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CFA PAC Endorses Congressional Candidates

For a listing of endorsed candidates, see chart on page 2.

Consumer Federation of America's campaign committee has issued endorsements of 97 candidates in the 1988 congressional elections. In the House of Representatives, CFA endorsed 80 incumbents and 11 challengers. In the Senate, CFA endorsed six incumbents.

Incumbent candidates were evaluated on the basis of their career voting records on key consumer issues. Challengers were chosen from races against incumbents with consistently poor consumer voting records or races for open seats and were judged on the basis of their positions on important pending consumer issues.

"Voters have learned to watch the voting records of their representatives to see where they stand on issues that are critical to them," said CFA Legislative Representative Peggy Miller. "The CFA endorsement lets voters know who has supported consumers in their need for better health care, product safety, better housing, and more accessible, affordable financial services."

Broad Range of Issues Analyzed

Endorsed incumbents are those who have a proven record of placing consumer interests above special interests in a wide variety of areas. Among the many issues considered in the incumbent endorsement process were support for:

- consumer health and safety, in particular efforts to make products safer and to guarantee adequate health care for all;
- effective housing and energy programs that make it possible for families to acquire decent, affordable housing and to control rising home energy costs;
- adequate, understandable financial disclosure, improved consumer access to essential financial services, and the safety and soundness of financial institutions;
- campaign finance reform;
- improving regulatory oversight of the insurance industry; and
- protecting the environment.

CFA's campaign committee also endorsed strongly pro-consumer challengers. These candidates were evaluated on the basis of their strong commitment to a broad array of important consumer issues, including:

- strengthened financial disclosure requirements and increased availability of lower cost account and credit services;
- reform of congressional campaign financing by curtailing the high costs of campaigns and deflating the role of political action committees;
- increased access to essential health care services for the uninsured and underinsured;
- adequate product safety regulation;
- bringing the insurance industry under the antitrust regulatory framework from which it is currently exempt;
- preservation of strong regulation of the telecommunications industry; and
- funding for research on indoor air quality.

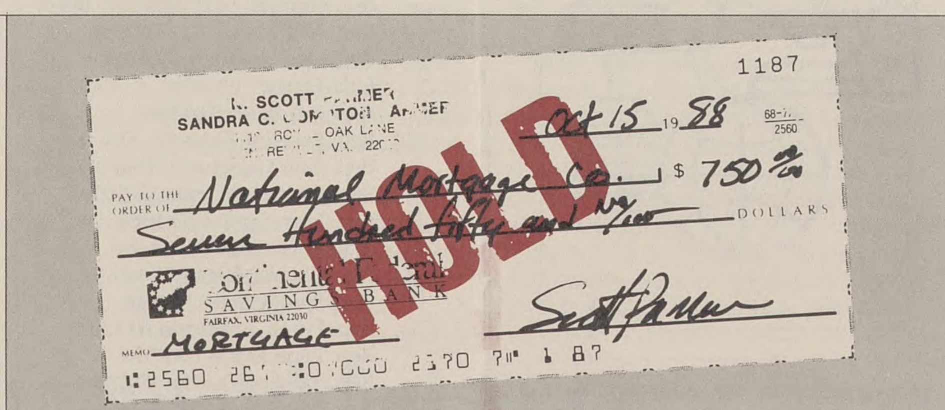
Candidates Can Make a Difference for Consumers

"After reviewing the background and policy positions of these candidates, we are convinced that they will help to keep the health, safety, and financial interests of consumers a top priority in the next Congress," Miller said.

"It is not enough just to return proven consumer allies to Congress," she said. "We need to continue to build and strengthen that pro-consumer coalition."

"This is a critical opportunity for us to build on past successes," Miller said. "With advocates like these endorsed candidates in the Senate and House of Representatives, the consumer agenda will continue to be defended and taken seriously by all others in these legislative bodies."

