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Home Buyers Are Unrepresented, Overcharged

In the first major assessment of residential real estate sales by a consumer group, CFA has found that commissions are overpriced, quality of service bears no relation to commission levels, agents face serious conflicts of interest, most buyers are inadequately represented by agents, and agents dominate most state regulatory bodies.

"The residential real estate industry functions as a cartel that overcharges home buyers and sellers over $10 billion a year," said CFA Executive Director Stephen Brobeck, principal author of the report, which was released at a Washington, D.C. news conference October 31.

"High commissions represent a significant barrier to home ownership," he added.

CFA is calling on the Federal Trade Commission and state attorneys general to investigate uncompetitive practices in residential real estate sales.

CFA is also calling on state legislatures to reduce the influence of agents in the regulation of the industry. By law in most states, agents constitute majorities on the boards of state real estate commissions.

The study discusses the role of agents in home sales, consumer perceptions of agents, consumer costs related to home sale and purchase, the value consumers receive for agent commissions, why agent services are overpriced, needed reforms, and barriers to reform.

The study finds that real estate agents do provide valuable services to consumers, most importantly by giving buyers and sellers access to multiple listing services. Other services include advice about properly pricing homes, time spent showing properties to buyers, and assistance on the actual sale.

Problems Defined

Yet, the report also defines serious problems facing buyers and sellers.

• **Agent commissions are overpriced.** Commissions are double what agents receive in some other countries and, in many home sales, represent far higher hourly compensation than that received by more skilled and highly trained professionals, such as physicians and attorneys.

• **In most areas, commission levels are uniform.** In each of most of the 27 metropolitan areas surveyed, commissions are either six or seven percent. The ability of home sellers to negotiate lower commissions is severely limited by the listing of subagent commissions on multiple listing services.

• **Many agents face serious conflicts of interest.** Agents for buyers have financial and legal incentives to sell houses that they have listed. Moreover, most subagents are legally obligated to represent the interests of sellers, a fact of which most buyers are unaware.

• **The quality of service offered by agents bears no relation to commission levels.** The commissions are nearly uniform, but the quality of service varies widely — from agents who have just passed the real estate exam to many others with years of experience.

CFA Executive Director Stephen Brobeck announces the real estate study at a Washington, D.C. news conference.

Reforms Proposed

The CFA report identifies five reforms that would increase competition, and protect buyers and sellers, in residential real estate sales. Three of these reforms are modest measures that would be relatively easy to implement:

• Requiring disclosure by agents to buyers of whom they legally represent in the sale. This disclosure must be required up-front, when the buyer signs an agreement with the agent. (California's disclosure law has already increased competition in that state.)

• Requiring disclosure by agents to buyers and sellers of their selling experience. At a minimum, disclosure should include how many houses they have sold in their career and in the past year.

• Prohibiting multiple listing services from listing subagent commissions. The listing of this percentage provides a strong incentive to agents working with buyers to show them only high-commission houses.

Two other reforms are more far-reaching, but are necessary to ensure a competitive, proconsumer industry:

• Requiring buyers and sellers to contract separately for the services of agents. Such a "decoupling" requirement would assure that buyers not only were adequately represented in home sales, but also were able to negotiate commission levels.

• Allowing direct buyer access to multiple listing services for a reasonable fee. Such a measure would increase buyer options, discourage steering, and restrain commission levels.

Nationwide Agent Survey

The study incorporates a nationwide survey of more than 500 agents in 27 major metropolitan areas. This survey found that:

• Commissions range between six and seven percent nationwide.

• In most areas, commissions are near-uniform — either six or seven percent.

• The willingness of agents to negotiate lower commissions varies somewhat from area to area. Agents were most willing to negotiate in San Francisco, Oakland, Long Beach, Pittsburgh, and Newark, and least willing to negotiate in Cincinnati, Cleveland, and Houston.

The report, "Real Estate Agents and Home Sales: An Evaluation," is available for $10, paid in advance, from Consumer Federation of America, 1424 16th Street, N.W., Suite 604, Washington, D.C. 20036.

