Consumer Federation of America
Consumer Federation of America Foundation

1998
ANNUAL REPORT

Dear CFA Member,

I am pleased to submit the following report on the 1998 activities and accomplishments of CFA and its Foundation.

On Capitol Hill, CFA advocates sought mainly to block anti-consumer legislation dealing with disaster insurance, product liability, bankruptcy, auto salvage, and restrictions on upholstered furniture regulation. Working with allies inside and outside the consumer movement, we were successful.

The greatest legislative victory for consumers was congressional passage of legislation increasing the number of Americans who qualified for credit union membership. In this campaign, CFA played a key supporting role.

At federal regulatory agencies, our advocates enjoyed some success in advancing pro-consumer policies — before the Federal Communications Commission on subscriber line charges, before the Consumer Product Safety Commission on bunk beds, before Treasury on EFT '99 regulations, before the Federal Trade Commission on children's privacy protections, and before the Environmental Protection Agency on drinking water safety.

CFA's advocacy at the state level was unprecedented. We persuaded many states to begin serious consideration of new protections on payday loans and related products. We created much local interest in establishing safety standards for public playgrounds. We played a key role in many states in the debate about terms of local telephone competition. And, we helped slow down momentum for anticonsumer restructuring of electric utilities.

For the first time, CFA began taking leadership on international issues. Most notably, with Consumers Union, we organized the TransAtlantic Consumer Dialogue to ensure an adequate consumer voice in transatlantic policy-making.

In the area of education, CFA launched several new initiatives. We organized an environmental tobacco smoke public service announcement campaign. We developed a home energy efficiency project. And, we planned a major national effort to promote asset development by low- and moderate-income households.

With generous support from Consumers Union, we continued to provide extensive assistance to state and local groups. Especially noteworthy was conducting strategic planning sessions for several groups and helping several to secure grants of nearly $100,000.

Your support and encouragement made possible 1998 accomplishments. Our Chairman, Senator Metzenbaum, CFA staffers, and I thank you for this backing and look forward to working with you in the coming year.

Sincerely,

Stephen Brobeck
Executive Director
March 20, 1999

Advocacy

Major Accomplishments

Insurance Regulation: Our research, congressional testimony, and lobbying were instrumental in the bottling up of anti-consumer disaster insurance legislation. Several amicus briefs helped block anti-policyholder insurer demutualizations while private discussions helped convince one major insurer to demutualize in a pro-policyholder fashion. Our expert testimony helped convince a Richmond jury to penalize Nationwide $100 million for racially discriminatory practices. And, our widely publicized report on product liability provided key arguments in the successful defense of tort protections.

Telecommunications Consumer Protections: Our unrelenting advocacy, based on several major studies, at the federal and state levels was instrumental in the blocking of anti-consumer implementation of the Telecommunications Act of 1996. With Consumers Union, we helped persuade the Federal Communications Commission not to raise subscriber line charges. Again with CU, we may have helped persuade the Department of Justice and the FCC to consider the proposed SBC-Ameritech merger more carefully. In New York State, with the American Association of Retired Persons we recommended a plan for expanding local competition that was largely adopted by state regulators and serves as a model for other states.

Product Safety: Our congressional lobbying helped convince Congress not to block rulemaking on upholstered furniture flammability by the Consumer Product Safety Commission. While our communications failed to persuade the CPSC to negotiate an adequate agreement on all-terrain vehicles, they helped convince the agency to begin developing safety regulations on bunk beds. Our newly revised model law for public playgrounds was requested by many public officials, health advocates, and parents.

Banking Protections for the Less Affluent: Our research and leadership of the consumer coalition contributed significantly to the defeat of bankruptcy legislation written by creditors. Our research, surveys by state and local groups as part of a coordinated high-cost credit campaign, development of a model law with AARP, and extensive communications with advocates, press, and public officials in dozens of states persuaded many to consider payday loan reforms. The many joint communications of CFA and the National Consumer Law Center with Treasury apparently convinced the department to significantly improve its original EFT '99 proposal. Our bounced check study sparked congressional interest in related reform.

Consumer Choice of Credit Unions: After the U.S. Supreme Court blocked credit unions from expanding their fields of membership, we backed pro-consumer legislation through research, press work, coalition-building, grassroots networking, and communication with congressional offices. While the credit unions themselves were largely responsible for the great congressional victory, we were their first and most vigorous supporter.

