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Worst Consumer Ripoffs Identified

Complaints involving car sales and repairs once again top the list of the most frequently complained about products and services, according to a report released in July by CFA and the National Association of Consumer Agency Administrators.

The second annual report of the worst consumer ripoffs was based on a survey of state and local consumer protection agencies. Fifty-four agencies located in 23 states and two Canadian provinces completed the survey.

Among the topics covered by the survey were: the top five subjects generating the most complaints, the worst scams, and the three most important areas where new federal protections are needed.

At least two-thirds of all agencies reported that auto repairs and car sales were one of the top five complaint categories. Other areas involving frequent complaints were home repairs (cited by 56 percent of the agencies), phone and mail marketing (43 and 44 percent, respectively), and credit (30 percent).

Other product areas that were identified by at least several agencies as among their top five included landlord-tenant (11), travel (10), debt collection (9), furniture and furnishings (7), appliance repair (6), employment (6), charitable solicitations (4), door-to-door sales (3), and gasoline (3).

The 1993 complaint list includes the same products as the 1992 list. Moreover, the rankings in the two lists are nearly the same.

Worst Scams Involve Telemarketing

The largest number of "worst scams" identified by the agencies involved telemarketing. Many involved telemarketer promises of substantial "free prizes" if purchases were made.

For example, in Colorado more than 600 persons were victimized by the Christian Value Clearinghouse, which told people they had won $20,000 but required them to purchase a $579 alarm system before they could collect their prize. None of those who collectively paid several hundred thousand dollars for the over-priced system received $20,000.

Similarly, more than 500 consumers in Nevada complained about a local company which bilked consumers out of millions of dollars by misrepresenting that the consumers had won prizes. In order to receive the "free prizes," consumers had to purchase various items, including vitamins and water treatment systems.

"Increasingly, the telephone is the instrument used by unscrupulous sellers to defraud consumers," said CFA Executive Director Stephen Brobeck. "Congress should strengthen consumer protections against telemarketers."

CFA Executive Director Stephen Brobeck (right), NACAA Executive Director Anna Flores, and NACAA Immediate Past President Susan Grant (far left) presented the results of their second annual survey at a Washington, D.C. news conference.

Three-pronged Strategy Urged

NACAA and CFA urged the adoption of a three-pronged strategy to prevent ripoffs and scams.

1) Adoption of new federal and state laws or regulations to protect consumers.

In particular, more than half of the surveyed agencies said that federal consumer protections against telemarketers need strengthening. Specific suggestions included requiring telemarketers to register with the federal government, mandating a right of recision, providing consumers with a way to stop calls, empowering states to enforce federal law, and banning 900-numbers entirely.

In addition to the 29 agencies that advocated stronger telemarketing laws, ten agencies recommended strengthening mail order regulations, especially those pertaining to sweepstakes and other prizes, and nine urged stronger credit reporting regulations and better enforcement.

2) Allocation of additional resources to many federal, state, and local consumer protection agencies to enforce consumer laws.

Instead, most agencies have seen their budgets cut during the past several years. "It does little good to establish new consumer protections if consumer agencies are unable to enforce them," Brobeck noted.

3) Use of preventive measures by individual consumers.

"Consumers can avoid scams and hang up on fraud by being wary of businesses they've never heard of offering deals that seem too good to be true," said NACAA Executive Director Anna Flores.

Consumers Must Protect Themselves

CFA and NACAA recommended the following more specific measures consumers can use to protect themselves.

- Don't buy from telemarketers unless you've checked them out. In general, make purchases by phone only when you initiate the call.
- Be aware that 900-numbers can be costly. Charges of more than $100 for single phone calls are not unusual.
- To cut down on solicitations from telemarketers and junk mailers, don't accept their offers of "free prizes," which are rarely free, and don't enter their contests, which you are highly unlikely to win.
- Don't use advance fee loan brokers. If you can't get credit from a reputable lender, then you probably can't get it on reasonable terms.
- Patronize only auto, home, and appliance repair firms that are recommended by family or friends and are not the subject of complaints to consumer protection agencies and better business bureaus.

