

Consumer Federation of America



2015

ANNUAL REPORT





Consumer Federation of America

March 24, 2016

Dear CFA Member,

In the past year, CFA's advocates accomplished a great deal. In response to well-publicized safety and regulatory lapses, and advocacy by CFA and other safety groups, Congress approved comprehensive motor vehicle safety legislation that increased funding for NHTSA, toughened penalties, prohibited rental car companies from renting unsafe vehicles, and required greater safety disclosures by truck owners.

We also made significant progress working on regulatory issues. With our support, the FCC issued strong net neutrality protections, expanded the lifeline program to make broadband services more affordable, and joined critics of the proposed Comcast-Time Warner merger who persuaded the two companies to abandon their efforts. At our persistent urging, USDA's FSIS issued rules requiring improved record-keeping that will more easily allow tracing the source of food contamination. Throughout the year, working with allies, we advocated successfully for the Department of Labor to propose rules that would protect those saving for retirement and defended the proposed rules from attacks.

At the state level, our communications with insurance commissioners, other state officials, and local press persuaded sixteen additional states to ban the practice of "price optimization."

The success of our advocacy resulted in good measure from our increasingly active network of state and local advocacy groups. Generous support from Consumer Reports and other sources facilitated the growing effectiveness of this advocacy network.

CFA's main outreach to individual consumers continued through our America Saves and Military Saves campaigns. More than 60,000 individuals pledged to be Savers, bringing the cumulative total of pledges to nearly 500,000. An important part of this effort was America Saves Week, in which more than 1,800 organizations participated.

We also strengthened CFA internally, expanding social media efforts, modernizing the CFA website, and generating new funding from cy pres awards and America Saves grants.

I and staff colleagues thank you for your participation and support of the federation. We look forward to working with you in the coming year.

Sincerely,

Stephen Brobeck
Executive Director

Consumer Advocacy

Major Accomplishments

Automobile Safety: CFA worked closely with other major consumer and safety groups to persuade Congress to approve comprehensive auto safety legislation. This new law significantly increased funding for the motor vehicle safety program of the National Highway Traffic Safety Administration, tripled penalties that NHTSA can impose for violations of the law, prohibited rental car companies from selling, and leasing, or renting a recalled vehicle until it is repaired, among other measures. The coalition also defeated several proposed measures that would have greatly weakened the legislation. In addition to actively participating in the coalition, CFA's advocacy on this issue, and on separate legislation to greatly improve truck safety, included submitting comments, issuing press releases, issuing support statements, and speaking at press conferences.

Communications: CFA continued as a leading advocate that the structure and practices of the communications industry serve the interest of consumers. The most important policy issue was treatment by the Federal Communications Commission of the issue of network neutrality. CFA continued to communicate our position that the FCC must preserve net neutrality with minimum disruption to innovation and investment. In early 2015, the FCC chairman's proposal – to reclassify Internet service providers as common carriers – strongly supported net neutrality though will face tough court challenges. With allies, CFA also actively fought the proposed Comcast-Time merger, which would have severely reduced competition. Faced with growing opposition, the merger was called off. Also in 2015, to allow greater access by lower-income families to broadband services, CFA joined allies to support the FCC's proposal to expand its lifeline program. The FCC adopted its proposal. As background and support for these policy activities, in a series of regulatory filings, conference papers, and journal articles, CFA also presented a comprehensive framework for progressive policy in the communications sector, combining effective regulation and antitrust enforcement.

Consumer Protection/Privacy: As CFA had urged, the Federal Trade Commission amended the Telemarketing Sales Rule to prohibit certain forms of payment and strengthen other consumer protections. CFA supported legislation that would prevent consumers from being penalized for posting negative reviews about companies or their products and services. On privacy, CFA fought against attempts to weaken consumers' rights concerning "robocalls" and continued to press telephone carriers to provide consumers with effective tools to avoid such calls. CFA organized a coalition to advocate for new Federal Communications Commission rules to protect the privacy of broadband Internet users' personal information and advocated in support of privacy legislation and against bills that would weaken consumers' rights under state laws concerning data breaches. CFA led consumer and privacy groups in formally departing from the multi-stakeholder process convened by the National Telecommunications and Information Administration to develop best practices for the use of facial recognition technology due to the inability to reach consensus on fundamental privacy protection issues. An IRS proposal to require individuals to provide their Social Security numbers to charities if their donations exceeded a certain amount was withdrawn after CFA and other commenters argued that it would expose donors

to potential identity theft. CFA supported legislation that would provide better protection and recourse for identity theft victims and embarked on a new project with its Identity Theft Service Best Practices Working Group to develop advice for breached entities about choosing identity theft services to provide to affected individuals.

