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CONSUMER FEDERATION OF AMERICA

Congress Approves Landmark Product Safety Bill

Consumers won a major victory in the last days before Congress left for August recess when Congress cleared strong bipartisan legislation to overhaul the Consumer Product Safety Commission (CPSC) and strengthen product safety standards.

The legislation (H.R. 4040) passed the House 424-1 on July 30 and passed the Senate 89-3 the following day.

"Congress put children's and consumer's safety first by enacting the most significant improvements to the CPSC since the agency was established in the 1970s," said CFA Senior Counsel Rachel Weintraub.

"Over the years, the CPSC has suffered death by a thousand cuts," she added. "With this legislation, Congress has given the Commission a new life — with increased resources, authority and transparency — to better ensure the safety of consumer products."

The bill authorizes a significant increase in funding for the agency up to $136 million at the end of five years. (Congress must still appropriate the money for the agency to receive the funds.)

Bill Gives Agency Needed Resource Boost

This would provide the agency with much needed resources to increase staffing, improve its laboratory and computer system, and to conduct recalls and take other regulatory actions.

In addition, it:

- sets new permissible lead levels for toys and other children's products that essentially eliminates lead from these products;
- creates a publicly accessible database where consumers can report and learn about hazards posed by unsafe products;
- requires toys and other children's products to be tested for safety before they are sold; and
- bans toxic phthalates from children's products.

The bill also includes a number of important enforcement provisions. Limits on CPSC civil penalties for violations of safety regulations received a significant boost, creating a more meaningful deterrent to wrongdoing.

In addition, the bill gives state attorneys general authority to enforce product safety laws, and it grants whistleblowers important protections.

Record Recalls Led to Action

The bill was adopted in response to 2007's record level of product recalls.

Despite passage of strong bills in both the House and Senate, however, the conference committee often appeared to be bogged down this summer as it attempted to work out differences in the two measures.

In July, CFA joined with six other national consumer and safety organizations to release an analysis of recalls during the first six months of 2008.

They found that recalls of toys and children's products rose 22 percent over the first half of 2007, despite industry promises to solve the problems that made 2007 the "Year of the Recall."

Using the most recent CPSC data, the groups found that 108 children's products had been recalled in the first six months of 2008, including 45 for lead contamination and 10 for hazardous magnets. Of the 108 total, 53 were toys totaling 6.2 million units.

Through June of 2007, 84 children's products had been recalled, including 31 toy recalls.

The report's release was designed to highlight the need for action on the legislation before the August recess.

"We can't wait for more evidence of a broken product safety system, more recalls, or more potentially dangerous products ending up in our children's hands and mouths," Weintraub said at the time. "Congress must protect our tiniest and most vulnerable consumers immediately.

"The time to finish is now, before Congress goes home for August recess," she added.

When Congress did just that, the broad coalition of consumer, public interest, and scientific groups that had supported the legislation applauded their monumental accomplishment.

Although the White House had expressed opposition to certain provisions of the legislation, President Bush was expected to sign the bill upon his return from Asia.

On the **Web**
www.consumerfed.org/pdfs/House_Passage_press_release_7_30_08.pdf
www.consumerfed.org/pdfs/totalrecallreleasefinalnational_finalx.pdf

Sweeping Housing Rescue Bill Enacted

Just days before leaving for August recess, Congress passed and the president signed far-reaching legislation (H.R. 3221)aimed at restoring confidence in the U.S. financial system and stemming the tide of mortgage foreclosures.

"Most notably, the new legislation signals that a congressional consensus now exists on the urgent need for more direct federal government action to resolve the foreclosure crisis," said Allen Fishbein, CFA Director of Housing and Credit Policy.

"The legislation includes important steps in this regard," he added, "although we wish it had gone further to increase the options available to homeowners facing foreclosure."

The bill was adopted in response to a worsening housing crisis, with as many as two million homeowners expected to lose their homes to foreclosure on subprime mortgage loans in 2008 and 2009.

For financially at-risk homeowners, the key part of the legislation is a provision to encourage more lenders to refinance mortgages instead of foreclosing.