Copies of the four-page report are available for $10, paid in advance, from CFA, 1424 16th Street, N.W., Washington, D.C. 20036.

Senate Passes Rollup Bill

In August, the Senate gave voice vote approval to its watered down version of legislation to address abuses of limited partners by general partners in limited partnership "rollups."

Rollups are highly controversial reorganizations in which generally two or more of the finite-life partnerships are reorganized into a single infinite-life, exchange-traded investment.

While rollups almost universally generate lucrative fees for general partners, limited partners have, on average, lost an estimated 71 percent of the value of their investment in the transactions.

In passing its weak rollup bill, the Senate erected an additional barrier to passage of effective legislation when it allowed Sen. Phil Gramm (R-TX) to block the bill from going to conference with the stronger House version.

Because it gives Gramm more procedural tools than he would have in conference committee to block any version of the legislation he opposes, this will make it much more difficult to get the stronger House protections enacted.

"Having allowed Sen. Gramm to water down the bill in committee, the least sponsor Christopher Dodd (D-CT) could have extracted in return is a promise that Gramm would allow the bill to go to conference," said CFA Director of Investor Protection Barbara Roper.

In general, the Senate version exempts more transactions from the new rules and places more limits on the availability of dissenter's rights.

In addition, it omits two key investor protections contained in the House bill: a requirement that limited partners receive an independent evaluation of the fairness of the proposed rollup and possible alternatives; and a requirement that limited partners who oppose a rollup that wins approval receive comparable financial compensation unless such compensation is either infeasible or not in the best interests of dissenting partners.

"These two provisions are central to providing a strong incentive for general partners to structure the rollups in a way that also benefits limited partners," Roper said.

Despite the fact that earlier stronger versions of the legislation received filibuster-proof support, Sen. Dodd has worked with one dissenting senator, representing the narrow interests of a few industry fat cats, to seriously diminish the protections for small investors," she said.

Insurance Redlining Bills Advance

Shortly before adjourning for the August recess, two House subcommittees approved competing versions of legislation to combat insurance redlining.

H.R. 1257, introduced by Rep. Joseph P. Kennedy II (D-MA), was approved on a party-line 19-12 vote in his Banking Subcommittee on Consumer Credit and Insurance.

H.R. 1188, introduced by Rep. Cardiss Collins (D-IL), was first amended, then passed on a voice vote by her Banking Subcommittee on Commerce, Consumer Protection and Competitiveness.

Insurance redlining is the practice of discriminating in the sale of insurance to people and businesses in low income and minority neighborhoods.

Recent congressional hearings have revealed that consumers in minority and low income neighborhoods pay higher prices for lower quality coverage and that those higher prices are not necessarily justified by higher losses.

Furthermore, policyholders in these areas are more likely to have their policies canceled and their claims contested.

Bills Modeled on HMDA

Modeled on the highly successful Home Mortgage Disclosure Act, both bills would require insurance companies to disclose annually to the federal government information on where they market and sell non-commercial residential and automobile insurance. The Kennedy bill would also require disclosure of information on commercial residential, commercial small business, and PMIs.

The information could be used by community, consumer, and civil rights groups, as well as state regulators, to determine whether and to what extent redlining is in fact occurring, which in turn would serve as a strong deterrent to discrimination.

Although the initial versions of the two bills were quite similar, except on the issue of agency jurisdiction, the Collins bill was eviscerated in order to win subcommittee passage and is no longer endorsed by CFA.

"While we strongly supported the original bill, and commend Rep. Collins for bringing this issue before the committee, H.R. 1188 as amended contains the full wish list of the insurance industry trade groups and we cannot support it," said CFA Legislative Representative Chris Lewis.

Bills' Key Differences

The following are among the key differences in the two bills as reported out of subcommittee.

- The Collins bill requires reporting for only 25 of the largest cities, while the Kennedy bill starts with 150 and phases in to all areas.
- The Kennedy bill requires reporting by census tract, while the Collins bill requires reporting by 5-digit zip code area. Zip code areas are viewed as too large and heterogeneous to indicate accurately whether a company is actually redlining.
- While both bills would generally exempt companies with less than one percent of market share, the Kennedy bill would require reporting by primarily urban underwriters, regardless of market share.
- In addition to requiring disclosure of marketing and sales information, the Kennedy bill would require disclosure of claims information, location and race of agents, and race and gender of policyholders. The Collins bill would not.
- The Collins bill would sunset after five years, with an option for the Secretary to extend it for an additional two years. The Kennedy bill contains no sunset provision.