Automobile Protections: CFA led efforts to persuade Congress to pass pro-consumer auto salvage protections. When legislators threatened to approve an anti-consumer bill, we and allies successfully opposed it.

Electricity Consumer Protections: Widespread distribution of our analysis of the consumer implications of restructuring helped slow down federal and state momentum for changes that would mainly benefit big for-profit utilities and their largest customers. So did our participation in a national consumer-labor coalition and our intervention in several states.

Antitrust Enforcement: CFA continued as the main consumer voice for adequate enforcement of federal antitrust laws by Justice and the Federal Trade Commission. We urged the agencies to scrutinize several proposed mergers. We helped organize a new antitrust public interest organization. And at year's end, we released a widely publicized report estimating consumer overcharges from Microsoft's anti-competitive practices.

Children's Privacy Protections: With the Center for Media Education, we continued our advocacy of effective rules to protect the privacy of chidren using the Internet. After helping persuade the FTC to be supportive, we turned our attention to Congress, which passed legislation with some of the reforms we had proposed.

Drinking Water Safety: CFA continued as the lead consumer group urging the Environmental Protection Agency to implement 1996 legislation adequately. We participated in an EPA advisory committee, submitted comments to the agency, and involved state and local groups in the issue.

Investor Protections: Our opposition to federal preemption of state securities laws was not successful: Congress passed anti-consumer legislation that the president signed into law. Our communications with the National Association of Securities Dealers helped convince that agency to include important investor protections in its proposal to allow bond mutual funds to publicize volatility ratings.

Congressional Candidate Endorsements: We endorsed 151 House and Senate candidates, communicating these endorsements to state and local press. All 135 incumbent candidates were elected. Three of the seven candidates for open House seats were victorious. But only one endorsed challenger was elected.

Strategies

CFA pursued several strategies in advocating on more than 30 issues considered by Congress, federal regulatory agencies, federal courts, and state regulatory agencies. These strategies included congressional and regulatory lobbying, coalition building and grassroots networking, advocacy-related research, and dissemination of information to the press.

1. Congressional and Regulatory Lobbying

CFA's principal lobbying strategy was communicating information and viewpoints to members of Congress, congressional staffers, and regulators. Most of these communications took place in letters, individual conversations, and meetings. But their extent is suggested by the number of testimonies, comments, and petitions submitted to congressional committees or regulatory agencies, and court-related actions.

Month	Committee/Agency	CFA Rep	Issue
January	NYS PSC	Cooper	Telecomm competition
	CPSC	Fise	Bunk beds
February	FCC	Cooper	Access charges
	House Banking	Rouleau	Securities litigation
March	NARUC	Cooper	Electricity protections
	Senate Judiciary	Brobeck	Bankruptcy
April	FDA	Rouleau	PBMs
	CPSC	Fise	Agency priorities
	CPSC	Fise	Bunk beds
	House Banking	Hunter	Disaster insurance
May	CA PUC	Cooper	Telecomm competition
	House Commerce	Rouleau	Securities litigation
July	FDA	Rouleau	Off-label drugs
August	GA PUC	Cooper	Telecomm competition
	FCC	Cooper	Telecomm competition
September	CPSC	Fise	ATVs
	FCC	Cooper	Telecomm competition
October	FCC	Cooper	Telecomm mergers
	FCC	Cooper, CU	Telecomm competition
	PA Supreme Court	Hunter	CIGNA restructuring
November	FTC	Rouleau	PBMs
	DOL	Rouleau	ERISA claims procedure
	SEC	Roper	Bond fund ratings
December	EPA	Neidle	Drinking water safety
	SEC	Roper	Broker books/records rules

2. Coalition and Grassroots Building

CFA's unique character as a federation of national, state, and local organizations provided opportunities to build and maintain Washington-based coalitions and nationwide grassroots advocacy networks. We played a key role in organizing or maintaining coalitions to advance telephone rate restraint, auto salvage protections, pharmaceutical regulation, children's safety, electricity restructuring, and consumer choice of credit unions.

Our most ambitious coalition and networking efforts involved consumer health and safety. The Coalition for Consumer Health & Safety, a coalition of 40 consumer, health, and insurer groups that we organized in 1988, worked on related federal and state policy issues and educated consumers through the development and publicizing of a Web-site, placement of PSAs, continuation of a safe, courteous driving campaign, and initiation of a falls prevention project.