Loan Guarantees Would Encourage Refinancing

It would do so by creating a temporary new insurance fund for the Federal Housing Administration (FHA) to back mortgages to some homeowners at risk of losing their homes to foreclosure. These new FHA loans are to be used to refinance those homeowners out of abusive loans into mortgages they can afford.

Lenders and investors will be required to take a substantial write-down to make the new loans affordable.

"This program reflects the recognition that voluntary loan modifications to date have failed to keep up with the increase in foreclosures," Fishbein said.

"The hope is that this program will provide further incentive for the private market to do more to keep families in their homes, by encouraging a voluntary and sustainable alternative to unnecessary foreclosures, without undue risk to taxpayers," he added.

Among other provisions, the bill also:

- raises the FHA loan limit from $362,790 to the lesser of 115 percent of the local area median home price or $625,500 and increases the cap on loans Fannie Mae and Freddie Mac can purchase to the same levels;
- includes a variety of tax provisions, including one creating a $7,500 refundable tax credit for first-time homebuyers to be repaid interest-free over 15 years; and
- provides $3.9 billion in grants to state and local governments to purchase abandoned and foreclosed homes and residential property.

The bill, which had been stalled for months by administration opposition, took on new momentum in July when it became the vehicle for an administration rescue plan for financially troubled mortgage companies, Fannie Mae and Freddie Mac.

The measure grants the U.S. Treasury Department emergency authority both to increase the line of credit that Fannie Mae and Freddie Mac have access to as Government Sponsored Enterprises (GSEs) and to purchase stock in the two companies.

This stand-by support for the GSEs is intended to reassure the market about their financial stability and thus avoid any need to bail them out.

Consumer Groups Back GSE Reform

CFA joined with 16 other consumer and housing organizations to issue a joint statement of support for the administration's plan.

"The U.S. economy has a deep stake in the success of Fannie Mae and Freddie Mac as companies with an essential public mission," they wrote. "As history has shown, both GSEs are vital to the long-term health and success of our nation's housing finance system.

"Furthermore, their public mission activities have been and must continue to be instrumental in expanding opportunities for homeownership and affordable rental housing for consumers," they added.

They noted, moreover, that the legislation strengthens regulatory oversight of the GSEs. It does so by creating a new agency, the Federal Housing Finance Agency, funded through assessments on the GSEs.

The agency will have greater oversight over GSE activities, including enhanced authority to adjust capital standards and restrict their mortgage portfolios, place them into receivership if they become critically under-capitalized, and take other enforcement actions.

The creation of a strong, independent regulator will further serve "to maintain public confidence that Fannie Mae and Freddie Mac remain safe and sound and thus able to continue to carry out their vital public mission," the consumer and housing groups wrote.

The legislation also enhances the GSEs' affordable housing mission requirements.

It establishes an Affordable Housing Trust Fund, funded by Fannie Mae and Freddie Mac, to provide funding for rental housing serving very-low income households. The funds for this new program will be used initially to support the FHA rescue program described above.

Other notable provisions include enhanced targeting for the GSEs' affordable housing goals.

On the **Web**
www.consumerfed.org/pdfs/CFAStatementHousingStimulusBillEnactment73008.pdf
www.consumerfed.org/pdfs/Statement_on_GSEs_July_17_2008.pdf

Food Safety Update

Salmonella Outbreak Prompts Call for Emergency Regulation

As the Food and Drug Administration (FDA) struggled for weeks this summer to identify the source of a *Salmonella* outbreak that had sickened more than 1,256 consumers in 43 states, CFA and the Center for Science in the Public Interest (CSPI) called on the agency to strengthen its produce safety regulations.

In a July letter to FDA Commissioner Andrew von Eschenbach, the groups resubmitted a 2006 CSPI produce safety petition, on which the agency had failed to act, and urged the FDA to implement emergency regulations.

The original petition was submitted when FDA was investigating an outbreak of *E. coli* illnesses linked to fresh spinach as a result of which three people died and nearly 200 were sickened.

At that time, CFA, CSPI, and other consumer groups urged the agency to issue mandatory food safety regulations for produce, instead of the voluntary industry guidelines that FDA had relied on in the past, and to establish a comprehensive traceability system capable of tracking food products from the farm to the table.