In addition, two important pro-consumer amendments were added to the Kennedy bill in subcommittee.

One, offered by Rep. Cleo Fields (D-LA), would require insurance companies to explain to rejected applicants the reason they are being rejected.

The other, offered by Reps. Maxine Waters (D-CA) and Nydia Velazquez (D-NY), would require insurance companies to disclose the location of their investments.

Both bills are expected to be considered in full committee soon after the August recess.

Lewis urged the full Energy and Commerce Committee to restore the essential provisions of H.R. 1188 and urged the Banking Committee to continue to reject weakening amendments.

"H.R. 1257 takes a strong stand for civil rights and consumer protection," he said. "It is essential that the Banking Committee turn aside the industry's amendments, which are poison pills aimed at defeating the purpose of the bill."

Free Guide Offers Teen Money Management Tips

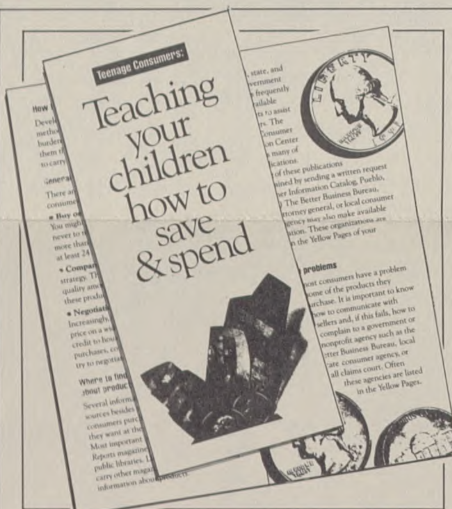
To address the poor consumer knowledge of the nation's teenagers, CFA has published a free brochure to provide parents with tips on teaching their teenage children how to manage money.

Highlighted in the pamphlet are the three basics to guide all teenagers in their spending — budgeting, comparison shopping, and negotiation.

Specifically, the brochure, which was printed by American Express:

- emphasizes what's at stake — $80 billion of annual teenager spending and their ability to survive in the marketplace once they leave home;
- explains general money saving strategies — the importance of saving, how to budget, general shopping strategies such as comparison shopping and negotiation, where to find information about products, and how to solve problems; and
- suggests specific ways to teach children how to budget, save, use credit wisely, purchase cars, buy auto insurance, and make food purchases.

"The stakes for parents are huge — billions of dollars of wasted spending by teenagers that reduces the income of their families," said CFA Executive Director Stephen Brobeck, author of the pamphlet.



"The pamphlet gives parents practical tips about how to reduce this wasted spending and prepare their children for the future," he said.

The pamphlet responds to a critical need revealed by a 1991 CFA/American Express test of the consumer knowledge of the nation's high school seniors.

The survey found extremely low consumer knowledge levels among a random sample of these teenagers. The average score of 42 percent on the multiple choice test was not much higher than a 25 percent score respondents could receive simply by guessing.

In a 1992 White House roundtable discussion that addressed the implications of the test results, a consensus was reached that parents need to assume greater responsibility for training their children to manage money and shop efficiently.

To receive a single copy of the pamphlet, send a self-addressed stamped envelope to: CFA's Parents Pamphlet, 1424 16th Street, N.W., Washington, D.C. 20036. To order multiple copies, write to: Office of Public Responsibility, American Express Company, American Express Tower, 200 Vesey Street, New York, New York 10285-4800.

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House Recesses Without Funding RTC

The House left for its August recess without voting on legislation to fund what is expected to be the last round of the savings and loan cleanup.

The bill, H.R. 1340, would provide $18.3 billion to fund the operations of the Resolution Trust Corporation, the agency created to close down failed thrifts. Those funds were appropriated in 1991 but never spent.