Energy: CFA continued its consumer leadership in motor vehicle fuel economy and appliance efficiency. We continued to defend and support high fuel economy standards, which are currently undergoing a mid-term evaluation, by analyzing automaker progress, estimating consumer pocketbook savings, and surveying related consumer concerns and preferences, then sharing this information with policymakers and the public. CFA began work in the area of electric vehicles (EVs) by measuring public knowledge and attitudes toward EVs and producing a guide to EVs to increase consumer understanding. CFA continued to make the consumer case for increased fuel economy in medium to heavy duty trucks. That work included updating our analysis on consumer savings and public support for stronger fuel economy standards for trucks. We provided that information in a filing with the U.S. Environmental Protection Agency and the National Highway Transportation and Safety Administration and to the public. CFA also continued its longtime consumer leadership on appliance efficiency, focusing attention on California, which often leads the nation in setting energy efficiency standards. We appeared at the California Energy Commission's (CEC) workshop on efficiency standards for computers and, joined by several other CFA member organizations, CFA submitted formal comments on the CEC's proposal. With allies, we worked on making a strong case for updating long overdue federal energy efficiency standards for furnaces.

Food and Agriculture: CFA continued its leadership on food policy issues. Working with other consumer and public health groups, we successfully pushed Congress to fully fund the Food and Drug Administration's implementation of the Food Safety Modernization Act. We met with key FDA leaders frequently to discuss the FSMA rollout, and submitted comments on the agency's plans to regulate and collect data on antibiotic use in livestock. We met regularly with the USDA's Food Safety Inspection Service as well, successfully advocating for new rules that require retail establishments to maintain grinding logs that enable authorities to trace back the source of contaminated products. We also helped to persuade the Office of Management and Budget to sign off on new pathogen reduction performance standards for poultry parts and ground patties. Working with allies and members of Congress, we convinced FSIS to shelve plans for a hog slaughter inspection rule that would increase line speeds and reduce oversight of company practices. We also worked with allies to defeat federal legislation that would strip states of the ability to require labeling of foods that contain genetically engineered ingredients.

High-Cost Credit: CFA continued to play a key role in the national campaign to win strong new Consumer Financial Protection Bureau protections to eliminate the worst practices in the payday loan industry. CFA also worked to successfully finalize new Department of Defense restrictions on high-cost credit protections that will protect the more than ten percent of active duty service members targeted by abusive lending. A key part of our strategy was continuing to host an annual national conference on state and federal payday loan reform and frequent conference calls in which over 40 advocates from 20 states participated. In addition, CFA continued its work to protect consumers from abusive financial products and practices at tax-time. CFA staff led a national coalition of consumer advocates working to reform the paid tax preparation industry to better protect lower-income taxpayers from fraud and costly errors. This leadership included organizing monthly strategy calls.

Housing: During 2015 CFA continued to work on assuring that the important consumer protections in mortgage lending were sustained. We monitored and commented on proposed changes to Dodd Frank's mortgage rules and worked closely with lenders, consumer and civil rights groups and others to identify possible regulatory changes to respond to specific concerns about increasing mortgage regulation. CFA convened a working group of consumer and financial services leaders to analyze how mortgage underwriting for low- and moderate-income borrowers could be improved through the use of residual income as an underwriting variable, and is continuing to work to refine this approach. CFA worked with a mixed group of consumer groups and lenders to identify specific regulatory initiatives that the Federal Housing Finance Agency could take to expand Fannie Mae and Freddie Mac's use of mortgage insurers and others to reduce the cost of guaranteeing mortgages to borrowers with lower down payments and credit scores, and joined with some industry and consumer allies to press FHFA, Fannie Mae, Freddie Mac, and the Federal Housing Administration to incorporate more updated and inclusive versions of credit scoring to increase the pool of potentially approvable borrowers. CFA participated in consumer housing advisory councils at both JP Morgan Chase and Bank of America. At the latter, CFA led the development and execution of three separate working sessions with other consumer advocates and senior BofA leaders to identify specific policies in place at BofA that could be altered to increase access to mortgage credit for LMI households. CFA also hosted monthly meetings of our Consumer Lender Roundtable in which consumer and industry leaders discussed current housing issues. CFA published early comments on a proposed FHFA rule to implement the Duty to Serve requirements on Fannie Mae and Freddie Mac, and also helped lead a series of ongoing discussions on the proposal.