House Turns To Narrow Banking Bill

In the wake of the House's dramatic November 4 defeat of a broad banking overhaul bill, and pressed by the need to recapitalize the nearly insolvent bank insurance fund, the House Banking Committee quickly reported out a limited measure. H.R. 2094 contains only relatively noncontroversial provisions on recapitalization and improved regulation.

"If we can hold onto a narrow bill, this allows us to defeat interstate branching, expanded securities powers, and commercial purchase of banks. We will have scored a short-term, but major victory in the battle to protect consumers and taxpayers from the high cost of an overly concentrated and risky system," said CFA Legislative Representative Peggy Miller.

"But Rules Committee may allow a broader bill on the floor, so our battle must be on two fronts now — for a narrow bill and, if the bill is broadened, for strong consumer safeguards," she added.

Before the final 324-89 vote against the bill, the House had passed a number of amendments to prohibit commercial purchase, to give states and federal regulators greater ability to restrict branching, and to strengthen firewalls between banks and securities affiliates. Of particular importance was a provision, crafted by Banking Committee Chairman Henry B. Gonzalez (D-TX) and Energy and Commerce Committee Chairman John D. Dingell (D-MI), that would restrict banks' involvement with securities firms.

These provisions provoked opposition to the bill from its original supporters — the administration and big banks. Ultimately, the bill was defeated by the combined forces of those who felt the bill went too far in restricting new ventures by banks and those who remained concerned about the wisdom of allowing banks into such risky ventures at all.

"The final bill, which failed to pass on the House floor, was a bill we could have supported — it improved current law for consumers," Miller said. "Our worry is that pieces of that bill — such as unrestricted interstate branching — will be attached to the narrow bill without the consumer protections we had previously won, and it is that next move we will adamantly oppose."

Meanwhile, the Senate, while keeping a close eye on the House, planned to move forward with its own version of the overhaul bill, though strategies in the Senate also seemed to change hourly.

"The situation now is completely unpredictable," Miller said. "Still, our consumer champions — Richard Bryan (D-NV), Howard Metzenbaum (D-OH), Paul Simon (D-IL), and Dale Bumpers (D-AR) — are lined up to fight for protections, and we expect to get them."

Filibuster Kills Anti-Consumer Energy Bill

A massive energy bill opposed by both environmental and consumer groups was killed by the Senate November 1 when it fell ten votes short of the 60 needed to end a Democrat-led filibuster.

The bill, sponsored by Sen. J. Bennett Johnston (D-LA), has been sharply criticized by consumer groups, including CFA, for its over-reliance on production rather than conservation, its failure adequately to promote renewable energy resources, and its anti-consumer provisions related to natural gas and electric utility regulation. Of particular concern to consumer groups were the bill's provisions to change the Public Utility Holding Company Act (PUHCA), which is designed to control monopoly power.

The bill's defeat came one day after the House Energy and Power Subcommittee completed its markup of similarly wide-ranging energy legislation, H.R. 776, which has won broad consumer and environmental group support.

House Bill PUHCA Reform Wins Consumer Support

The House bill's provisions on PUHCA reform have been endorsed by CFA, Citizen Action, U.S. Public Interest Research Group, Environmental Action, the Union of Concerned Scientists, and the Sierra Club, as well as by a number of large industrial user groups and independent power producers.

"The provisions in the subcommittee bill and firm commitments to deal with other issues at the full committee level would result in a more competitive, efficient electric utility industry that will benefit all consumers, ensure more environmentally responsible development of the industry, and make it much more difficult for large, over-priced units to be forced on ratepayers," said CFA Research Director Mark Cooper.

"The House bill offers the first real chance in over a decade for significant, pro-consumer reform of the electric utility industry," he said.

The measure would:

- expand the options for non-utility power producers, while still allowing utilities to provide ratebase power if that is the least-cost option;
- ensure fair competition by expanding the authority of the Federal Energy Regulatory Commission to order non-discriminatory access to the transmission grid;
- further state-based competitive bidding programs; and
- resolve the problem of federal/state regulatory authority in favor of the enhanced ability of the states to engage in resource planning.

