CFA CFAnews
February 1997
Volume 21, No. 8
ISSN #0732-8281

Most Credit Life Insurance Still A Rip-off

Most credit life insurance is still grossly over-priced, according to new data released in January by CFA, the U.S. Public Interest Research Group, and other grassroots consumer groups.

The groups called on state insurance commissioners and legislators to lower the rates on this regulated product.

"In most states, credit life insurance is still a rip-off," said CFA Executive Director Stephen Brobeck. "Most consumers should not even consider purchasing the product except from a credit union."

"Consumers should be receiving at least 60 cents in benefits for each dollar in premiums paid, yet they actually get only 42 cents on the dollar, and these benefits have been declining," said CFA Life Insurance Actuary James H. Hunt. "As a result, consumers are overcharged more than $400 million a year for this product."

Credit life insurance pays off the installment loans — and, increasingly, credit card balances — of borrowers who die. Since consumers cannot effectively comparison shop for credit life, its rates are regulated by all states.

The key measure of whether this insurance is overpriced is its loss or payout ratio — the proportion of premiums paid by consumers that is paid out in claims.

Nationwide Loss Ratio Low

The loss ratio in the nation as a whole in 1993-95 was 43 percent. This compares to a 70 percent minimum loss ratio advocated by CFA and U.S. PIRG, and a 60 percent minimum loss ratio set by the National Association of Insurance Commissioners in its model standard.

Furthermore, the 43 percent national average masks huge difference from state to state and between different types of institutions.

Only four states had loss ratios of at least 60 percent — New York (77 percent), the District of Columbia (76 percent), Maine (72 percent), and Rhode Island (67 percent).

In contrast, 16 states had loss ratios below 35 percent. Louisiana, at 21 percent, had by far the lowest loss ratio. Others with loss ratios below 35 percent were: Mississippi (28 percent); New Mexico and North Dakota (30 percent); North Carolina, Nebraska, and Kansas (32 percent); Montana, Kentucky, Iowa, Idaho, and South Carolina (33 percent); South Dakota, Colorado, and Arkansas (34 percent); and Alaska (34.7 percent). (Montana lowered its rates by 20 percent in 1996, so future loss ratios in that state should be higher.)

Also, nearly all credit unions that sell credit life insurance meet the NAIC model's 60 percent loss ratio, but, outside the a handful of states, few other institutions do.

Costs of Credit Life Substantial

Credit life insurance is typically sold to consumers as a low-cost product, costing only a few dollars a month, but the total payments add up. For coverage on a $10,000 loan at 12 percent APR repayable over 48 months, for example, the total charge for coverage, including finance charge, ranged from a low of $155 in New York and Maine to $673 in Louisiana, exceeding $400 in 13 states.

Furthermore, credit insurance charges are collected in one sum by adding them to the loan. As such, they bear finance charges at whatever the loan rate is. Despite this fact, about 40 states allow premium calculations that give no discount for paying the premium in one sum at the loan date.

After improving for several years, the value of credit life insurance to consumers has declined in the past three years as the nationwide loss ratio has fallen — from 45 percent in 1993 to 42 percent in 1995.

"Progress in lowering credit life rates seems to have come to a standstill," Hunt said.

The CFA-U.S. PIRG report attributes this abrupt trend reversal to several factors:

- industry apparently took steps to sell less credit life insurance to high risks, which lowered loss ratios even when regulated rates were not changed;
- the amount of credit life insurance sold increased, which has tended to depress loss ratios, since, all other factors being equal, loss ratios increase with the age of the policy; and
- few states lowered rates, as many did between 1990 and 1993, and Wisconsin actually allowed credit insurers to charge higher rates.

Reforms Advocated

Based on these findings, CFA and U.S. PIRG called on state insurance commissioners and legislators to lower credit life insurance rates further and to beef up enforcement of existing regulations.

"The argument by some credit life insurers that loss ratios should be lower for this insurance than for others is ridiculous," Brobeck said. "Since credit life is simply an add-on to a loan, selling costs should be very low. The fact is that insurers can sell credit life in New York, Maine, and the District of Columbia at a loss ratio exceeding 70 percent and still make money."