As reported out of the House Banking Committee, the bill also imposes certain management reforms on the RTC and would authorize $16 billion to capitalize the Savings Association Insurance Fund under certain limited circumstances.

CFA has joined with 21 industry and public interest organizations to urge Congress to support the legislation.

"The RTC has successfully resolved 654 insolvent saving and loan institutions since passage of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) in 1989. Nevertheless, 85 institutions with $53.2 billion in depositor accounts remain in conservatorship," the groups wrote in a June letter to members of the House.

"Every day that resolution funding is delayed, it costs the American taxpayer $3 million. The American people cannot afford to delay any longer," they added.

House Leaders Seek Republican Support

Although the bill had been scheduled for consideration and Democrats said they had the votes for approval, House leaders were reportedly reluctant to bring the unpopular measure to the floor without first reaching an agreement with House Republicans.

Last year's final RTC funding efforts died when Republicans refused to vote for the measure, and Democrats responded by withdrawing their support.

One issue that could be part of a deal to win Republican support is elimination of the $16 billion SAIF authorization.

Although CFA supported the compromise reached in Banking Committee as an improvement over the original $32 billion authorization or an immediate appropriation, it has opposed taxpayer funding for SAIF on the grounds that industry should provide the funds.

House, Senate Versions Differ

The Senate passed its version of the RTC funding bill in May.

Among the differences in the two bills are their approach to agency reforms, affordable housing provisions, and SAIF funding.

The Senate bill would provide an outright appropriation to SAIF of $8.5 billion, along with an authorization of $7.5 billion. It fails to set the same hurdles for spending tax dollars.

Once the House passes its bill, those differences will have to be worked out in conference committee.

"Congress owes it to the American people to honor its commitment to depositors under the federal deposit insurance program and finish this job once and for all," said CFA Legislative Representative Chris Lewis.

State Radon Project Continues To Expand

Now entering its third year, CFA's project to increase public awareness of the need to test and mitigate for radon continues to expand in both scope and content.

Funded through a cooperative agreement with the Environmental Protection Agency (EPA), the program is administered by CFA. CFA, in turn, provides grants, training, materials, and technical support to state groups, which implement the program in their local communities.

In the first year, five states conducted pilot projects focused primarily on encouraging radon testing through the distribution of inexpensive test kits and through media campaigns.

That grew to nine organizations in eight states in 1992-93: Colorado Public Interest Research Group (CoPIRG) along with the Colorado Project, Florida's Consumer Fraud Watch, Iowa State University Extension, Massachusetts Public Interest Research Group (MassPIRG), Minnesota Public Interest Research Group (MPIRG), New Jersey Public Interest Research Group (NJPIRG), Virginia Citizens Consumer Council (VCCC), and Wisconsin Consumers League.

Test kit distribution remained an important focus of state programs in 1992-93, with Iowa, Florida, Minnesota, Virginia, and Wisconsin all running extremely successful distribution programs.

"Each state has taken a somewhat different approach, and we've learned through trial and error what works and what doesn't. In this way, we've been able to refine our approach and develop successful models," said CFA Product Safety Director Mary Ellen Fise.

Innovative Distribution Methods Developed

MPIRG, for example, approximately quadrupled its first-year distribution level, getting more than 2,100 test kits into the hands of Minnesota consumers this year, thanks primarily to an effective media campaign.

Wisconsin Consumers League built on last year's successful community outreach program and distributed 1,225 of the kits.

In Florida, Consumer Fraud Watch worked with non-profit organizations, businesses, and health groups to disseminate information about the program and distributed 1,733 of the test kits by July 31.

In an attempt to improve follow-up, the Florida group provided the names and addresses of those who ordered the kits to the local Office of Radiation Control, which in turn sent additional radon information to those individuals.

VCCC distributed 2,230 test kits statewide, through a partnership with the Virginia Extension Service. The program focused on eight counties known to have high radon levels, with most distributing the test kits through Extension Homemakers organizations or 4-H groups.

The Iowa State University Extension developed a new approach to the project, focusing on promoting testing by family day care providers who operate out of their homes. In addition to encouraging the day care providers to test for radon by offering certificates to those with low radon levels, they succeeded in getting information about radon added to the state's *Carefinder* database, which parents use to help locate and evaluate day care providers.