The measure also preserves key consumer protections, by:

- ensuring that native load customers are protected from negative impacts that the operation of the transmission system to support competition might have on system reliability or costs;
- closing the most often abused loophole in PUHCA, the limited partnership scam;
- banning self-dealing by utility affiliates; and
- limiting Independent Power Producers who are exempted from PUHCA to direct wholesale sales of electricity while banning them from retail wheeling or the sale of other services.

"In contrast, the Senate bill removes all structural oversight for exempt generators, provides no alternative regulation, fails to address transmission access, poses a direct threat to least-cost planning, and actually prevents lower cost independent power from reaching consumers if it displaces higher cost utility-owned generation," Cooper said.

Contentious Issues Remain

The House bill is silent on the two issues that were the focus of the Senate filibuster — permitting oil and gas drilling in the Arctic National Wildlife Refuge and raising federal fuel efficiency standards for automobiles.

The House Merchant Marine Committee had planned to mark up an ANWR drilling bill this year, but delayed action in response to allegations of wrongdoing by the consortium of oil companies that operates the trans-Alaska pipeline.

Energy and Commerce Committee action to increase fuel efficiency standards is considered unlikely in light of the adamant opposition of Chairman John D. Dingell (D-MI), but the issue is almost certain to come up when the bill reaches the floor.

Meanwhile, Sen. Richard Bryan (D-NV) has said he intends to press the fight for improved energy efficiency standards through free-standing legislation that was reported out of the Commerce Committee in March. Previous attempts to pass similar legislation have been stopped by filibusters.

As for the Senate bill, prospects for a comprehensive energy bill are uncertain at best, and neither house is expected to take further action on the issue this year.

Consumers Bombarded By Marketing Messages

American consumers have been so bombarded with commercial messages — an estimated 3,000 a day — that they have become insensitive and resistant to those messages, Eugene Secunda, Professor of Marketing at Baruch College, told attendees at CFA's first conference on marketing.

The October conference, "Marketing in America: The Consumer Interest," brought together experts from the consumer movement, academia, government, and industry to discuss the character, impacts, and policy concerns related to consumer marketing.

"The American consumer is clearly being transformed by an endless exposure to a barrage of commercials and an onslaught of sales promotion techniques," Secunda said. In response, consumers have become "more questioning and less devoted to individual brands. Consumers are now much more likely to make purchase decisions based on price."

The end result is that "the American consumer is likely to become increasingly empowered, and the marketing community, out of pure self interest, will become more responsive to those demands in the coming years," he predicted.

Far from empowering consumers, the $130 billion industry spends on advertising is transforming "citizens into consumers," inculcating only materialistic values and ignoring social ideals, countered Michael Jacobson, Executive Director of the Center for Science in the Public Interest.

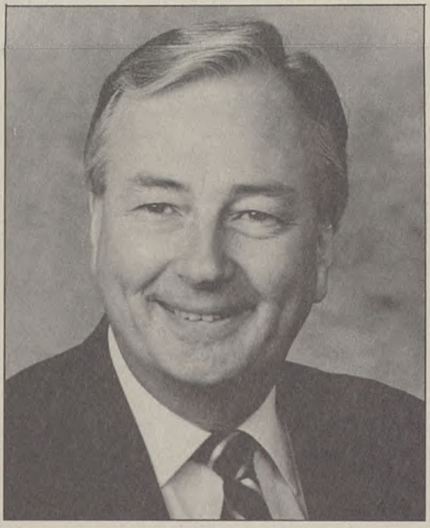
Advertising also victimizes people in more direct ways, he said, when it makes teenagers feel so inadequate if they don't have a certain brand of shoes that they are willing to kill to get them; when it uses sex to convey a sense of insecurity; or when it leads to media self-censorship. As an example of the latter, Jacobson cited the fact that none of the women's magazines that accepts cigarette ads will run articles on the dangers of smoking.

"Society has gone out of balance," he said. "Ads are everywhere. . . .We have to set limits. We need 'Commercial-Free-Zones,'" he said.