"There is not much of an excuse for any state to allow loss ratios under the 60 percent minimum set by insurance regulators, and no excuse at all for more than a dozen states to permit loss ratios of under 40 percent," he said.

CFA and U.S. PIRG also urged insurance regulators to eliminate the sale of excessive amounts of credit life insurance, so-called "gross debt" coverage, and to disapprove any requests to provide "accelerated death benefits" unless such coverage, which pays off a loan before death for someone terminally ill, is to be provided without extra charge.

State and local groups affiliated with CFA and U.S. PIRG are launching campaigns in more than a dozen states to lower credit life insurance rates.

Financial Planners Hide Conflicts of Interest

Three-fifths of the financial planners who claim to offer fee-only financial planning services actually earn commissions or other financial rewards for implementing their recommendations, according to a "mystery shopper" survey released in January by CFA and the National Association of Personal Financial Advisors.

"These troubling findings confirm what we have suspected for a long time — that many financial planners are reacting to growing consumer wariness about conflicts of interest by obscuring the commission-based source of much of their income," said CFA Director of Investor Protection Barbara Roper.

For the study, a team of "mystery shoppers" attempted to call all Yellow Pages-listed "financial planners" and "investment advisory services" in the greater Washington, D.C. area. Callers emphasized that they were interested in fee-only financial planning and asked whether the firm offered such services.

Of the 288 firms contacted, 196 (68 percent) claimed to offer fee-only financial planning services. These firms were asked to supply federally mandated disclosure documents for further review.

Of the 139 financial advisory firms that sent disclosure documents for analysis, only 19 (14 percent) were true fee-only financial planning firms.

Another 21 (15 percent) offered related services, such as asset or portfolio management, on a fee-only basis but did not identify themselves on disclosure forms or in other promotional material as personal financial planners. And 18 (13 percent) did not provide sufficient information to allow analysts (or prospective clients) to draw a definite conclusion about the nature of their compensation.

The remaining 81 (58 percent) of planners who told mystery shoppers that they offer fee-only services actually earn commissions or other financial incentives implementing recommendations to clients, according to information they provide on their disclosure documents.

Planners Guilty of Poor Disclosure

"While not all of these planners were necessarily guilty of telling an out-right lie — some may occasionally work with clients on a fee-only basis — they are certainly all guilty of misleading oral disclosure," Roper said.

"Instead of telling the callers that they are fee-and-commission planners who are willing to work with clients on a fee-only basis, they implied they were strictly fee-only planners," she said. "They knew what question was being asked, and they chose to evade it."

That poor oral disclosure was often followed by poor written disclosure, though the quality of written disclosure varied greatly, Roper said. "In general, however, consumers intent on finding information about compensation arrangements have to dig deep into the fine print of federally required disclosure documents."

For example, among the 45 financial planners who provided the actual investment adviser registration form and who indicated somewhere on the form that members of the firm earn commissions, fewer than half (22 or 49 percent) checked the box for commissions under the form's question about advisory fees. Instead, most of the information about commission income was buried in Schedule F, where advisers explain their answers to questions on the form.

"Consumers who want to know how their financial planner is compensated have to know how to ask just the right questions, and they have to know exactly where to look to find the answers," Roper said.

Brochure Describes How to Check Out a Planner

To assist consumers with the process of selecting a financial planner, CFA and the National Institute for Consumer

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Online Marketplace Raises Consumer Concerns

Just as the online marketplace has opened new opportunities for consumers, it has raised new issues for consumer advocates.

In January, CFA General Counsel Mary Ellen Fise and representatives of the Center for Media Education, met with White House officials to discuss online practices "that threaten to manipulate children and violate their privacy." Specifically, CFA and CME expressed concern that the administration's "Framework for Global Electronic Commerce" fails to adequately address such practices.

"Online advertisers are developing very invasive information collection and tracking practices which deceive children and treat them unfairly," Fise said. "It is imperative that the administration's White Paper on these issues acknowledge the special privacy needs of children."

CFA and CME provided specific suggestions to the administration for additions to the White Paper to address these concerns.

The two groups had raised similar concerns as part of a 1996 Federal Trade Commission public workshop on privacy in the online marketplace and in follow-up comments to the agency.

