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Consumer Federation of America  
Consumer Research Council

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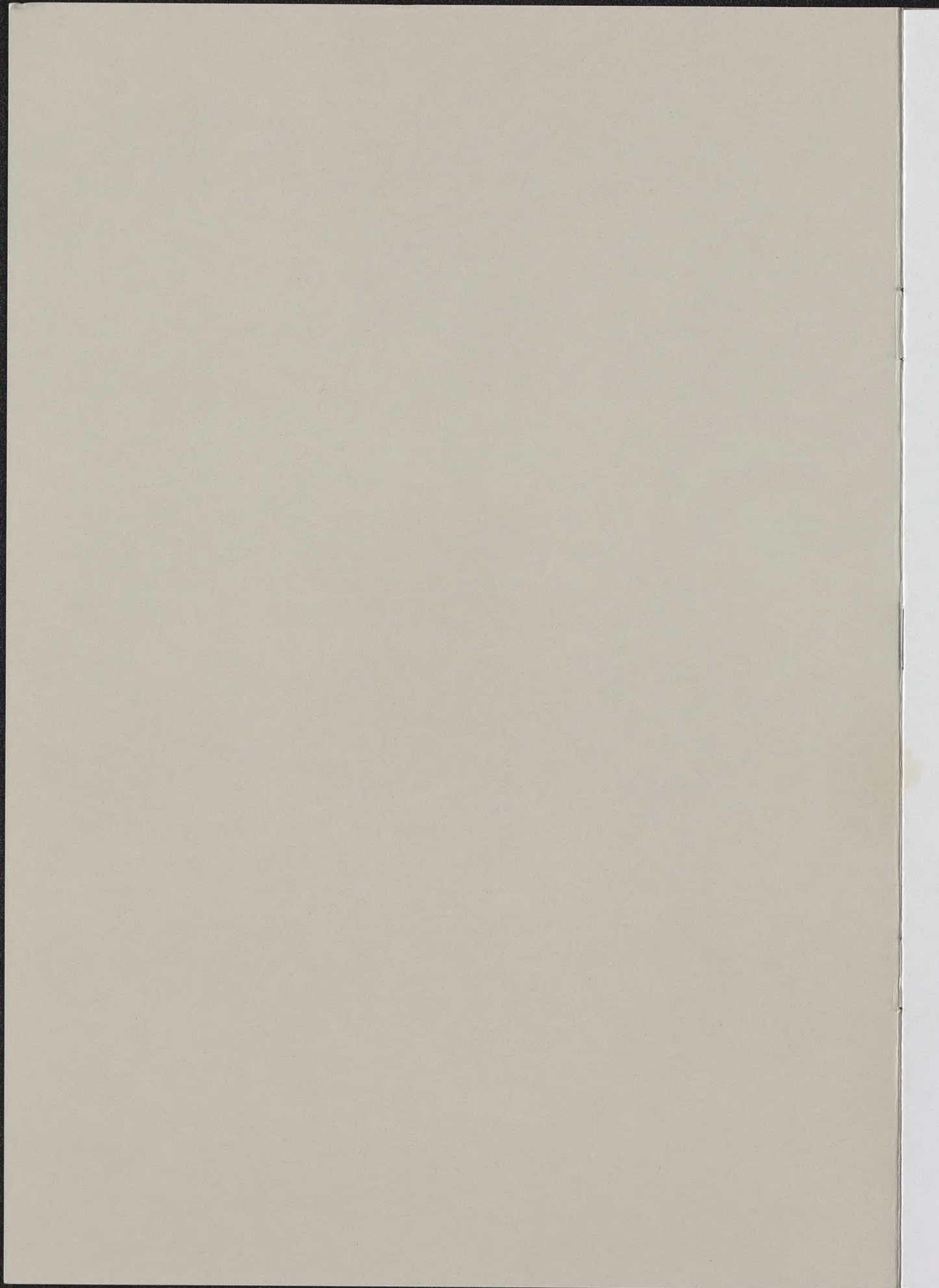
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1997

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ANNUAL REPORT

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Dear CFA Member,

I am pleased to submit the following report on the 1997 activities and accomplishments of CFA and its Consumer Research Council (CRC). During the year, the two organizations significantly expanded their advocacy, research, education, and state and local group services.