Consumer Education Stressed

Robert Levering, Vice President for Government Affairs and Legislative Counsel for the Direct Marketing Association, agreed that marketers do affect American values. "It would be silly to deny that," he said.

Rather than place restrictions on advertisements, however, we need to have courses in our public schools that teach students how to view advertisements critically so they can make their own evaluations of the information they receive, he said.



Rep. Al Swift (D-WA)

The problem, said Salvatore Divita, Professor of Marketing at the George Washington University, is that "consumers want factual information so that they can make intelligent choices. What they get from manufacturers is not factual."

Mark Silbergeld, Director of the Washington Office of Consumers Union, agreed that advertisers are not a good source of consumer information, but he added that "there is no simple answer as to where that information should come from."

Even when they have the information, he added, consumers often are unable to process it. "There is such a thing as information overload."

Ronald Collins, Co-founder of the Center for the Study of Commercialism, argued, on the other hand, that consumers need more than just information about the price and quality of the product itself; they ought to know the environmental impact of the product, the employment policies of the producer, and the company's profit margin, for example.

"If we are something more than consumers, if we are citizens, there ought to be something more to our life than the consumptive ideal," he said.

Role of Regulation Debated

In a conference luncheon address, Rep. Al Swift (D-WA) also voiced the view that, given sound information, people will make good choices. The problem arises when people are presented with false and misleading information, he added.

Rep. Swift discussed the rising problems of telemarketing fraud and 900-number abuses, both of which are the subject of congressional legislation. "The telephone has become a weapon with a license to steal," with the cost to consumers estimated at $10 billion a year, he said.

The Federal Trade Commission's guiding principle in dealing with such problems is to "set reasonable standards and enforce them vigorously," said Barry Cutler, Director of the FTC's Bureau of Consumer Protection. By working closely with states, the FTC is able to get the most out of its resources, he said.

Ron Smithies, Vice President of the National Advertising Division of the Council of Better Business Bureaus, Inc., argued that the regulators sometimes go too far, crossing the line between regulation and censorship. He complained that there are no clear guidelines governing what is allowed.

"It's not true that there are no clear standards," said Texas Assistant Attorney General Steve Gardner, who was highly critical of the CBBB program. "They don't want a level playing field; they want us to play with no bats and no balls. They don't want us to regulate," he said.

CFAnews

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Telecommunications Debate Heats Up On Hill

Following an October 7 federal appeals court decision removing the final barrier to Bell Company entry into information services, the House has begun in earnest to debate the future of telecommunications policy.

One day after the appeals court ruling, a bipartisan group of congressmen introduced H.R. 3515, CFA-endorsed legislation that would put strong safeguards in place before allowing Bell companies into information services.

The Telecommunications and Finance Subcommittee began hearings October 21 on this and other legislation related to expanded Bell company powers, including two bills that would allow the Bell companies into equipment manufacturing, both of which are opposed by CFA.

The subcommittee staff is currently drafting legislation that covers both manufacturing and information services but which is expected to incorporate better ratepayer safeguards than are in either version of the manufacturing bill.

"Congress must reassert pro-competitive and consumer protection policies that prevent the Bell telephone companies from inflating local telephone rates and extending their monolithic control over local phone service to the information and manufacturing world," CFA Legislative Director Gene Kimmelman said in testimony before the subcommittee.

H.R. 3515, the Telecommunications Act of 1991, introduced by Reps. Jim Cooper (D-TN), Thomas J. Bliley (R-VA), Mike Synar (D-OK), Dan Schaefer (R-CO), and John Bryant (D-TX), offers "a blueprint for the expansion of local telephone competition and the preservation of affordable phone service for all Americans," Kimmelman said.

It would allow the Bell companies to offer immediately nationwide information services in which they do not own or control the content, but it would require that they set up a separate subsidiary operating under strict accounting rules.

The Bell companies would be allowed to offer content-based information services outside their regional service area through a separate subsidiary and in their own service area if they can show that only they can provide the service and can do so without harming telephone ratepayers.

The bill also opens up local phone service to competition. Once sufficient competition exists to guarantee that the Bell companies no longer have monopoly control over their local bottleneck, Bell companies would be allowed to provide in their own region information services in which they have a proprietary interest in the content.