Children Need Online Privacy Protections

Despite the attention given to the issue at the FTC workshop, "companies are continuing to collect personally identifiable information from children at their web sites without disclosing how the information will be used or who will have access to it, and without requesting parental consent," the groups noted in November comments to the FTC.

"It is clear that industry self-regulation does not provide adequate protection for children's privacy," Fise said.

For these reasons, the groups urged the FTC to promulgate guidelines requiring any site that collects children's personally identifiable information to fully disclose what information is being collected or tracked, who is collecting the information, how it will be used, and who will have access to the information.

The agency should also require the information to be written in language that is easy for children to understand and displayed in the area where the information is being collected, the groups recommended. Finally, CFA and CME recommended that sites only be allowed to collect this information if they obtain effective verifiable parental consent.

"FTC action is needed because the practice of collecting children's personal data without disclosure and consent is becoming more widespread," Fise said. "Industry self-regulation is not working now, nor do we believe it will sufficiently protect children in the future."

The FTC released a report in January on consumer privacy in the online marketplace, which acknowledged that children are a special audience, that information collection from children raises special concerns, that some notice to parents of web sites' information practices is needed, and that parents need to have some level of control over the collection of information from children.

"Acknowledgement by the FTC of children's special privacy interests is an important first step. We look forward to the upcoming FTC meeting this summer to build upon these findings and convince the FTC to move forward with guidelines," Fise said.

Online Insurance Sales Pose Benefits, Problems

In December, CFA Director of Insurance J. Robert Hunter discussed issues related to online insurance sales in testimony before the Internet Marketing Issues Working Group of the National Association of Insurance Commissioners.

"The use of modern techniques, such as the Internet, to inform consumers, educate them, and even sell to them can be a great benefit to consumers," Hunter said. "The real question is: how do we maximize the positive potential of these innovations while minimizing any negative possibilities?"

Among the negative possibilities, Hunter noted, are potential problems related to:

- Privacy — "Filling out an insurance application on the Internet might make personal information available to persons who should not have access to it," Hunter said.
- Security — "Purchasing insurance online raises questions about how you keep credit card numbers secure from theft and misuse," he said.
- Non-licensed Sales — "How can a state, or even the federal government, keep an unlicensed company, perhaps with zero assets, from selling from Timbuktu on the Internet," he asked.

Like traditional insurance sales, online sales also pose problems related to misleading sales practices, improper advertising, and fraud, he said.

To help combat these problems, Hunter encouraged NAIC to set up an audit of insurance web sites. He also encouraged states to assist in the development of independent services that sell price, service, solvency, and other information to consumers.

Finally, Hunter suggested NAIC consider establishing a web site that qualifying insurers would be able to join with their own page meeting NAIC standards for format, minimum information, solvency, and other criteria.

"If you could get the best insurers in each line of insurance to participate on the page and help to fund it, you would get consumer and other support to tout the page as the way to shop for your insurance needs. The NAIC would become the 'Good Housekeeping seal' for insurance shopping on the Internet," he said.

CPSC Considers Updating Playground Handbook

The Consumer Product Safety Commission has begun deliberations to improve and update its *Handbook for Public Playground Safety*, which provides voluntary guidelines for the design and construction of outdoor play equipment.

CFA, which has for years advocated strengthening those guidelines, submitted comments to the agency in January in general support of the proposed changes, as did state and local members of CFA that have worked on playground safety surveys.

In its comments, CFA focused on three priority areas for changes to the handbook: equipment height, protective surfacing, and age-related distinctions.

"The single most important change that the CPSC could make to its current *Handbook* is the addition of recommendations for maximum fall height," Fise said. "These recommendations should set different standards for different age groups and kinds of equipment."

"Increasing height does not increase play value, it only increases the risk of serious injuries," Fise explained.

According to CPSC injury data: 75 percent of all injuries associated with public playground equipment are caused by falls; 9 out of 10 serious injuries, such as head injuries, are caused by falls; and at least one-third of all fatalities are caused by falls.

Playground safety surveys conducted by CFA and U.S. Public Interest Research Group have found that play equipment is too high, Fise noted. The 1996 survey found that 61 percent of climbers and 45 percent of slides were above six feet.