Insurance: CFA's campaign to help ensure that low- and moderate-income drivers can afford state-required auto insurance continued, expanding substantively and geographically. Our newest studies using auto insurer websites to assess auto financing, mileage driven, and marital status as rating factors, revealed disparate treatment against LMI drivers. Even more troubling, our analysis of millions of data points from an independent data source strongly indicated disparate treatment by insurers of African-Americans at all income levels. All this research was extensively reported on by the press and stimulated reform efforts in a half-dozen states, which we assisted by giving testimony and preparing documents to support new legislation or regulation. An important part of our state advocacy was persuading states to ban insurer use of "price optimization," in which insurers price policies not just on risk-related factors but also on customer sensitivity to price increases. By year's end, through extensive state advocacy including communications with state insurance departments, local presswork, and local support from allies, we had persuaded sixteen additional states to prohibit the practice. Through advocacy before the National Association of Insurance Commissioners, we had also persuaded that association to issue a white paper discouraging price optimization. With allies and congressional supporters, we encouraged the Federal Insurance Office to issue their affordability paper but failed to make much progress. Beyond auto insurance, CFA supported reform of flood insurance and coastal home insurance, and issued a paper on life insurance that gained attention.

International: CFA actively participated at the Organization for Economic Cooperation and Development in the work to update its 1999 guidelines for consumer protection in electronic commerce, which was concluded at the end of 2015. CFA and its allies in the Transatlantic Consumer Dialogue succeeded in convincing the European Commission to revise its proposals for regulatory cooperation and

investor state dispute resolution in the Transatlantic Trade and Investment Partnership, though the new proposals are still not entirely satisfactory and much more needs to be done to ensure that consumer protections are not jeopardized by this trade agreement. CFA also advocated for more effective protection for personal data flowing from the EU to US companies after the original “safe harbor” agreement was invalidated by a European Court.

Investor Protection: CFA’s efforts to strengthen protections for retirement savers made significant progress, with the release of a strong rule proposal from the Department of Labor to require all financial professionals to act in their customers’ best interests when providing retirement investment advice. CFA’s activities in support of the rule proposal included: submitting two comment letters, providing support to other organizations interested in commenting; testifying at a public hearing; meeting with Administration officials, including the Secretary of Labor and the Director of the Office of Management and Budget, and Hill offices; participating in an event with President Obama announcing progress on the rulemaking; participating in Hill briefings with members of Congress and their staff; meeting with the Office of Management and Budget officials; briefing National Economic Council staffers; publishing numerous blogs and fact sheets on various aspects of the rule, industry supported alternatives, and abuses addressed by the rule; rebutting industry arguments in opposition to the rule; being featured speakers at events at Brookings and the Bipartisan Policy Center; meeting with industry representatives to share perspectives; helping design and launch a website for the SaveOurRetirement coalition; and communicating with the press and through social media. CFA also helped to lead the opposition to legislative efforts to undermine or kill the rule, including legislation to delay or defund the rulemaking or to substitute a weaker standard. The year ended on a high point, with defeat of efforts to include a policy rider on the omnibus spending bill to delay rulemaking past the end of this Administration. While work on the DOL rule dominated the year’s activities, CFA did work on other investor protection issues in 2015, including: commenting on proposals from the Financial Industry Regulatory Authority and the Municipal Securities Rulemaking Board to improve fixed income cost disclosures; commenting on a Financial Accounting Standards Board proposal to weaken materiality standards for financial reporting; outlining a list of retail investor priorities for the Securities and Exchange Commission; meeting with SEC officials, including the Chair, to discuss its approach to a possible fiduciary rule; participating in the FINRA dispute resolution task force, which completed its work and issued a report on possible reforms to improve securities arbitration; and writing a monthly blog for the Wall Street Journal.