H.R. 3515 includes the strongest consumer protections of any legislation before Congress, Kimmelman said. It would fully protect the privacy rights of telephone users, promote improved service quality, ensure the cost-effective technological development of our nation's telecommunications infrastructure, and open local exchange networks to all interconnecting service providers on a fair, non-discriminatory basis.

In addition, H.R. 3515 would prevent the Bell companies from expanding their local transmission monopolies into the previously competitive information business.

"Rather than pretend that an army of regulators will be hired to micromanage all Bell companies, or naively assume that the Bells' consistent pattern of ratepayer and competitive abuses will come to a screeching halt, H.R. 3515 offers consumers the only effective tool against gigantic monopolies: market choice," Kimmelman said.

"The bill would allow the Bells to enter all information markets when all other businesses have a fair chance of offering consumers local telephone service," Kimmelman added. "For consumers, this would be the best possible marketplace development: multiple choices for both local phone service and information services."

Strong Cable Bill Introduced in House

Pro-consumer legislation to regulate the cable television industry was introduced in the House in October.

Introduced by Reps. Dennis Eckart (D-OH) and Jim Cooper (D-TN), the Cable Consumer Protection Act of 1991, "would do more to reduce inflated cable rates and promote competition than any bill before the Congress," said CFA Legislative Director Gene Kimmelman.

"By eliminating cable's monopolistic pricing, this legislation could drive cable rates down almost 50 percent, saving consumers about $6 billion per year," he added.

H.R. 3560 would:

- ensure strict regulation of all tiers of cable programming in communities that lack competition, i.e., those that have only one cable operator and no other comparable video distribution system;
- promote improved customer service;
- prevent cable operators or video distributors from discriminating against companies that need to purchase or distribute cable programming to compete in the video marketplace.

"Unless Congress moves quickly to pass legislation like H.R. 3560, consumers will continue to pay inflated rates and receive inferior service," Kimmelman said. "This legislation would drive cable rates down to a reasonable level and promote more video choices for all consumers."

A Senate bill also supported by CFA, containing similar consumer protections, was expected to go to the floor for a vote at any time as this issue of *CFAnews* went to press. It was approved by the Commerce Committee in May on a 16-3 vote.

The president has threatened to veto any such legislation.

Consumers Support Medical Lab Reforms

Consumers support a thorough reform of abusive practices associated with quality control and billing for ancillary medical services, according to a national public opinion poll sponsored by CFA and released in October.

CFA Research Director Mark Cooper released the results of the national random sample survey in testimony before the House Ways and Means Subcommittee on Oversight in a report entitled, "Public Opinion About Quality, Self-dealing and Billing for Ancillary Medical Tests."

"The survey shows, beyond a shadow of a doubt, that the American people support approaches to ensuring quality control and billing for ancillary medical services that are dramatically different from current practices," said Cooper, author of the report.

The following are among the report's key findings:

- Respondents find ancillary medical services particularly difficult to shop for. Only one out of six respondents said it was very easy to shop for such services. In contrast, almost one-third found it very easy to shop for doctors or hospitals, and one-half found it very easy to shop for prescription drugs.
- Respondents care much more about the accuracy of their medical tests and the competence of testing personnel than they do about cost or convenience. Approximately 90 percent of respondents said that accuracy and competence of testing personnel were very important to them; 54 percent said cost and 39 percent said distance they had to travel to take a test were very important.
- Respondents are not willing to leave quality control to medical ethics (three percent) or voluntary standards (15 percent), and they prefer federal standards (44 percent) to state standards (35 percent).
- Respondents want their physicians to stay out of the business of self-dealing for tests. Only 15 percent said that physician ownership of ancillary medical facilities would be of no concern at all to them. Forty-two percent said it would be a serious concern, and another 43 percent said it would be a small concern.
- Respondents would rather have laboratories bill directly for their work (77 percent) than have physicians include lab costs on their office visit bill (21 percent).
- Schemes to control health care costs by paying physicians a lump sum for laboratory tests and leaving the physician to decide what to do about testing raise serious concerns. Although a majority believe the physician will continue ordering necessary tests, almost half of all respondents believe that physicians would either cut back on necessary tests or avoid older or sicker patients likely to need more testing.