Groups Broaden Their Radon-Related Activities

In addition, several of the eight states that participated this year expanded their efforts to include a broader range of radon-related activities, including providing support for radon legislation in their states.

Minnesota enacted a bill to authorize state funds for radon testing of public schools, and Virginia enacted bills to require all schools to be tested by July 1, 1994 and to provide for radon disclosure during real estate transactions.

Real estate disclosure bills were also introduced in Massachusetts, Minnesota, and New Jersey. In Wisconsin and Massachusetts, bills were introduced to require firms that test and mitigate for radon to be certified by the state.

Colorado Project supplemented its test kit distribution program with a telephone survey of 156 individuals who had previously tested for radon.

While 89 percent of those surveyed reported having test results higher than the EPA action level, 50 percent did not perceive it to be a problem, 65 percent had neither retested nor mitigated, and only 13 percent either had mitigated or were in the process of mitigating.

"Clearly, just distributing test kits is not enough," said CFA Product Safety Director Mary Ellen Fise. "Our first years' results have shown us that only about half of those who receive a test kit actually test for radon, and only a very small percentage actually mitigate."

1993-94 Program To Focus On Mitigation, Real Estate, Model Codes

To address those problems, the 1993-94 program will be further expanded to target public information, motivation, and incentives to mitigate to those people with known high radon levels. It will also include more research on why consumers fail to mitigate and what works to motivate them to act.

CFA will work with its state partners to seek ways to make radon testing and mitigation a routine part of real estate transactions, including by helping to build buyer demand for radon test information and encouraging sellers to test and mitigate before putting homes on the market.

CFA will also work with its state partners to promote adoption of radon-resistant model building codes.

In addition to expanding the radon program, a new component designed to increase public awareness of the broad range of indoor air quality concerns will be added for 1993-94. This will include coordinating national and grassroots organizations' efforts on indoor air and preparing and promoting an indoor air "household audit" checklist.

House Radon Bill Endorsed

Legislation is needed to ensure the continuation of the Environmental Protection Agency's efforts to alert the public about the need to test and mitigate their homes for radon, CFA Product Safety Director Mary Ellen Fise stated in July testimony before the House Subcommittee on Transportation and Hazardous Materials.

"While the EPA Radon Division has made great strides in creating an effective risk communication strategy for radon, it is clear that much remains to be accomplished," Fise said. To that end, she endorsed passage of H.R. 2448, the "Radon Disclosure and Awareness Act of 1993."

H.R. 2448, introduced by Rep. Edward J. Markey (D-MA), would:

- reauthorize key components of EPA's existing radon program, including the state grants program, and give the agency greater flexibility in awarding the funds;
- mandate performance and proficiency standards for radon testing and mitigation products and services and allow the EPA to order a recall of products and the discontinuance of services not in compliance;
- require disclosure about radon hazards and the benefits of testing and mitigation during real estate transactions; and
- mandate the development by EPA of minimum construction standards to prevent radon contamination in new vulnerable premises in high radon areas.

While strongly endorsing the legislation, Fise advocated several improvements, particularly in the areas of real estate disclosure and construction standards.

CFA advocates mandatory radon testing of all homes and disclosure of test results to any potential buyer prior to sale. Short of that, however, the bill's disclosure could be improved by better highlighting the financial incentive to test during the real estate transaction and clarifying the potential costs of mitigation, Fise said.

In addition, Fise advocated expanding the construction standards at least to areas with medium radon levels. This change would nearly double the number of lives saved each year, from 16 to 29, and would more than triple the financial savings realized by consumers, she said.

Finally, H.R. 2448 does not include mandatory school testing and assistance for mitigation, which CFA strongly supports and which is included in the Senate bill. Fise pledged to work with the subcommittee on "other legislative options to address this problem."

A companion bill in the Senate, S. 657, was reported out of committee shortly before the August recess.

The bills are thought to have a very good chance of passage this session, since both houses approved bills last year but simply ran out of time to work out differences.