3. Public Education: The Press

In addition to reacting to hundreds of stories, CFA frequently made news. In 1998, we generated 34 separate stories that were reported on by the national press. Also, we worked with other groups in organizing press conferences that led to additional stories. Lastly, we placed a record number of op-ed essays and letters to the editor.

Publication	Author	Issue
Knight-Ridder	Metzenbaum	Regulatory reform
Scripps-Howard	Brobeck/Fox	Subprime loans
Washington Post	Hunter	Auto choice
Washington Post	Brobeck	Credit card debt
Newsday	Metzenbaum/Cooper	Microsoft
Newsday	Fise/Haven	Playground safety
Cleveland Plain Dealer	Cooper	SBC/Ameritech merger
Rocky Mountain News	Metzenbaum/Rouleau	Bankruptcy
Ft. Lauderdale Sun Sentinel	Metzenbaum/Torres	Bank modernization
Houston Chronicle	Metzenbaum/Cooper	Microsoft
San Antonio Business Journal	Cooper	Telecomm Act of 1996
The Hill	Metzenbaum	Bankruptcy
The Hill	Metzenbaum/Foer	Antitrust
National Underwriter	Hunter	Fed. insurance regulation
Best's Review	Hunter	Insurance megatrends
The Insurance Forum	Hunt	Mutual insurance
ASTM Standardization News	Fise	Product standards
Intellectual Capital	Brobeck	Credit card debt

4. Public Education: Research

CFA staff prepared a number of studies demonstrating the need for the adoption of new consumer protections or the preservation of existing protections. Most of the following publications were reported on by the news media.

General	*CFA's Congressional Voting Record* (Gordon)
	The Annual NACAA/CFA Consumer Complaint Survey (Brobeck, NACAA)
Product Safety	*Report and Model Law on Public Play Equipment and Areas* (Morrison, Fise)
	Playing It Safe: A Fourth Nationwide Safety Survey of Public Playgrounds (Fise, USPIRG)
Antitrust	*The Consumer Case Against Microsoft* (Cooper)
Telecommunications	*Stonewalling Local Competition: The Baby Bell Strategy to Subvert the Telecommunications Act of 1996* (Cooper)
	Competition in Local Telephone Markets: Is the Glass 98 Percent Empty or 2 Percent Full? (Cooper)
Electricity	*The Residential Ratepayer Economics of Electric Utility Restructuring: Balancing All the Costs and Benefits* (Cooper, Consumers Union)
Insurance	*Private Passenger Auto Insurance Profitability and Rate Implications* (Hunter)
	America's Disastrous Disaster "System" (Hunter)
	Critique of the Insurance Industry Analysis of Profits in Auto and Home Insurance (Hunter)
	Product Liability Insurance (Hunter)

Banking	*Credit Union vs. Bank Fee Comparisons* (Brobeck, CUNA) *What Does It Take to Loan Shark in 1998? A Report on the Payday Loan Industry* (Fox) *Bounced Checks: Billion Dollar Profits* (Shields, Fox) *Recent Trends in Bank Credit Card Marketing and Indebtedness* (Brobeck) *The Growth of Legal Loan Sharking: A Report on the Payday Loan Industry* (Fox)
Health Care	*Consumer Voice, Participation, and Representation in Managed Health Care* (Rodwin, Brobeck)

Consumer Services

Indoor Air Quality Information and Education

The CFA Foundation continued work on a national campaign to inform citizens of the dangers of radon gas and other indoor air pollutants in the home and public places. Much of this work was done in conjunction with 14 groups in 13 states who have undertaken projects ranging from improving air quality in schools to encouraging testing and mitigation of radon during the sale of homes.

We continued to manage a toll-free Radon Fix-It Line which was contacted by more than 6,500 homeowners with high radon levels. We also continued our public service advertising campaign on radon testing, securing nearly $10 million in donated media time. Extensive consumer research, in preparation for the creation of public service advertisements on environemntal tobacco smoke and young children, was also completed.

Energy Education

The CFA Foundation continued to increase consumer awareness of the economic, health, and environmental benefits of buying energy efficient consumer products. We prepared a consumer guide to buying energy efficient products, "Save Money & Save the Environment," which was publicized in *Parade Magazine*. We created and publicized a 'buyenergyefficient.org' web site. And, we trained state and local groups for grassroots activities promoting energy efficiency.