"Our other research makes it clear that this public concern about physician profit from ancillary medical services has a firm basis in the nature and structure of the market for these services," Cooper said.

"The obvious policy conclusion that emerges from this analysis is that a thorough reform of the perverse economic incentives in physician ownership and mark-up of ancillary services is necessary."

CFA has advocated a series of steps to eliminate financial abuse in the ordering of such services, including: vigorous implementation of Medicare payment reforms already on the books; extension of these reforms to all ancillary services; and extension of a direct billing requirement to all services.

"Any talk of reform of the medical profession, whether from the point of view of physician practices, laboratory profits, or total cost, must start with the fundamental economic structure of the industry," Cooper said.

Spread Widens Between Loan, Savings Rates

The gap between consumer loan and savings rates continues to widen, according to a November update of an April CFA report.

Between March and November, the interest rates paid on savings continued to fall — CD rates by a full percentage point and money market rates by half a percentage point. But credit card interest rates remained unchanged.

Lenders have lowered auto and personal loan interest rates, but not as much as they have lowered savings rates. Between March and October, auto loan rates declined two-thirds of a percentage point, and personal loan rates fell by nearly one-third of a percentage point.

"The refusal of banks and other credit issuers to lower credit card rates not only is costing consumers billions, but also is retarding the nation's economic recovery," said CFA Executive Director Stephen Brobeck, author of the report.

"The lowering of credit card rates by only one percentage point would save consumers more than $1 billion a year," he added.

Brobeck urged Congress to approve legislation, introduced by Rep. Charles Schumer (D-NY), that would require clearer cost disclosures on all credit card solicitations and subject credit cards to the same restrictions that apply to other open-ended loans. Passage of this bill received an unlikely boost from President Bush who, on November 12, complained about high credit card rates and urged banks to lower them.

In the meantime, Brobeck advised consumers either to stop using high-rate credit cards or to pay off balances in full each month. "The best investment consumers can make in today's economic climate is to pay off their credit card balances," he said.

Product Safety Update:

CPSC Denies Bike Helmet Petition

The Consumer Product Safety Commission has denied a petition filed by CFA and a coalition of 34 health and safety groups asking the agency to establish mandatory safety standards for bicycle helmets.

The CPSC made its decision to deny the CFA petition despite the fact that the agency did not have the results of either its own ongoing tests examining accidents in which a bicyclist or passenger was injured while wearing a helmet, or evaluations of child helmet testing currently being conducted by a private testing organization.

"Unfortunately, the commission decided to stick its head in the sand and disregard the fact that important additional research is now being conducted," said CFA Product Safety Director Mary Ellen Fise. "This premature denial is clearly illogical and ignores the needs of American consumers looking for adequate helmets."

The coalition filed the petition in 1989 after determining that current voluntary standards for bicycle helmets are inadequate to protect cyclists from unreasonable risk of injury. The petition addressed both adult and child-size bike helmets.

Consumers Union supported the petition after its testing of helmets for the May 1990 issue of *Consumer Reports* showed that certain design characteristics that are important to a helmet's safety, such as resistance to roll-off, are not addressed by the current voluntary standards.

Approximately 50,000 bicyclists suffer serious head injuries each year. The average total lifetime costs for an individual suffering a severe head injury are estimated at $4.5 million.

"While we strongly support the use of helmets by cyclists, we believe it is essential that consumers have helmets that will fully protect their heads in a crash," Fise said. "At this time, we cannot give them that assurance."

The CPSC denied the petition on a 2-1 vote, with outgoing Commissioner Anne Graham casting the one vote in favor of granting the petition.

Cancer Labeling Proposal Opposed

Eleven national consumer and environmental groups, including CFA, filed comments with the CPSC in late September opposing the agency's weak proposal for labeling household products for long-term health hazards.

The groups charged that the CPSC's proposed action would allow manufacturers to avoid meaningful labeling for household products while endangering successful state labeling programs.