"If FDA had put a traceability system in place two years ago following the spinach outbreak, this current investigation might be moving more quickly," said Chris Waldrop, Director of CFA's Food Policy Institute.

In their July letter, CFA and CSPI called for emergency regulations in three areas:

- requiring growers and processors to mark fruits and vegetables to enable easy trace-back when produce is implicated in an outbreak;
- requiring all fruit and vegetable producers, packers, and processors to develop written plans covering their operations to identify where contamination is likely to occur and how to prevent it; and
- requiring tighter controls on repacking designed to ensure that origin information that would be required under a traceability regime would be maintained.

Together, these steps can both reduce the occurrence of outbreaks and make investigations into outbreaks that do occur more efficient, Waldrop said.

"We do not want to be standing here in another two years pleading with the FDA to take action," he added. "More outbreaks should not occur, more consumers should not get sick, before FDA finally implements these critical food safety programs."

* * *

USDA Announces Improved Recall Notice

The U.S. Department of Agriculture (USDA) announced in July that it will begin providing consumers with information identifying the names and locations of retail stores where recalled meat products have been sold.

Consumer groups have long argued for providing this type of information to assist consumers in determining whether products they have purchased are part of a recall.

CFA commended the agency for taking the action.

"The past years have seen an increasing number of recalls for meat and poultry products," Waldrop said. "The best way to help protect consumers is to provide them with sufficient information so they can quickly and accurately identify recalled products in their possession.

"Until now, the key piece of information that was missing was where recalled products had been sold," he added. "Without that information, consumers risked consuming contaminated product, greatly increasing their risk of illness or even death."

The new rule "is a welcome change that will help protect consumers," he said.

Waldrop warned, however, that the proposed rule's limited scope – applying only to Class I recalls – would leave consumers without adequate protections.

The largest recall in U.S. history, in which the Hallmark/Westland Meat Packing Company was forced to recall 143 million pounds of beef products, was a Class II recall and therefore would not have been subject to the new rule, Waldrop noted. Ironically, the Agriculture Secretary referred to that very recall in announcing the proposed rule change.

* * *

Farm Bill Passes after Brief Delay

Congress overcame a presidential veto and passed the Farm Bill in June, including a compromise supported by CFA on state-inspected meat and poultry.

The compromise provision creates a new inspection program enabling small companies that were previously state-inspected and that can meet all federal inspection requirements to qualify to sell their products across state lines.

Under the program, which applies to companies with up to 25 employees, state inspectors will enforce federal meat and poultry inspection laws in these plants.

Each state will have a USDA-employed "state coordinator" to provide constant federal oversight of the operations of these plants, report to the Secretary of Agriculture if any plant in the program fails to meet federal standards, and stop production and remove from the program any plant that fails to meet the standards.

"This new program will ensure that any company that wants to sell meat and poultry products in interstate commerce must adhere to federal laws and regulations," Waldrop said.

On the **Web**
www.consumerfed.org/pdfs/CFA_Stmt_on_Need_for_Traceability_System_7_03_08.pdf
www.consumerfed.org/pdfs/CFA_Stmt_on_Retail_Consignee_Rule_7_11_08.pdf

Flood Insurance Bill Advances

With authorization of the program due to expire in September, the Senate gave overwhelming approval in May to pro-consumer legislation to reform the federal flood insurance program.

Before adopting the bill on a 92-6 vote, the Senate soundly defeated an amendment, opposed by CFA, to add wind coverage to the flood insurance program.

In a letter to the Senate, CFA Insurance Director J. Robert Hunter and Legislative Director Travis Plunkett warned against requiring the Federal Emergency Management Agency (FEMA) — "one of the most incompetent federal agencies in recent history" — to supervise the adjustment of both flood and wind claims.

To do so would be a "recipe for disaster for many homeowners and taxpayers," they wrote.

Wind Coverage Amendment Defeated

"It is also dangerous to require wind policies to be underwritten, but to place no requirements on FEMA or localities to reduce possible wind damage on homes that the government would insure," they added. "It does no one – rich or poor – any favor to allow unwise construction in risky areas."