Product Safety: CFA continued to lead efforts on both broad and product-specific safety issues. We worked closely with a broad public interest coalition to oppose regulatory reform that would thwart the ability of the Consumer Product Safety Commission and other federal agencies to protect the public. We continued our work with a recently formed coalition to oppose the use of all-terrain vehicles on public roads and updated a report documenting that many states are increasing off highway vehicle (ATV and ROHV) access to these roads in spite of opposition by manufacturers and consumer advocates, physicians, and public health experts. We sent 31 letters from coalition members opposing state and local efforts to allow ATVs to be driven on public roads. With this coalition, we also worked unsuccessfully to oppose an appropriation rider that prohibits CPSC from moving forward on the recreational off highway vehicle rulemaking. In addition, we worked to help ensure that the CPSC’s budget did not include other provisions limiting its ability to protect the public. CFA testified before the CPSC about numerous issues including

priorities for the next fiscal year, which highlighted implementation of the Consumer Product Safety Improvement Act and emerging hazards, recreational off highway vehicles, and flame retardants in consumer products. We worked with a large coalition of organizations to file a petition banning a class of flame retardants in four different types of consumer products. With other groups, we filed comments concerning retroactive review, infant bath tubs, heavy metal limit in wood used in toys, hook-on chairs, supplemental mattresses, ROHVs, and in support of our earlier petition on window coverings. We worked on numerous voluntary standards, including those for juvenile products, laundry packets, ROVs, and adult bed rails. We also worked in support of legislation that passed the House and the Senate to require poison prevention packaging for liquid nicotine containers.

Strategies

1. Legislative and Regulatory Communications

CFA's principal advocacy strategy was communicating information and viewpoints to members of Congress, the Administration, and regulators. While most of these communications took place in individual conversation, we also frequently submitted letters, comments, or testimony to Congress, the White House, federal regulatory agencies, state regulatory agencies, and even European government bodies. During the course of the year, we submitted a record 165 of these written communications, often with allied organizations.

2. Media

CFA's main link to consumers, and an important means of influencing legislation and policymaking, is the media. In 2015, we issued a record 146 press releases, held 14 press conferences, and published a number of op ed essays, letters-to-the editor, and blogs on major websites. There were few days in the year when Google News did not report coverage of our releases or quotes from CFA experts, and on several occasions, a CFA press initiative generated more than 20 separate stories.

CFA also greatly expanded its social media presence, hiring a digital communications advocate who followed up releases with frequent messages on Twitter and Facebook. He also worked with CFA colleagues to redesign and modernize the CFA website.

3. Research

CFA developed and analyzed data from twelve nationwide surveys on issues including personal saving, credit scores, tax preparation services, auto insurance, motor vehicle fuel economy, and consumer cooperatives. We also prepared important studies demonstrating the need for consumer protections, the preservation of existing protections, or the rejection of anti-consumer measures. All this research was communicated to the news media and received coverage.

The major studies were:

Banking/Credit

Protecting Consumers at Tax Time: Federal and State Efforts to Address Common Problems Associated with Paid Tax Preparation

Communications

The Future of the Internet as a Dominant Means of Communication and Commerce

Consumer Protection

2014 Survey of Consumer Complaints Reported by Protection Agencies

Energy

Staying on the Road to 54.5 MPG by 2025: Riding the Gasoline Roller Coaster

Food Safety

The Promise and Problems of HACCP: A Review of USDA's Approach to Meat and Poultry Safety

Insurance

The High Price of Mandatory Auto Insurance in Predominantly African American Communities

No Increase in Affordability of Auto Insurance for Low- And Moderate-Income Households

Consumer Research and Education

Auto Insurance and Lower-Income Households: With support from the Ford Foundation and Consumers Union, we continued to research lower-income auto insurance issues related to affordability and discrimination. The research included three reports, based on data from insurer websites, on their use of different rating factors in auto insurance pricing. We also prepared a path-breaking study of the high rates charged to good drivers in predominantly African American communities. All these reports, which were widely covered by news media, helped inform consumers how to more effectively purchase auto insurance.