CFA recommended that CPSC adopt a maximum fall height for climbers and slides of four feet for preschool-age children and six feet for school-age children and a maximum height for swing crossbeams of eight feet.

CFA further recommended that the commission consider adopting some or all of the other height restrictions for specific types of equipment in CFA's "Report and Model Law on Public Play Equipment and Areas."

CFA also recommended that CPSC provide additional information on depth, installation, and inspections and maintenance of protective surfacing for play areas.

"Playground operators need additional information to make appropriate decisions regarding the purchase, installation, and maintenance of loose-fill surfacing materials that will satisfy the technical requirements," Fise said.

The 1996 CFA/PIRG playground study found that 85 percent of playgrounds surveyed lacked adequate surfacing, she noted.

Finally, CFA recommended that the *Handbook* provide additional distinctions between equipment intended for use by preschool-age children and equipment for school-age children.

"Just as children are not simply small adults, preschool-age children are not simply small school-age children," Fise said. "They have very different skills, and these different skills result in different play patterns and injury patterns."

For this reason, CFA recommended the commission provide additional age-specific provisions, provisions regarding equipment not recommended for preschool-age children, and general information on developmental issues.

"We're very pleased that the agency has decided to draft revisions to their *Handbook* and are hopeful that the commission will not ignore the significant risk areas that we have identified," Fise said.

Financial Planners (Continued from Page 1)

Education released a brochure, "Don't Get Burned by the Financial Planner Name Game."

The brochure describes the conflicts that exist when planners both give advice and sell products to implement their recommendations and the confusing titles used by many in the industry to obscure their reliance on commission income.

"Consumers know they want a competent planner, and they know they want an honest planner, but many do not understand the importance of compensation in selecting a planner," Roper said. "That is why we chose to focus on compensation issues."

The brochure goes beyond compensation, however, also providing step-by-step tips on how to check out a planner's background, where to look for relevant information, how to determine whether a planner is properly registered, and what to ask in an interview with a prospective planner.

"Choosing a competent, honest, objective advisor is not an easy task," Roper said. "This brochure is designed to help guide consumers through that complex process."

NAPFA, the national organization of fee-only financial planners, is distributing the brochure for free to consumers who call 1-888-333-6659 or who visit the NAPFA home page on the World Wide Web at http://www.feeonly.org.

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CFAnews is published eight times a year. Annual subscription rate is $25 per year.

Design & Typeset by: Dahlman/Middour Design

Electric Utility Deregulation Heats Up

As the 1997 political season gets under way, advocates of electric utility industry deregulation are aggressively pushing their agenda at both the federal and state levels.

By mid-February, legislation had already been introduced in both houses of Congress. Rep. Dan Schaefer (R-CO) introduced H.R. 655, which would open electricity markets to competition by December 2000, and Sen. Dale Bumpers (D-AR) introduced S. 237, which would mandate retail competition by December 2003.

More bills were expected soon, including an administration proposal. Administration energy officials are said to favor giving the states more leeway to decide when and whether to open their markets to competition than is provided in either the Schaefer or Bumpers bill.

In addition, in the wake of California's passage of sweeping deregulation legislation last year, state legislatures and regulators across the country are pressing ahead with their own restructuring plans.

"Consumers have an enormous stake in this debate," said CFA Legislative Director Mary Rouleau. "Rates are an obvious issue, but it doesn't end there. Service reliability and safety, environmental quality, and unscrupulous marketing practices should also be of great concen to consumers."

"If we are too quick to deregulate, residential customers are the only sure losers," she added.

In pushing for deregulation, some advocates promise quick, dramatic reductions in residential ratepayers' electricity bills if their restructuring plans are allowed to go forward.

In reality, however, most of the proposals currently on the table would leave consumers with higher, rather than lower, electricity bills, said CFA Research Director Mark Cooper.

"Consumers will only come out ahead if the new market structure gives residential consumers a fair chance to receive the benefits of competition, ensures that their interests are represented in the market, and provides fundamental protections against abuse and cost-shifting," he said.

"For the average consumer to benefit from deregulation of electricity, policy makers must have a clear set of goals and be guided by specific principles," he continued.

In a consumer issue paper on electric utility restructuring, Cooper outlined the following seven general principles that state and federal policy makers should follow to ensure that deregulation benefits, rather than harms, average ratepayers.