Facing opposition as well from the White House, which threatened a veto, bipartisan leaders of the Senate Banking Committee, and the insurance industry, an amendment by Sen. Roger Wicker (R-MS) to provide optional multiple peril insurance as part of the flood insurance program fell on a 73-19 vote.

The Senate then substituted its language and passed the bill as H.R. 3121. That bill had previously passed the House in September.

The House refused to accept the Senate version of the bill and voted in July to appoint a conference committee to work out the significant differences that remain between the two versions.

In addition to providing coverage for wind damage, the House bill lacks provisions in the Senate bill to reform the flood insurance program. As a result, CFA has opposed the House bill while supporting the Senate version.

CFA reiterated that support in its May letter to the Senate, urging passage of the bill on the grounds that it "takes several very important steps to protect taxpayers, increase the market penetration of flood insurance, and eliminate unjustified subsidies in the flood program."

Senate Bill Includes Important Reforms

CFA singled out for praise provisions to phase out subsidies for vacation and second homes, properties built before the availability of Flood Insurance Rate Maps, and structures that have experienced severe repetitive losses.

It would also require the NFIP to build reserves over time, add a 500-year floodplain to the flood maps, and require the evaluation of flood risk behind dams and levees.

Finally, it would take the important step of creating a flood insurance advocate's office to assist those with flood coverage in resolving problems with the NFIP.

"All of these measures would help bring the NFIP back toward solvency, ensuring that it will be available for homeowners who need it," Plunkett and Hunter wrote.

In voting to appoint conferees, the House did approve a measure to instruct conferees to defer to the Senate language regarding phase out of subsidies.

With the program authorization due to expire, the House and the Senate are expected to resolve their differences and enact final legislation this year.

On the **Web**
www.consumerfed.org/pdfs/Flood_Insurance_Senate_Floor_letter_5-6-08.pdf

Overdraft Loan Rules

Continued from Page 4

accounts each year through unauthorized overdraft loan fees, the groups said.

"Bank overdraft loans are payday loans without consumer consent, cost of credit information, or a contract," said Jean Ann Fox, CFA Director of Financial Services.

Overdraft loans are astronomically expensive, she noted. For example, the $34 fee on a $100 overdraft is equivalent to an APR of 884 percent if the overdraft lasts two weeks. Most are paid back more quickly.

Moreover, consumers do not expect to be able to overdraw their accounts through ATM withdrawals or debit card purchases, making overdraft loans on these transactions particularly abusive.

"Consumers should be asked for their consent first before being required to pay triple-digit interest rates for cash advances that must be repaid out of their next deposit," Fox said.

The proposal does make one improvement. It would prohibit overdraft fees when the overdraft is caused by a debit card "hold" by a merchant that exceeds the actual amount charged.

But the proposed rules fail to address the issue of overdraft fees and bounced check fees caused by check holds due to banks' policies to delay the availability of deposited funds.

CFA, the Center for Responsible Lending, Consumers Union, National Consumer Law Center, and U.S. PIRG joined in criticizing the proposed rules. The groups said legislation is needed to put a stop to abuses.

Causes, Effects of Rising Gas Prices Studied

With gasoline prices heading toward $4 a gallon this spring, Congress launched an investigation into both the causes and effects on consumers of skyrocketing energy costs.

In May testimony before the House Antitrust Task Force, CFA Research Director Mark Cooper said American households have seen their gasoline expenses jump from an estimated $1,200 a year in 2002 to over $3,000 in 2008.

And that is just "the tip of the energy iceberg," he said.

When you include direct expenditures on natural gas for heating and cooking, heating oil, and electricity, consumers have seen their total household energy expenditures rise from about $2,600 in 2002 to over $5,300 in 2008, he said.

That represents an increase from five percent of household income to eight percent, he added, and has caused home energy expenditures to shoot past expenditures for food and health care.

"Unfortunately, household energy expenditures are not the end of the story," he said. Consumers also pay for rising energy costs indirectly in the price of other goods and services they purchase, he explained.