"We support efforts to inform consumers about the threat of cancer, reproductive harm, and other chronic illnesses posed by the ingredients in household products, but the CPSC proposal wouldn't accomplish that," Fise said.

The CPSC proposals grew out of the requirement, under the Labeling of Hazardous Art Materials Act (LHAMA), that all art and craft materials be labeled for their long-term hazards. Under LHAMA, art supply labels must provide a warning statement of the hazard, identification of the hazardous ingredient(s), guidelines for safe use, and the name, address and telephone number of the manufacturer or importer.

LHAMA also required CPSC to develop, by November 1989, criteria and guidelines for manufacturers to use to determine whether a particular chemical poses a chronic hazard.

In April, 18 months after the deadline, CPSC finally issued its proposed guidelines, which apply the criteria to all household products, not just to art supplies. Furthermore, the agency set weaker requirements for household products than those for art supplies.

In particular, the proposal for household products does not include necessary requirements covering what the chronic hazard labels should say. Additionally, the groups expect industry to argue that the proposed regulations preempt states' rights to enact chronic hazard warning programs like California's Proposition 65.

Under Proposition 65, a household product containing a carcinogen must clearly state: "WARNING: This product contains a chemical known to the State of California to cause cancer." In contrast, under the CPSC proposal, carcinogens carrying the warning "vapor harmful" could be deemed to be properly labeled.

"When viewed in conjunction with industry's campaign to eviscerate state warning requirements, the proposed regulations represent a step backwards in efforts to allow consumers to make buying decisions based on a genuine appreciation of the health risks involved," Fise said.

The groups' comments urge the commission to notify manufacturers that the agency does not intend to preempt state labeling laws like Proposition 65 that provide more precise warnings than the CPSC's proposal.

Congress Raises CPSC Budget

When the final appropriations bill for Veterans Administration, Housing and Urban Development and Independent Agencies was approved this fall, it included a $40.2 million 1992 budget for the CPSC.

The conference committee agreed to accept the House figure, which was $1 million higher than the $39.2 appropriated by the Senate and requested by the administration. The 1992 total is $3.1 million more than the agency's current budget.

Panel OKS Pay-As-You-Go RTC Funding Bill

While the full House was debating a bank overhaul bill in early October, the House Financial Institutions Subcommittee reported out a Resolution Trust Corporation bailout bill that could prove to be equally controversial. The bill, H.R. 3435, would authorize an additional $20 billion to cover losses in failed savings and loan institutions, but it would require that the additional $60 billion currently being sought by the administration be offset by tax increases or spending cuts.

Sponsored by Rep. Joseph P. Kennedy II (D-MA), the "pay-as-you-go" provision would require the president and congressional leaders to develop a plan to fund the $60 billion on-budget over five years, and that plan would have to be approved by Congress. Supporters of the plan estimate that it would save taxpayers as much as $140 billion in the long term.

The amendment passed on an 18-17 vote and survived an effort to strike on a 16-18 vote. It is opposed, however, by the administration and House leaders, who have succeeded in defeating similar previous attempts.

The subcommittee also adopted a number of amendments to improve agency operations, including provisions to: overhaul agency management structure; require outside audits; prevent RTC from covering uninsured deposits when to do so would cost the agency money; and prevent institutions under RTC control from accepting large brokered deposits. In addition, the subcommittee agreed to a series of amendments sponsored by Rep. Barney Frank (D-MA) to improve management of the agency's low income housing program, and it adopted a Kennedy amendment to expand the program to include residential property held by failed thrifts that are kept open under government conservatorship.

In early November, as the House efforts to pass a comprehensive banking overhaul were grinding to a halt, the fate of the RTC bill also was in question. The Senate, which had planned to delay the RTC measure until after completion of the banking bill, had yet to take up this bill. House Majority Leader Richard Gephardt (D-MO) told members that they would not be going home before Christmas unless they passed funding for the Bank Insurance Fund and for RTC, with or without broader reform measures.

"The more contentious these other issues are, the narrower these bills will become," said CFA Legislative Representative Peggy Miller. "At this point, anything could happen."

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