On the Hill, with varying degrees of success, CFA advocates sought mainly to block or improve anti-consumer legislation on issues including pharmaceutical regulation, electricity restructuring, securities litigation, bankruptcy reform, automobile salvage, and disaster insurance. We did, however, help persuade Congress to increase the CPSC's budget and many House members to support multi-group credit unions.

At federal regulatory agencies, our advocates sought, without much success, to improve the regulation of the securities and telecommunications industries. We did succeed, however, in improving regulation of automobile leasing.

CFA advocates made a difference at the state level, particularly in the regulation of insurers, telephone companies, electric utilities, and alternative financial service providers. Primarily through the release of research that was widely covered by the press, we also focused much public attention on check cashing, payday loans, credit card debt, cash value insurance policies, and used car disclosures.

In the area of education, the most notable development was the expansion of CRC's indoor air services funded with EPA grants. As well as continuing to work with state and local consumer group partners, conducting a radon PSA campaign, and administering a radon fix-it line, we initiated an environmental tobacco smoke PSA campaign.

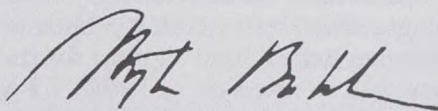
Through generous funding from Consumers Union, we considerably increased our efforts to strengthen the capacity of state and local consumer organizations. One emphasis was linking these groups to other CFA member organizations such as AARP chapters, credit unions, and trade unions. We also expanded our efforts to support the survival and growth of consumer cooperatives.

Given increasing public attention on non-profit organizations, and at the recommendation of our attorneys, the CFA Board changed the name of the Paul Douglas Consumer Research Center to the Consumer Research Council and created a separate Board of Directors for this tax-exempt research and education group.

Last year, CFA was associated with two Consumer Movement milestones. We edited the first comprehensive reference book on the worldwide movement, *Encyclopedia of the Consumer Movement*, which was published by ABC-CLIO. Sadly, we also lost a close friend and adviser, when CFA founder Esther Peterson died at the age of 91.

Your support and encouragement made possible 1997 accomplishments. Our Chairman, Senator Metzenbaum, CFA/CRC staffers, and I thank you for this backing and look forward to working with you in the coming year.

Sincerely,



Executive Director  
March 21, 1998

# Advocacy

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## Major Accomplishments

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**Insurance Regulation:** CFA led opposition to legislation—which Congress did not approve—that would have shifted natural disaster costs from the industry to taxpayers. We also were instrumental in publicizing conflicting interests, in regulatory decisions about CIGNA Insurance restructuring, that were acknowledged by an appeals court. On auto insurance issues, in several states we used testimony, press conferences, and op-ed essays to defend existing consumer protections or advance new ones. We also continued our campaign to reform the purchase and regulation of cash-value life insurance by issuing a major report and presenting it to regulators.

**Telecommunications Consumer Protections:** By submitting several detailed comments to the FCC and meeting with commissioners and key staffers, we sought to influence the agency rules on access charges, which were inadequate. With Consumers Union, through the release of a major analysis of cable rates and the submission of a petition to the FCC, we began trying to persuade the agency to restrain these rising rates. By joining with advocates in twelve states, we sought, with some success, to influence regulatory decisions on either universal service or interconnection terms.

**Product Safety:** CFA was a key supporter of the CPSC's request for an increased budget, which Congress approved. With several other nonprofits, we communicated frequently with Congress and the White House on the need for adequate gun trigger lock standards, which were not part of a voluntary agreement with the industry. Through written comments and a presentation at the Chairman's roundtable, we persuaded the CPSC to expand its guidelines for public playgrounds.

**Pharmaceutical Regulation:** CFA led opposition to congressional legislation that would weaken the FDA's regulation of pharmaceuticals. Though failing to block several anti-consumer provisions, we and allies succeeded in persuading Congress to reauthorize the Prescription Drug User Fee Act. We helped block an anti-consumer extension of drug patent protection. We also made some progress in persuading policymakers and the press to focus on drug switching by pharmaceutical benefit managers (PBMs).