Domino's Urged To Drop 30-Minute Guarantee

Four of the nation's largest consumer groups, including CFA, have asked Domino's Pizza to drop the company's 30-minute delivery guarantee on the grounds that it "threatens Domino's drivers, pedestrians, and other motorists."

The problems arise when drivers choose to speed and break other safety laws in order to beat the clock.

The National Safe Workplace Institute has estimated that the Domino's driver fatality rate is roughly 50 per 100,000 workers, higher than the fatality rate for miners, construction workers, and other hazardous occupations.

In a letter to Domino's founder Tom Monaghan, CFA, Public Citizen, Center for Auto Safety, and National Consumers League endorsed the efforts of a Spokane, Washington Domino's franchise to replace the 30-minute delivery guarantee with a total quality guarantee.

"This appears to be a sensible solution to a problem well documented by the media and other advocacy groups," they wrote.

"Instead of a timed delivery guarantee, the total quality guarantee would offer customers a rebate if they were not completely satisfied. This still allows Domino's to offer prompt service, but removes the dangers inherent in a strict timed guarantee," they added.

The letter followed release of a report by the People Against Dangerous Delivery coalition on automobile insurance rates for Domino's drivers. In a sampling of cities in five states, PADD found that insurance rates for Domino's drivers were an average of $532 higher annually than those for drivers of the same age who held a non-delivery job. Six out of 15 insurers would not underwrite a policy for a Domino's deliverer at all.

PADD has also asked the National Institute for Occupational Safety and Health to evaluate the health hazards found in Domino's Pizza stores nationwide, particular those associated with delivery.

Cable Regs Take Effect

As of September 1, consumers can begin to file complaints with the Federal Communications Commission about unreasonable cable rates for all non-basic tiers of service. Complaint forms, including instructions, are available from CFA.

"Anyone who believes they may be paying inflated rates should file a complaint," said CFA Legislative Director Gene Kimmelman. "Its up to the FCC to determine whether the grievance is justified under the agency's rules, but the agency can only act in response to actual complaints."

Furthermore, consumers should act quickly to file their complaints, Kimmelman said, since, if the FCC finds the complaint to be justified, it will order rate reductions and refunds back to the date the complaint was filed. Rate reductions apply to all subscribers in the cable system.

In addition, consumers with complaints about rates for the least expensive "basic" tier of cable service should encourage their local franchising authority to get certified to regulate basic rates.

To get a complaint form from CFA, call (202) 387-6121 or write to 1424 16th Street, N.W., Suite 604, Washington, D.C. 20036.

Real Estate Broker Bias Harms Consumers

Discrimination by traditional real estate brokers against alternative brokers harms consumers, according to a CFA report released in July.

The real estate industry, state real estate commissioners, and the Federal Trade Commission (FTC) all need to take on greater responsibility for eliminating discrimination, the report concludes.

"Discrimination by traditional brokers against buyer brokers denies home buyers effective representation, and discrimination against discounters forces both buyers and sellers to pay higher costs," said CFA Executive Director Stephen Brobeck, author of the report.

"Buyers who don't have access to buyer brokers will pay up to five percent more for their homes, while consumers who can't use discounters will pay commissions that are one to three percentage points higher," he added.

The study is based on a survey of 85 alternative brokers in 17 areas of the country: Boston, Baltimore, Atlanta, Tampa, Cleveland, Cincinnati, Detroit, Minneapolis, Springfield (IL), St. Louis, Denver, Dallas, Phoenix, San Diego, San Francisco, Oakland, and Seattle.

Frequency of Reported Problems by Alternative Brokers

Problem	All Brokers	Buyer Brokers	Discounters
Angry criticism/threats	45%	48%	41%
Vandalism	18	9	29
Unfair grievance proceedings	23	26	18
Disparagement of business	60	48	76
Lost/cancelled listings from disparagement	34	20	53
Lost listings from pirating	35	24	50
Refusals to show homes	30	11	56
Alteration of terms of cooperation	13	4	24
Discriminatory commission splits	26	37	12
Refusal of board of realtors to enforce standards	16	13	21
Refusal by state agencies to enforce laws protecting you	9	15	0
Discriminatory law enforcement by state agencies against you	1	0	3
Consumers believe commissions fixed	54	63	41
Government agencies deny approval of your ads	5	4	6
Media refuses to run your ads	35	30	41
Denial of membership in MLS	1	2	0