Cooper's testimony was based on part on a study he released in March, which found that, despite declining gasoline consumption, high inventory levels, and increased production of ethanol, America's gasoline consumers continued to face escalating prices at the pump.

The report, "Rising Gasoline Prices: Why Can't Consumers Catch a Break," examined the underlying causes of spiking gasoline prices and found the explanation in a combination of abuse of market power and speculation.

Restricted Production, Speculation Contribute to High Prices

"The U.S. is afflicted with skyrocketing gasoline prices because of a combination of rising demand and faltering supply both at home and abroad," Cooper told the House Task Force.

While the international crude oil cartel is one culprit, "a tight domestic refining oligarchy" that has "systematically underinvested in production capacity" is also at fault, he said.

Failing to expand production capacity to meet demand and provide a reasonable reserve has led to markets that are "tight and volatile," Cooper said. This is particularly true, he said, because the industry has very low supply and demand elasticities and is prone to accidents and disruptions.

Speculation has also played an increasing role, he said.

He expanded on that point in June testimony before the Senate Committee on Commerce, Science and Transportation and in July testimony before the House Agriculture Committee.

In his Senate testimony he estimated that the "speculative bubble in petroleum markets has cost the economy well over half a trillion dollars" just in the two years since the Committee on Homeland Security and Government Affairs first called attention to the problem.

One problem is that regulators have been slow to recognize the problem and "are not looking for the real causes, examining a narrow set of abuses that ignore the much broader problem in the commodity futures market," he said.

"Unfortunately, there is a more fundamental problem that must be addressed," he said. That problem, he said, is that "commodity futures markets have ceased to provide their proper function of helping to smooth the functioning of physical markets for vital commodities like energy and food.

"Instead they have become engines of speculation that feed volatility, amp up volume, and increase risk that increases prices and drive commercial traders out of these markets," he said.

He outlined a number of suggestions to "turn down the volume by imposing more stringent conditions on these markets," including: closing the loophole that allows over-the-counter trading in energy futures to go unregulated; requiring large traders who trade in commodities in the U.S. to register and report their entire positions in those commodities both here and abroad, with tough sanctions for failing to report; and full auditing of private indexes.

In addition to these and other measures to dampen speculation, a broader, long-term change in policy is needed to reduce the impact of rising gasoline prices on consumers, Cooper said.

"Unfortunately, two decades of policy neglect have created this problem, and there are no short-term solutions," he said during his May House testimony.

What we need, he said, is "a policy that is dedicated to reducing our oil consumption and expanding alternative energy sources in a responsible way."

In keeping with that goal, CFA in April released the first of what it plans will be ongoing quarterly reports examining oil consumption, prices and imports.

While last year's energy bill set an important goal, "it does not guarantee that we will achieve it," Cooper said. Success depends both on the National Highway Traffic Safety Administration setting fuel economy standards "in a manner that ensures steady progress toward the goal" and on consumers' buying more fuel-efficient cars, he said.

"Thus, the public mobilization that drove Congress to enact this landmark legislation must be maintained as the new rules are written and new vehicles roll off the assembly line," he said.

The quarterly reports will support that effort both by reminding the public and policy makers what is at stake and by measuring whether progress is truly being made.

The first report found that, in the face of rapidly rising gasoline prices, decade-long trends of rising gasoline consumption, expenditures, and oil imports have moderated. On the other hand, it also found that consumers want and need more fuel-efficient choices, which automakers have been slow to supply.

Consumer Concern Is Growing

Meanwhile, a consumer survey released in conjunction with the quarterly report found a dramatic increase in the percentage of respondents who express "great concern" about gas prices over the next five years. That percentage rose from 46 percent in October 2006 to 73 percent in April 2008.

At the same time, those who express "great concern" about U.S. dependency on Mid-Eastern oil increased from 48 percent of respondents in October 2006 to 60 percent in April 2008.

"To decrease oil imports and ease consumer pain at the pump, it will take more than the congressional standard of 35 mpg fleetwide," said CFA Director of Public Relations Jack Gillis.