Consumer Protection: In partnership with the North American Consumer Protection Investigators, CFA conducted its annual survey of complaints to state and local government protection agencies. For National Consumer Protection Week, we issued a new video and tips for consumers about how to protect themselves from ID theft and fraud. CFA hosted a Twitter Town Hall for veterans about identity theft and was one of the founding members of the Veterans Financial Coalition, whose mission is to assist and promote resources to a growing population of veterans, provide financial education for veterans and those serving veterans, and raise awareness of the unique financial challenges that veterans face. We also updated our www.IDTheftInfo.org website with news stories and other information. CFA also made presentations at several conferences about fraud prevention and worked with other organizations to prepare educational materials for consumers about how they can protect their privacy and security.

Credit Scores: In partnership with VantageScore Solutions, CFA again surveyed the nation's knowledge of credit scores and also upgraded an interactive website (www.creditscorequiz.org) and related brochure. Our efforts to publicize both included extensive press coverage as well as briefings to nonprofit groups.

Encyclopedia of Consumer Activism: In partnership with Professor Robert Mayer, we prepared a reference book on consumer activities, organizations, and issues in the U.S. and abroad – *Watchdogs and Whistleblowers: A Reference Guide to Consumer Activism* -- which was published by Greenwood last summer.

Energy Efficiency: With continued support from the Energy Foundation, we researched public opinion on support for increased fuel economy in cars and heavy-duty trucks and also public attitudes about electric cars. This research, together with our analysis of economic impacts, was reported on by news media.

Financial Education: With the FINRA Investor Education Foundation, we updated materials on savings and credit that were distributed to millions of students by Channel One.

High-Cost Credit: With support from the Ford Foundation, CFA continued to play a key role in the national campaign to win strong new Consumer Financial Protection Bureau protections to eliminate the worst practices in the payday loan industry. CFA also worked to successfully finalize new Department of Defense protections for service members targeted by abusive loans. Support for these efforts included our comprehensive analysis of the Arizona auto title lending market, a battleground state for high-cost lend-

ing with national implications, and factsheets on the impact of abusive lending on service members and their families. CFA also hosted a national conference on state and federal payday loan reform research, communications, and strategy and continued to convene frequent conference calls attended by over 40 advocates from 20 states.

Life Insurance Rate of Return Services: CFA's life insurance actuary analyzed cash-value life insurance policies, including rates of return, for consumers.

Military Saves: With funding support from FINRA Investor Foundation, Wells Fargo Bank, and the USAA Educational Foundation, CFA continued to work closely with the Department of Defense on the Military Saves campaign to promote savings among service members. All four branches, plus Air and Army National Guard, Reserve Corps, and the Coast Guard – and many military installations in the US and abroad – participated in the yearlong effort. They were supported by defense credit unions, military banks, banking liaison officers, and non-profit service organizations. During the year, 620 of these organizations signed up to participate in Military Saves Week. Through their activities during the week, the services and their installations reached more than 150,000 individuals. Social media communications resulted in more than one million impressions on Twitter including 2,350 followers and more than 23,000 likes on Facebook. More than 36,000 took the Military Saves pledge, bringing the total number of pledges and re-pledges to more than 210,000 since 2007.

Wealth-Building for Young Workers: America Saves continued to grow the America Saves for Young Workers initiative in 2015. This program seeks to encourage young workers employed by municipal jobs programs to sign up for direct deposit and save a portion of each paycheck. It reached a total of 23,262 youth employees, with 21,744 using direct accounts, 3,789 opening new savings accounts, and 4,595 opening new checking accounts. Of those who opened accounts, 1,293 youth opened checking with linked savings accounts to establish automatic savings. As importantly, 12,225 pledged to save a total of \$5,657,980 through America Saves. An eight-month longitudinal study showed that a large majority were still saving after their summer employment ended, with many saving after reaching their saving goal.

Wealth-Building in Lower-Income Households: With funding from foundations, financial institutions, and cy pres awards, CFA continued to expand the America Saves campaign we initiated in 2001 and have managed since then. More than 61,500 individuals pledged as Savers, bringing the total number of sign-ups at year's end to 455,028. During the year, nearly 90,000 Savers received a quarterly newsletter, more than 4,300 received goal-based text message reminders every two weeks, and nearly 40,000 received monthly e-wealth coach emails. The number of community, regional, and statewide campaigns continued to grow, with over 60 now operating nationwide. The America Saves website more than doubled its unique visitors to about 990,000. In partnership with the American Savings Education Council, we organized the tenth annual America Saves Week, held the last week in February. More than 1,834 non-profit, government, education, financial services, and employer organizations from 48 states signed up for the Week. About 2,300 contributors produced 12,000 tweets leading to 64 million impressions on Twitter during the Week. Throughout the year, four national surveys of consumer attitudes and behavior regarding personal savings were undertaken and reported on by news media, informing both campaign leaders and also consumers exposed to the related media coverage.

