energy in fiscal year 2000-2001, but the federal government has made less than $2 billion available for payment assistance, the report notes.

While that figure is a little higher than in fiscal year 2000, it would cover less than five percent of these lower-income family energy bills. In fact, less than 20 percent of eligible families have received assistance in recent years.

NCAF Executive Director David Bradley said emergency assistance funds are already running low, and applications for assistance are already far ahead of last year.

"We need a new approach to energy needs: more prevention and readiness, less crisis response," he said. "We look forward to building on our experience as we work with the new administration and Congress."

In addition to writing to president-elect Bush, CFA, NCAF, and NCLC also plan to communicate with congressional leaders and state utility regulators.

Home Improvement Complaints Top List

Home improvement complaints moved to the top of the list, Internet complaints grew more than any other type, and complaints about household goods made the "top three" for the first time, according to the ninth annual consumer complaint survey released in November by CFA and the National Association of Consumer Agency Administrators.

"The good economy has come with a price," said NACAA Executive Director Wendy Weinberg. "Consumers appear to be making more large purchases, but many of those purchases have been accompanied by problems."

Consumer agencies throughout the United States were asked to list the categories that generated the most complaints in 1999. The following are the top ten problem areas reported by the 49 agencies that participated in the survey and the percentage of agencies that listed them as a major complaint category: home improvement (82 percent), auto sales (75 percent), household goods (66 percent), auto repair (64 percent), credit/lending (57 percent), utilities (34 percent), mail order (27 percent), collection (16 percent), landlord-tenant (16 percent), and leisure/travel (14 percent).

Scams reported by the consumer agencies illustrate the elderly are being targeted, noted CFA Consumer Protection Director Jean Ann Fox. For example, older consumers have lost the equity in their homes through predatory lending. Home improvement contractors have sometimes "disappeared" with older homeowners' funds without making repairs. And the Ohio Attorney General's office uncovered a ring of companies using high-pressure telemarketing to get elderly consumers to invest in grossly overpriced gold and rare coins.

"Frauds cheat these vulnerable consumers out of their home equity and life savings through home improvement, sweepstakes, and telemarketing schemes," Fox said.

One troubling long-term trend noted by the survey is the continuing demand on complaint agencies to do more with less. Over the past four years, the cumulative growth in agency budgets has been three percent, while the cumulative growth in caseloads has been 52 percent.

"The good news," Fox said, "is that this trend appears to have leveled off." On average, NACAA members handled two percent more complaints in 1999 than in 1998. They did this, on average, with a one percent budget increase.

The complete NACAA/CFA report is available online at www.nacaanet.org or at www.consumerfed.org. NACAA also offers advice on filing complaints and contacting local agencies at www.nacaanet.org/complain.htm.

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