**Banking Protections for the Less Affluent:** Through the release of a widely-reported survey of the costs of check cashing and payday loans, we persuaded a number of states to examine how they regulate these services. Through the release of two reports on credit card debt that were extensively covered by the press, through consultations about and support for new proposed federal credit card protections, through congressional testimony on unsolicited loan checks, and through defense of bankruptcy protections, we sought to discourage high-cost debt creation in less affluent households. The credit card research appears to have moderated industry proposals on bankruptcy reform.

**Electricity Restructuring:** CFA worked with allies to oppose several anti-consumer congressional restructuring proposals. Our congressional testimony, briefings, letters, and lobbying helped limit support for these measures, which were not approved in 1997 but may well be acted on in 1998. CFA advocates worked even harder at the state level to improve restructuring proposals. As well as issuing several papers, testifying before state legislators, and briefing state and local reporters, we worked closely with other CFA member groups in New York, Pennsylvania, Virginia, and Texas.

**Investor Protections:** CFA organized consumer opposition to congressional legislation that would pre-empt private rights of action under state securities laws. Through press initiatives and congressional communications — including comments, letters, and staff conversations — we played a role in slowing progress of these bills in the House and Senate. CFA led unsuccessful opposition to SEC rules on investment advisers and mutual fund sales. A CFA report on misleading compensation disclosure by financial planners did lead to modest industry reforms and the SEC's pledge to develop a plain English disclosure document.

**Automobile Protections:** Through testimony and lobbying, we sought to improve automobile salvage legislation that passed in the House and may well be approved in 1998. Through frequent communications with Fed and FTC leaders, we helped persuade these agencies to regulate auto leasing more adequately. Through release of a nationwide survey of failure to comply with the FTC's used car rule and meetings with FTC staffers, we began trying to persuade the agency to insist on compliance with this rule.

**Credit Union Survival:** CFA worked closely with credit union associations to persuade both the U.S. Supreme Court and Congress to permit multiple-credit union groups. Our advocacy included filing a Supreme Court amicus brief, building support among other CFA member groups, speaking frequently to reporters, and communicating to Congress through testimony, letters, and conversations. While waiting on a Supreme Court decision, we helped credit unions persuade more than 100 representatives to co-sponsor legislation.

**Children's Privacy Protections:** With the Center for Media Education, we took the lead in seeking to persuade the FTC to issue effective guidelines that would protect the privacy of children using the Internet. Our advocacy included developing proposed guidelines and a critique of an industry proposal, and communicating frequently with FTC commissioners and staff, with White House staffers, and with Commerce Department staffers. The principles adopted by the FTC, when responding to a complaint, incorporated some of our recommendations.

**Antitrust Enforcement:** CFA opposition to certain airline, hospital, office supply, and accounting firm mergers was covered by the press and may well have influenced related regulatory decisions. We also began opposing the tobacco industry's antitrust exemption.

**Drinking Water Safety:** CFA was the lead consumer group urging the EPA to issue effective regulations related to 1996 legislation. We participated in an EPA advisory committee, met with EPA officials, and developed a related Today Show segment.

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## Strategies

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CFA pursued several strategies in advocating 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 by court-related actions.