Universal service. "Electricity is almost universally available in our society because costs have been shared by all customer classes of a utility," Cooper said. "Restructuring undermines that process by forcing customers to purchase their own power." Thus, any deregulation legislation must put in place a clear public policy to ensure affordability and include specific programs to ensure service to all people.

Consumer protection. Because it is a utility, electricity has been exempt in many states from basic consumer protection statutes. In a new competitive era, that exemption must be repealed, and policies must be put in place to protect consumers from marketplace abuses.

Competition first for residential customers. "Unless residential customers are given a head start on obtaining the benefits of deregulation, large corporations and institutional users will gobble up the lower priced power," Cooper said. Deregulation legislation, therefore, must include institutions and mechanisms to ensure that residential ratepayers are able to purchase low cost power.

Competitive safeguards for all customers. If the legislation is to promote actual, rather than theoretical, competition, it must include clear conditions to promote competition and to preserve regulation until competition becomes effective. "Strict enforcement of anti-trust laws, non- discriminatory access to bottleneck facilities, and specific definitions of what constitutes competition must be put in place before deregulation takes place," Cooper said.

Users pay for facilities. "The transmission network was not designed for the multitude of transactions contemplated by deregulation or the changes in purchase patterns that will result from it," Cooper said. In order to ensure that the costs of maintaining the network are shared fairly among users, transmission rates must reflect a reasonable share of the cost of the facilities and functionalities used between the point of generation and the point of consumption.

Responsible treatment of stranded investment. "Utilities make mistakes and engage in inefficient actions for which ratepayers should not be forced to pay. The utilities earn profits which compensate them for risks, and they should not be compensated twice for the same risk," Cooper said. "On the other hand, they have social obligations and make investments for public policy reasons for which they should be compensated," he said. Public policy must identify legal, rational, and socially responsible approaches to analyzing, allocating, and recovering these stranded costs.

Environmental preservation. "If competitive power is allowed to win markets because of external environmental costs which are imposed on the public, restructuring will cause environmental quality to decline," Cooper said. To avoid that outcome, the costs of environmental protection should fall on the energy suppliers and consumers who seek to profit from new market opportunities.

"These are difficult issues which must be addressed, and the responses to date have been inadequate," Cooper said. "Policy makers must provide realistic, detailed solutions to these problems if they want to win the support of consumers for deregulation."

Congressional advocates of deregulation have pledged to pass a bill by the end of the 105th Congress, but widespread disagreements over how to handle these and other issues will make that a difficult deadline to meet.

"Even within industry groups, there are great differences. The more you study this issue and examine the details, the more you realize just how difficult it will be to hold legislation together," Rouleau concluded.

FCC Urged To Lower Telephone Rates

The Federal Communications Commission should immediately act to ensure that customers receive lower telephone rates as a result of the Telecommunications Act of 1996, according to a filing submitted to the FCC in January by CFA, the American Association of Retired Persons, and Consumers Union.

The groups pushed the same message in follow-up meetings with commissioners and agency staffers.

The comments were filed in response to two alternative proposals to reduce access fees released by the commission in December.

Under one approach, generally supported by the consumer groups, the agency would impose a fee reduction timetable on the local phone companies. Under the second approach, supported by the local telephone companies, the agency would simply lift regulation of the fees and wait for competition to drive down the charges.

"The Commission's desire to introduce market forces into the pricing of network access is laudable," said CFA Research Director Mark Cooper. "It is unrealistic, however, to believe that efficient prices will be accomplished without immediate, prescriptive steps to eliminate the anti-competitive and inefficient pricing of access."

"If the Commission leaves to market forces the imposition of efficient access prices, it is likely that the incumbent local telephone companies will continue to earn billions of dollars in excess profits and recover billions of dollars of inefficient investment," he added. "Market forces are not adequate today to discipline incumbent local exchange companies."

Prescriptive Approach Advocated

Instead of relying on market forces to drive down fees, the three consumer groups called on the FCC to:

- lower the $3.50 subscriber line charge that all consumers pay on their monthly telephone bill;
- reduce the access charges that long-distance companies pay to local telephone companies; and
- mandate that these reductions be passed directly through to consumers through basic rates for long distance service.