"Congress must continue to raise the standard. NHTSA must establish aggressive interim rules. Automakers have to build and market more fuel-efficient cars. And consumers have to buy them," he said.

An analysis of the fuel economy of vehicles made by Toyota and General Motors in 2002 and 2006 revealed that Toyota's mileage improved significantly, both because consumers shifted their purchases to more fuel-efficient categories of vehicles and Toyota, on average, offered significantly more fuel-efficient models.

GM, on the other had, improved its average fuel economy only slightly, because consumers shifted their purchases to more fuel-efficient categories, but GM did not offer, on average, a significantly more fuel efficient slate of vehicles.

The only way to ensure that automakers continue to offer more fuel-efficient vehicles and consumers continue to demand them, Cooper said, is to continue to increase CAFE standards and implement them aggressively.

Congress at Impasse on Policy Response

In the weeks before leaving for August recess, Congress made repeated attempts to pass legislation targeting high gasoline prices, but partisan differences stymied those efforts.

Republicans have focused their proposals on increased drilling. In particular, they have sought to end the ban on off-shore drilling in environmentally sensitive areas along the Atlantic and Pacific coasts, a move Democrats note would have no short-term impact on gasoline prices.

Democrats, meanwhile, have focused on curbing speculation in energy futures market, an approach endorsed by CFA.

Senate Majority Leader Harry Reid attempted to broker a deal that would have allowed Republicans a vote on off-shore drilling as part of a larger energy package. When those efforts were rejected, he instead asked for unanimous consent to pass a series of energy bills, including bills to:

- curb speculation by strengthening regulation of energy futures markets (S. 3268);
- encourage increased drilling by stripping oil companies of leases on federal land that they have failed to develop (H.R. 6049);
- extend tax credits for developing alternative energy (H.R. 6049); and
- require oil companies to invest a portion of their profits in alternative energy projects (S. 3044).

The move forced Republicans to put their objections to these bills on the record.

Minority Leader Mitch McConnell (R-KY) then used the same technique to force Democrats to register their objections to legislation to lift restrictions on off-shore drilling, streamline the permit process for nuclear power plants, and promote development of "clean coal" technology.

Meanwhile, the House suffered its own partisan impasse, when it fell 30 votes short of the two-thirds majority it needed to pass legislation (H.R. 6604) to curb speculation in the energy markets under expedited procedures.

Speaker of the House Nancy Pelosi (D-CA) has said she plans to bring the legislation back in September under rules that require a simple majority.

On the **Web**

www.consumerfed.org/pdfs/cooper_testimony_gas_prices_5-7-08.pdf
www.consumerfed.org/pdfs/mark_cooper_testimony_energy_market_manipulation_6-3-08.pdf
www.consumerfed.org/pdfs/2008gasolineprices.pdf
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www.consumerfed.org/pdfs/GasQtrReportSurveyPR4-21-08.pdf

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Congress, Regulators Target Credit Card Abuses

Abusive credit card practices have gotten new scrutiny in recent months from both Congress and federal banking regulators.

The Federal Reserve and other federal banking regulators proposed significant new rules in May to curb some of the most abusive credit card lending practices.

The regulators' action came shortly after Senate Banking Committee Chairman Christopher Dodd (D-CT) announced the introduction of comprehensive legislation to improve credit card billing, marketing, and disclosure practices.

Meanwhile, the House Financial Services Committee approved its credit card reform bill (H.R. 5244), sponsored by Rep. Carolyn Maloney (D-NY), on a 39-27 vote in July. Two Republicans joined all the committee Democrats in voting for the bill.

"Critical mass for reform is building in Washington because unfair and deceptive lending practices by credit card companies are pushing more families closer to the financial brink at a time when the economy is weakening fast," said CFA Legislative Director Travis Plunkett.

CFA and other consumer groups have endorsed the Federal Reserve proposal and the House bill, which are similar, as well as the stronger Dodd bill.

Senate Bill Offers Sweeping Reforms

The Dodd bill includes provisions to strengthen protections in areas identified as important by consumer groups, including provisions to rein in unjustified interest rate hikes and excessive fees and to prevent unilateral changes in terms.