Month	Committee/Agency	CFA Rep	Issue
January	FCC	Cooper, others	Access charges
	CPSC	Fise	Playground safety
February	FTC	Fise, others	Crib safety
	Judicial Conference	Metzenbaum	Civil procedure
	FCC	Cooper, others	Price caps
	NASD	Roper	Mutual fund ratings
	House Banking	Brobeck	Credit unions
March	Fed	Ponder	Auto leasing
	Joint Economic Committee	Hunter	Auto insurance
	National Building Code	Fise	Radon
April	FTC	Fise, others	Children's privacy
	Senate Judiciary	Cooper	Airline merger
	Senate Banking	Cooper	PUHCA
	NAIC	Hunter	Banks in insurance
May	NCSL	Cooper	Electric restructuring
	NCSL	Brobeck	Credit unions
June	SEC	Roper	Mutual fund profiles
	SEC	Roper	Investment co. names
	SEC	Roper	Mutal fund prospectuses
	FTC	Fise, Fox	Privacy
	CPSC	Fise, others	ATVs
	White House	Fise, Fox	Electronic commerce
	House Commerce	Brown	Auto salvage
	U.S. Supreme Court	Zengerle	Credit unions
July	CPSC	Fise, Morrison	Playground safety
	NASD	Roper	Decimal pricing
	USDA	Neidle	Meat safety
	ASTM	Fise	Standards development
	FTC	Metzenbaum, Rouleau	PBMs
August	FCC	Cooper	Ameritech application
September	Indiana Assembly	Cooper	Electric restructuring
	USDA	Metzenbaum	Food transportation
	FCC	Cooper, other	Pay phones
	FCC	Cooper, other	Cable TV rates
	House Banking	Brobeck	Loan checks
	Senate Commerce	Brown	Auto salvage
October	New York Assembly	Hunt	Insurance holding cos.
	Treasury	Fox, others	EFT '99
November	DC Insurance Commission	Hunter	Blue Cross merger
	FCC	Cooper	Bell South application
December	Treasury	Fox, others	EFT '99
	FCC	Cooper, other	Cable TV rates
	FCC	Cooper, other	Bell South application
	U.S. District Court	Roper, Fise	Investor protections

## 2. Coalition and Grassroots Network 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 leasing protections, new investor protections, pharmaceutical regulation, PBM regulation, children's safety, and children's privacy.

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 distribution of a report on the nation's health and safety, development of a Web-site, placement of PSAs, and initiation of a safe, courteous driving campaign.

### 3. Public Education: The Press

In addition to reacting to hundreds of stories, CFA frequently made news. In 1997, we generated 40 separate stories that were reported on by the national press. In addition, we worked with other groups in organizing several press conferences, which led to additional stories. Print coverage included frequent stories and quotes in all major newspapers and wire services, and television coverage included interviews on all major news programs. Also, we wrote op-ed essays or letters that were published in the *Washington Post* (auto insurance, gun locks), *Washington Times* (credit card debt, customer service), *Baltimore Sun* (credit card debt), *Bergen Record* (auto insurance), and Scripps Howard (bankruptcy).

### 4. Public Education: Research

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

<b>General</b>	<i>CFA's Congressional Voting Record</i> (Gordon)
	<i>Sixth Annual Consumer Complaint Survey</i> (Brobeck, NACAA)
<b>Insurance</b>	<i>Most Credit Life Insurance Still a Rip-Off</i> (Hunt, Brobeck)
	<i>South Carolina Auto Insurance Rates</i> (Hunter, SC Fair Share)
	<i>Analysis of Cash Value Life Insurance Policies</i> (Hunt)
<b>Banking</b>	<i>The Consumer Impact of Expanding Credit Card Debt</i> (Brobeck)
	<i>Expanding Credit Card Debt: The Role of Creditors and the Impact on Consumers</i> (Brobeck)
	<i>Planning for the Future: Are Americans Prepared to Meet Their Financial Goals?</i> (Roper, Brobeck, NationsBank)
	<i>The High Cost of "Banking" at the Corner Check Casher: Check Cashing Outlet Fees and Payday Loans</i> (Fox)
	<i>Beyond Cash-and-Carry: Financial Savings, Financial Services, and Low Income Households in Two Communities</i> (Caskey, others)
<b>Investment</b>	<i>How Big a Problem in the Financial Planner "Name Game"?</i> (Roper, NAPFA)
<b>Electricity</b>	<i>A Consumer Issue Paper on Electric Utility Restructuring</i> (Cooper, AARP)
	<i>A New Paradigm for Consumer Protection in the Transition to Electric Competition</i> (Cooper)
<b>Telecommunications</b>	<i>The Telecommunications Act of 1996 One Year Later</i> (Cooper, others)
	<i>Last Chance for Local Competition: Policies to Open Markets Before Baby Bells Begin to Sell In-Region, Long Distance Service</i> (Cooper)
	<i>No Chance for Local Competition</i> (Cooper)
<b>Transportation</b>	<i>Open Skies, Closed Airports</i> (Cooper)
	<i>CFA Used Car Consumer Survey</i> (Fox, others)
<b>Privacy</b>	<i>An Update of Children's Web Sites' Information Collection Practices</i> (Fise, CME)
<b>Product Safety</b>	<i>The Nation's Health &amp; Safety: A Status Report 1997</i> (Neidle, Fise, CCHS)