"These changes are long overdue," said CFA Legislative Director Mary Rouleau.

"The subscriber line charge is an arbitrary fee that everyone must pay regardless of whether they use long distance service. Since it was established in the mid-1980s, it has never been reduced to reflect the substantial decline in the cost of the local loop that has occurred over this period," she added.

"The access fees that long distance companies pay are also set at levels far above costs," Rouleau said.

The consumer groups urged the Commission to "move toward pricing at efficient, forward-looking levels as quickly as possible."

Specifically, the groups recommended that the Commission reduce the subscriber line charge by roughly 50 percent, and reduce access charges from their current level of $23.4 billion to $15.6 billion.

Commission Must Mandate Pass-through To Basic Rates

"If consumers are to reap the full benefits, the commission must require that long distance companies pass these savings on to consumers through basic rates, not just through discount plans," Rouleau said.

"We are encourged by the recent statements by major long distance companies that they intend to pass through such reductions, but we must be vigilant to ensure that any pass-through is applied to basic long distance rates and not to fancy calling plans which many customers can't or don't use," she added.

While advocating a prescriptive approach to access charge reform, the groups also provided suggestions on how the FCC's market-based alternative could be improved.

First and foremost, "the FCC must abandon its amorphous, non-specific approach to declaration of competitiveness," Cooper said. Instead, "the FCC should require specific measures of competitiveness in specific product and geographic markets," he said.

Tests of effective competition should include:

- the number and size of actively participating alternative providers;
- the extent to which directly comparable services are available from alternative providers in relevant markets;
- the ability of alternative providers to offer equivalent services at competitive prices;
- the market share held by the telephone company; and
- whether the telephone company is earning monopoly profits from the service or product.

"Ultimately, effective competition means multiple suppliers for significant numbers of subscribers with significant numbers of subscribers having taken alternative service," Cooper said.

In the absence of actual competition, the prescriptive approach advocated by CFA, AARP, and CU is preferable, the groups noted.

"With the new revenue opportunities provided by the Act, telephone companies stand to gain a great deal more than they would lose because of these reductions," Rouleau said.

The local telephone companies have already deployed facilities for use in providing more than just local phone service, including long distance and video services, Cooper noted.

"Consumers should not have to pay for these strategic investments," he said. "As long as consumers are required to pay these costs, the local phone companies can use their vast over-earnings to impede competition, thereby breaking the promise of the Telecommunications Act."

The Commission is scheduled to approve a final plan for access fees by May, following a second round of comments.

Consumer Access to Credit Unions Threatened

In response to a campaign against credit unions by the commercial banking industry, CFA has called on Congress to enact legislation to protect the ability of Americans to join not-for-profit credit unions.

"We are particularly concerned about the devastating consequences recent court decisions restricting credit unions could have for the entire credit union system and for millions of consumers, many of low and moderate income, who rely on credit unions to meet their financial needs," wrote CFA Executive Director Stephen Brobeck in a January letter to all members of the House and Senate banking committees.

In July, the U.S. Court of Appeals for the District of Columbia issued a ruling that imposed new restrictions on whom credit unions can serve. In a lawsuit brought by the banking industry, the court ruled that federal credit unions must serve only one occupational or associational group, for example employees of one business or members of a single church.

The decision invalidated a policy that, for the past 14 years, has enabled federal credit unions to serve more than one group, as long as each of these groups had its own "common bond."

In his letter to banking committee members, Brobeck noted that this policy: has enabled federal credit unions to achieve stability by diversifying their membership; has enabled them to serve millions of new members, and to do so with fees and rates that are much more affordable than those offered by banks; and has made credit union service accessible for employees of small business that are unable to form credit unions of their own.

Supreme Court Agrees To Hear Case

In February, the U.S. Supreme Court announced that it would hear the case, which the credit unions appealed in November.

Despite this good news, speedy passage of legislation is still needed, because "it will be many months before a decision is rendered," Brobeck said. "In the meantime, credit union service is being denied to consumers around the country."

In February testimony before the House Subcommittee on Financial Institutions and Consumer Credit, Brobeck urged Congress not only to overturn the appeals court ruling and thus allow affiliations with credit unions by smaller groups, but also to preserve the tax-exempt status of credit unions and to open credit union membership to all Americans.