The bill would, for example, prevent issuers from changing the terms of a credit card contract for the length of the card agreement and would allow consumers to cancel a card and pay off the balance over time under existing terms when faced with a rate increase.

It would also prevent credit card issuers from increasing interest rates on cardholders in good standing for reasons unrelated to the cardholder's behavior with respect to that card.

Issuers would also not be allowed to raise interest rates retroactively on existing balances in most cases. If an issuer were to increase the interest rate on a cardholder because of a late payment, for example, the interest rate would have to be lowered to the original level after sixth months if the cardholder paid on time.

In a reform long sought by consumer advocates, the Dodd bill would also require issuers to disclose on account statements how long it would take and what it would cost to pay off the card balance if only minimum monthly payments were made.

"This kind of personalized disclosure could help consumers understand just how long it will take to pay off the amount they owe," Plunkett said.

House Bill and Proposed Rules Take Important First Step

While less comprehensive than Senate legislation, H.R. 5244 and the proposed federal rules address a number of the most pervasive abuses. They would, for example:

- prohibit the widespread practice of charging higher interest rates on balances incurred before a rate increase went into effect, unless the cardholder is more than 30 days late in paying his or her credit card bill;
- require credit card issuers to more fairly apply the payments that cardholders make to balances with different interest rates, applying payments first to higher rate debt; and
- forbid "double cycle billing," which results in cardholders' paying interest on debts paid off the previous month during the grace period.

In addition, H.R. 5244 would forbid credit card companies that target consumers with poor credit histories from charging fees that amount to more than 25 percent of the credit being offered to the card.

In approving H.R. 5244, the Financial Services Committee defeated an amendment by Rep. Michael Castle (R-DE) to replace the bill text with a sense of the Congress resolution in support of the proposed rules.

Instead, it added language to the bill from Rep. Mel Watt (D-NC) encouraging the Federal Reserve to issue rules by the end of the year.

Although the legislation is not expected to become law this year, its approval by the House committee gives added impetus to the proposed regulations and could help set the stage for further reforms in coming years.

By late July, consumers had flooded the Federal Reserve Board's public comment system with more than 55,000 pleas for reform.

"The massive response in favor of these reforms shows that Americans are fed up with the many traps and tricks that card companies use to drive up the amount of debt consumers owe," Plunkett said.

"We commend federal regulators for taking this action and urge the Federal Reserve Board to take heed of this overwhelming public reaction by finalizing strong rules to curb credit card abuses by the end of the year," he said.

Proposed Overdraft Rules Fall Short

At the same time federal regulators released proposed credit card regulations, they also released proposed rules on bank overdraft loan products that national consumer groups, including CFA, said fell well short of what is needed.

Banks routinely allow consumers to overdraw their accounts by check, at automated teller machines, or using debit cards, then charge overdraft fees.

The proposed rules would require banks that allow overdrafts to provide a right to opt out of these programs, but it would not require banks to obtain an affirmative "opt in" before enrolling account holders in the program.

As a result, the proposed rules would largely fail to protect consumers from having billions of dollars stripped from their bank

(Continued on Page 2)

On the **Web**

www.consumerfed.org/pdfs/Fed_credit_cards_release_5-2-08.pdf
http://dodd.senate.gov/index.php?q=node/4401
www.consumerfed.org/pdfs/Credit_Card_Abuses_Maloney_Bill_PR_2-7-08.pdf
www.consumerfed.org/pdfs/overdraft_statement_coalition_5-2-08.pdf

38TH ANNUAL

AWARDS DINNER


Sen. Jack Reed


Rep. Rosa DeLauro


Alan Richardson


Mark Cooper


Kathy Kristof

The Consumer Federation of America honored distinguished consumer service at its 38th annual Awards Dinner in June.

Sen. Jack Reed (D-RI) and Rep. Rosa DeLauro (D-CT) received Philip Hart Public Service Awards.

The Esther Peterson Consumer Service Award was presented to American Public Power Association President Alan Richardson and to CFA Director of Research Mark Cooper.

Los Angeles Times financial columnist and author Kathy Kristof received the Betty Furness Consumer Media Service Award.

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