## *Consumer Education*

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### Radon/Indoor Air Quality Education

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CRC continued work on a national campaign to inform citizens of the dangers of radon gas and other indoor air pollutants in homes and public places. Much of this work was done in partnership with 14 groups in 13 states who have undertaken projects ranging from improving indoor air quality in schools to encouraging testing and mitigation during the sale of homes. We continued to manage a toll-free Radon Fix-It line which was contacted by more than 5000 homeowners with high radon levels. We also continued to develop TV, radio, and print public service announcements that were distributed to thousands of media outlets, and which generated nearly \$20 million in donated media time. In the fall, we initiated a similar PSA campaign for environmental tobacco smoke.

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### Savings Education

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CFA developed initiatives to encourage and assist consumer savings and asset development. With NationsBank, we conducted a major study of savings behavior which served as the basis for workshops in 15 cities and a tabloid newsletter that was distributed to hundreds of thousands of persons. With The Ford Foundation, we oversaw research and planned two forums which sought to understand the savings behavior of selected low-income populations in order to promote their asset development. Both initiatives were reported on by the press.

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### Consumer Literacy

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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 800,000 copies of this publication — the most popular one offered by the U.S. Consumer Information Center for a fee — had been distributed.

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### Other Education

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CFA distributed tens of thousands of copies of 13 consumer pamphlets on topics ranging from complaint resolution to auto leasing. We also evaluated hundreds of cash-value life insurance policies for individual consumers.



# Member Services

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## Conferences

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The most important CFA meetings were built around Consumer Assembly '97, the nation's largest annual consumer conference. More than 300 persons in attendance heard speakers including Senator Russ Feingold, Representative Charles Rangel, FTC Chairman Robert Pitofsky, CPSC Chairman Ann Brown, and community organizer Ernesto Cortes, Jr. address issues related to the theme of "New Consumer Protections Needed in a Changing Marketplace."

During this week, representatives from CFA member groups conducted the business of the federation. Members of 16 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, 140 persons participated in a conference on consumer utility issues that featured presentations from House Commerce Committee Chair Thomas Bliley and Washington State Utilities Commissioner Bill Gillis. In December, 170 persons participated in CFA's thirteenth annual financial services conference, which featured keynote speeches from Comptroller of the Currency Gene Ludwig and Representative John LaFalce. Separate forums on telecommunications and electricity restructuring were held for CFA's state and local consumer leaders.

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## Publications

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CFA member organizations received the following publications.

- Eight issues of CFA's newsletter, *CFAnews*, which reports consumer news and CFA advocacy.
- The 1997 policy resolutions adopted at the Annual Meeting.
- The 1996 Congressional Voting Record, CFA's rating of congressional performance on consumer issues during the previous year.

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

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## State and Local Resource Center

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

- disbursing more than \$141,000 in organizational or equipment grants to 28 organizations;
- disbursing nearly \$10,000 in small, emergency grants to eight organizations;
- distributing 16 computers from Consumers Union to state and local members;
- improving information mailed monthly to state and local groups;
- providing one-on-one assistance to 35 organizations;
- creating a state and local program Web site;
- updating a directory of state and local organizations that lists more than 500 groups; and
- seeking foundation funding for strengthening state and local groups.

# Finances

CFA and CRC continued to enjoy financial stability, with net assets of about \$765,000. The two organizations ran a surplus of about \$15,000 instead of the beginning-of-year projected deficit of \$46,000. The total budget increased from 1996 to 1997 largely because of expanded Consumers Union support for the State and Local Resource Center. This budget is expected to increase to well over \$2 million in 1998 mainly because of new EPA-funded projects on environmental tobacco smoke and energy efficiency.

CFA/CRC Combined Finances	1996	1997
Income	\$1,710,764	\$1,926,323
Expenses	1,655,122	1,911,267
Surplus	55,642	15,056
Net assets	\$750,924	\$765,980