"We strongly believe that every American should have the ability to join a credit union and that it is essential that credit unions continue to be treated by regulators as non-profit groups," he said.

Brobeck noted that increasing concentration in the banking industry has significantly reduced consumer access to affordable banking services in certain low and moderate income neighborhoods. In addition, he said, for-profit banking institutions "have increasingly focused on short-term profit maximization," resulting in a rising number and level of fees charged by for-profits and a wide spread between bank costs and charges on consumer loans.

"In this context of decreasing access to affordable banking services in many communities and the escalating cost of many bank services, it is important for consumers to have banking alternatives," he said. "The only other institutions providing a full range of banking services are credit unions."

Because credit unions pay higher savings yields, charge lower loan rates, and assess fewer and lower fees than do commercial banks, "their services offer higher value to consumers than do those offered by for-profit banking institutions," he added.

Credit Unions Promote Competition, Efficiency

Furthermore, "by competing with, and serving as a yardstick for, for-profit institutions, credit unions act to restrain the prices that these for-profits charge their customers," Brobeck said. "In this way, credit unions act to promote truly competitive, efficient financial services markets."

"Given these realities, it is important that all consumers have the ability to join credit unions," he said. Unfortunately, only about 40 percent of all households today are within the traditional field of membership of existing credit unions, he said.

Brobeck noted that the current campaign to weaken credit unions was launched by commercial banks, "who are much larger than credit unions (thirteen times the assets), have recently grown just as rapidly as have credit unions, and have enjoyed record profitability."

"It would be plausible to conclude that banks are embarrassed by the superior value of credit union services, are nervous about the favorable consumer evaluation of these services, and now see an opportunity to use their political muscle to weaken their non-profit competitors," he said.

"A more appropriate response for banks would be to compete more effectively with credit unions by lowering prices and raising savings yields," he added.

If Congress were to permit credit unions to expand their membership and continue to protect their tax-exempt status, "consumers would benefit, financial services would become more competitive and efficient, and the historic American tradition of a for-profit/non-profit mix of service providers would be preserved," he concluded.

Child Labor Opponents Score Victory on Soccer Balls

A coalition of major sporting goods manufacturers and child advocacy groups announced in February that they had reached an agreement to combat the use of child labor in the manufacture of hand-stitched soccer balls from Pakistan. The agreement represents the first time all major manufacturers in an industry have joined with local contractors and children's groups to eliminate child labor.

"This is an excellent instance in which the cooperative efforts of consumer groups, American labor unions, and others helped bring about a long needed improvement that will make an impact on the lives of thousands of Pakistani children," said CFA Chairman Sen. Howard Metzenbaum (Ret.). "Although the agreement is not everything that we had hoped for, it is a major and meaningful break-through." Sen. Metzenbaum praised CFA board member Dan McCurry, head of the "Foulball" campaign, for his prominent role in bringing about the agreement.

Among his activities as an active participant in the campaign, Sen. Metzenbaum wrote to the major hand-sewn soccer ball manufacturers last year, urging them to take action against the use of child labor. He noted that the increase in the number of soccer players in the United States over the past decade has led to an increase in the production of soccer balls in nations where child laborers make the equipment.

"The consequences for these kids are disastrous," he wrote. "Many sew small, tight stitches until their fingers are crippled. Often indentured illegally, they get little pay for their years of work. And the children receive no education. The equipment our children and professional players use should not be that made by children exploited in other parts of the world."

The goal of the campaign is to wipe out child labor in the hand-stitched soccer ball industry in Pakistan within 18 months. Pakistan produces 75 percent of the world's hand-stitched soccer balls. As many as 10,000 Pakistani children are estimated to work in the industry.

In addition to pledging not to sell balls made by children, the manufacturers have contributed to a $1 million fund to pay for independent monitors to inspect manufacturing sites and to support efforts to educate the children currently employed in the industry. Other groups contributing to the fund include the International Labor Organization and UNICEF.

"The soccer agreement is but a first step in the efforts of thousands of us concerned with child labor worldwide to make a meaningful improvement. This is a major victory, but we have much further to go," Sen. Metzenbaum said.

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