Member Services

CONFERENCES

Consumer Assembly: The most important CFA meetings were associated with the 49th annual Consumer Assembly attended by more than 230 persons in March. They heard speakers – including FTC Chair Edith Ramirez, NHTSA Administrator Mark Rosekind, AFL-CIO Director of Policy Damon Silvers, and the new President of Consumer Reports Marta Tellado – who addressed issues related to the theme of current and future public policy challenges.

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

Food Policy Conference: In April, more than 300 attendees heard keynote speakers – including Congressman Earl Blumenauer, Department of Agriculture Secretary Tom Vilsack, USDA Under Secretary for Food Safety Brian Ronholm, FDA Deputy Commissioner for Foods Michael Taylor, and White House Senior Policy Advisor Debra Eschmeyer – address the 38th annual National Food Policy Conference.

Financial Services Conference: In December, more than 200 persons heard speakers – including Richard Cordray, Director of the Consumer Financial Protection Bureau; Richard Michael Blum, Director of the Consumer Protection Branch of the Department of Justice; and Antonio Weiss, Counselor to the Secretary of the U.S. Department of Treasury -- discuss banking, housing, investment, and insurance issues at CFA's 28th annual Financial Services Conference.

Awards Dinner: In June, more than 330 persons participated in CFA's 45th annual Awards Dinner to recognize distinguished consumer service. Senator Al Franken, U.S. Consumer Product Safety Commissioner Robert Adler, KidsandCars.org President Janette Fennell, and ABC News Chief Investigative Correspondent Brian Ross received awards.

PUBLICATIONS

CFA member organizations received the following publications:

- Twenty issues of CFAnews Update, which reports consumer news and advocacy
- The 2015 policy resolutions adopted by CFA's annual meeting
- The 2014 CFA Annual Report

CONSUMER COOPERATIVE INITIATIVES

Consumer cooperatives and public power groups have been important members of CFA since the organization's founding. CFA staff undertook the following initiatives to work with and assist these not-for-profit service groups.

- Organized quarterly meetings with national cooperative and public power leaders to exchange information and discuss challenges and opportunities.
- With NCBA and other co-op groups, helped develop and fund a national opinion survey on consumer cooperatives, then reported survey results at an NCBA conference.
- For the 16th year, with CUNA conducted a holiday spending survey that was reported on by the press.
- Completed a draft of a white paper on community solar initiatives that recognized the leadership of public power and rural electric cooperatives in this area.
- Supported legislation that would expand small business lending opportunities for credit unions.
- Worked with NAFCU, CUNA, and many individual credit unions to promote personal saving during America Saves Week and Military Saves Week.
- With credit union leaders, developed a new award to recognize credit union excellence during America Saves Week.

STATE AND LOCAL RESOURCE CENTER

CFA's State and Local Resource Center, supported by the Colston E. Warne Fund of Consumer Reports, helped strengthen state and local member groups by supplying them with information, technical assistance, and resources. We awarded more than \$75,000 in grants for advocacy and for building organizational capacity. We organized four state and local issue briefings, four state and local advocacy roundtable discussions on strategy, and an issue discussion for state and local protection leaders. We maintained state and local networks, with monthly conference calls, on high-cost credit and on auto insurance issues. And we frequently emailed the some 100 state and local member groups information about consumer and related policy issues. To assist state and local participation in these meetings, we provided over \$28,000 in travel assistance.

Finances

CFA had another strong year financially, principally because of unexpected cy pres award revenues, but also because of increasing grants to support our America and Military Saves programs, with total income bolstered by carryovers from previously received cy pres awards and grants.

Income	\$5,234,263
Expenses	3,782,579
Net Assets	
Temporarily restricted	5,463,325
Unrestricted	2,751,547