Debt and Savings Education

CFA continued efforts to persuade many households to reduce credit card indebtedness. As well as releasing a widely covered credit card debt report and speaking with dozens of reporters on the subject, we worked with Andy Tobias to place a cover story in *Parade Magazine* about this debt and how to reduce it. We also began working with other consumer groups and American Express on a powerful debt management video, and related brochure, that will be widely distributed around the country.

Most households with high consumer debts have little savings. To promote these savings, with the assistance of a Ford Foundation grant we developed a plan for a social marketing campaign directed at lower income households. We also participated in two press conferences of a SEC-led effort to encourage household savings.

Consumer Literacy

CFA continued to distribute copies of the pamphlet, "66 Ways to Save Money," through the Consumer Literacy Consortium, a working group of 25 leading consumer educators from government, business, and non-profit organizations. By year's end, more than one million copies of this publication — the most popular one offered by the U.S. Consumer Information Center for a fee — had been distributed. This distribution was aided by press coverage of a consumer quiz based on the pamphlet.

Other Education

CFA distributed tens of thousands of copies of 14 consumer pamphlets on topics ranging from complaint resolution to auto leasing. Toward year's end, we began distributing a playground safety booklet. We also evaluated hundreds of cash-value life insurance policies for individual consumers.

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Member Services

Conferences

The most important CFA meetings were built around Consumer Assembly '98, the nation's largest annual consumer conference. More than 350 persons in attendance heard speakers including Senator Edward Kennedy, EPA Administrator Carol Browner, U.S. Assistant Attorney-General Joel Klein, Consumer International head Julian Edwards, Rhoda Karpatkin, and Ralph Nader address issues related to the theme of "Consumers in an Era of Global Change."

During this week, representatives from CFA member groups conducted the business of the federation. Members of 14 policy subcommittees met to review past policies and to recommend new ones. These recommendations were submitted and voted on at the Annual Meeting, where Board members and CFA officers were also elected.

To address specific issues more thoroughly, CFA organized two issue conferences and two forums. In October, 135 persons participated in a conference on consumer utility issues that featured a presentation by FCC Commissioner Susan Ness. In December, 170 persons participated in CFA's 14th annual financial services conference, which featured keynote speeches by SEC Chairman Arthur Levitt and financial journalist Andy Tobias.

Separate forums were held on drug safety and transatlantic consumer issues. The latter was attended by about 60 European and U.S. consumer leaders and resulted in the establishment of a TransAtlantic Consumer Dialogue to ensure adequate consumer input into transatlantic policy-making.

Publications

CFA member organizations received the following publications.

- Eight issues of CFA's newsletter, CFAnews, which reports consumer news and CFA advocacy.
- The 1998 policy resolutions adopted at the Annual Meeting.
- The 1997 Congressional Voting Record, CFA's rating of congressional performance on consumer issues during the previous year.

We also published three issues of *Indoor Air News*, which reports on the indoor air activities of advocacy groups, scientists, and policy-makers.

State and Local Resource Center

CFAF's State and Local Resource Center exists to strengthen state and local member groups by supplying them with information, technical assistance, and resources. With significant funding from Consumers Union's Colston Warne Fund, we improved and expanded the services of the Center, including:

- disbursing more than $120,000 in organizational or equipment grants to 12 organizations;
- disbursing over $10,000 in small, emergency grants to 15 organizations;
- mailing information monthly to state and local groups;
- providing one-on-one assistance to over 35 organizations, including conducting strategic planning sessions with boards of four groups;
- expanding the state and local program Web site;
- with the assistance of the Food Marketing Institute, publishing a directory of state and local organizations that lists more than 500 groups; and
- obtaining foundation funding for one state group and assisting three others in obtaining a total of $94,000 in grants.

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Finances

CFA and CFAF continued to enjoy financial stability, with net assets exceeding $800,000. The two organizations ran a surplus of nearly $56,000 instead of a budgeted surplus of $11,000. The total budget increased from 1997 to 1998 largely because of new research and education projects funded by federal agencies and private foundations.

CFA/CFAF Combined Finances	1997	1998
Income	$1,926,323	$2,216,822
Expenses	1,911,267	2,161,099
Surplus	15,056	55,723
Net assets	$765,980	$821,703