Discrimination Takes Variety Of Forms

A significant percentage of respondents reported different types of discrimination, including:

- disparagement of their business (60 percent);
- angry criticism or personal threats (45 percent);
- pirating of clients by traditional brokers (35 percent);
- refusals of media to run their ads (35 percent);
- lost or canceled listings resulting from disparagement (34 percent); and
- refusals by other brokers to show homes listed by their business (30 percent).

Discounters reported more discrimination than did buyer brokers. For example, a much higher percentage of discounters than buyer brokers indicated disparagement of business (76 percent vs. 48 percent), refusals to show homes (56 percent vs. 11 percent), and vandalism (29 percent vs. 9 percent).

Many small alternative brokers claimed that they had been discriminated against by large, regional firms. The worst discrimination by big brokers was reported in Minneapolis, but many complaints were also voiced in Cleveland, Cincinnati, Dallas, Denver, and Boston.

Discrimination on the Wane

Discrimination appears to have lessened during the past 15 years. A comparison of data in an FTC survey of the late 1970s and CFA's survey indicates that the percentage reporting specific types of discrimination has declined significantly.

In addition, a number of alternative brokers surveyed by CFA volunteered the information that discrimination had lessened in the previous year.

"The good news is that discrimination is lessening," Brobeck said. "The bad news is that it is still widespread."

CFA urged the National Association of Realtors, its state and local associations, state real estate commissioners, and the FTC to make eliminating discrimination a higher priority.

"It is especially important for local boards of realtors, real estate commissioners, and the FTC to see that complaints of discrimination are resolved fairly and expeditiously," Brobeck said.

"If large firms refuse to end discrimination, the FTC should determine whether they are restraining trade and, if so, whether they should be broken up," he added.

Copies of the report are available for $10 prepaid from CFA, 1424 16th Street, N.W., Washington, D.C. 20036.

Administration Urged To Rescind Rulemakings

This summer, CFA called on the administration to rescind two recent rulemakings related to real estate financing — one promulgated in the waning days of the previous administration, and the other put forward as part of this administration's "credit crunch" policy. Both proposals would seriously undermine consumer protections in favor of narrow industry interests, said CFA Legislative Representative Chris Lewis.

When Congress passed the bank reform bill in 1991, it included a requirement that real estate loans of $100,000 or more be based on written appraisals performed in accordance with uniform standards by appraisers whose competency has been demonstrated and whose professional conduct is subject to effective supervision. A recent Office of the Comptroller of the Currency proposal would raise the threshold to $250,000, thus exempting approximately 85 percent of loans secured by family residential properties, a substantial portion of the assets of insured financial institutions.

This proposal "will subject the vast majority of these assets to substandard and unprofessional appraisal standards and underwriting decision making, and will expose federal deposit insurance funds to inordinate risk associated with poorly collateralized real estate loans," Lewis stated in comments on the proposal. Consumers would be harmed, because inaccurate and unprofessional appraisals can add thousands of dollars to the cost of buying a home and can even bar a consumer from buying a home if the property is fraudulently undervalued, he said.

Furthermore, there is no evidence that the proposals will ease the flow of credit to businesses or consumers, he said. Instead, "the appraisal exemptions contained in this rulemaking amount to little more than political sops to the banking industry," he said.

In November of last year, the Bush administration enacted a rule under the Real Estate Settlement Procedures Act (RESPA) to permit realtors or lending firms to give their employees commissions, bonuses, or other economic incentives to refer business to their affiliated companies.

By sanctioning kickbacks between "controlled" settlement providers and their parent companies, the rule will "increase the cost of settlement services for consumers without commensurate improvement of service quality — thus turning RESPA on its head," Lewis said. He urged the new administration to rescind the rule and begin work on a new rule "that is in accord with the statute and the overriding purpose of the provisions to protect consumers from abusive price-inflating kickback schemes."

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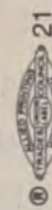

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