Check Hold Limits Go Into Effect



New regulations to limit the holds banks can place on deposited funds went into effect September 1 amid false claims by banks that the regulations were "anti-consumer" because they force banks that might otherwise have made funds available immediately to hold funds for a minimum time period.

CFA Executive Director Stephen Brobeck stressed that the new check hold limits represent "ceilings," not "floors," for banking institutions. "Any bank or savings and loan that says a new federal law requires them to hold deposited funds is not telling you the truth," Brobeck said. "Institutions which have been making funds available immediately should continue to do so."

Banks have also claimed that they, and their customers, faced financial liability for failure to comply with endorsement standards issued by the Federal Reserve Board. These standards are not mandatory, and there are no penalties for failure to comply, according to the Fed.

Banks have used these issues to lobby against further consumer protection legislation currently under consideration in Congress.

The new regulations came about as a result of the passage by Congress last year of the Expedited Funds Availability Act, which requires banks, savings and loans, and credit unions to let consumers use funds deposited in checking, NOW, or share draft accounts within a certain number of days.

From September 1, 1988 until September 1, 1990 (when final standards are due to go into effect), deposited funds cannot be held beyond the following time limits:

- next business day for deposited cash, government checks, cashier checks, certified checks, teller checks, or checks written on another account at the same institution;
- the third business day for checks written on local institutions; and
- the seventh business day for checks written on out-of-town institutions.

After September 1, 1990, funds must be available by the second business day after deposit of local checks and the fifth business day after deposit of out-of-town checks.

The law also requires that, beginning September 1, 1988, institutions notify their customers in writing of their check hold policies.

"Congress passed the law mainly because a minority of institutions were holding checks for up to several weeks, thereby greatly inconveniencing depositors and sometimes resulting in the additional expense and hassle of bounced checks," Brobeck said.

"The funds availability law will not only prohibit these lengthy delays, but also will help ensure that consumers understand what the check hold policy of their banking institution is."

Upcoming Events

CFA/TRAC Telephone Conference
November 17-18, 1988

Financial Services Conference
December 15-16, 1988

Consumer Assembly 1989
March 9-10, 1989

FCC Pursues Anti-Consumer Regulatory Plan

The Federal Communications Commission is continuing to pursue its plan to institute price cap regulation of dominant telecommunications carriers, despite evidence that the plan may result in $2 to $7 billion in excessive long distance telephone rates over the next few years.

In response, CFA has urged members of the U.S. Senate to prevent the FCC from initiating its plan, at least until "fundamental factual, legal and technical questions are answered, and post-divestiture turbulence disappears," said CFA Legislative Director Gene Kimmelman.

CFA has also joined with the United Church of Christ in filing comments before the FCC requesting that the agency suspend consideration of price cap regulation and instead fine tune its rate of return program.

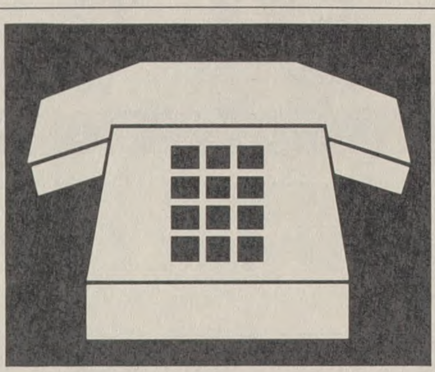
Because it is based "on underestimating the concrete benefits that rate of return regulation has yielded and overestimating the consumer benefits of price caps, the commission's proposed price cap plan is likely to deny ratepayers their fair share of the declining cost attributes of the telecommunications industry," CFA's comments state.

One of the most striking deficiencies of the plan is its reliance on telecommunications industry productivity measurements that the FCC acknowledges have never been computed by the FCC or any other public agency.

"Even more surprising is the fact that, in choosing a productivity-based system, the commission was aware that the Bureau of Labor Statistics has been unable to develop an index of telecommunications industry productivity," Kimmelman said. "Despite the refusal of many companies to supply FCC-requested productivity data and total disagreement among economists and analysts about how to interpret the little productivity data that exists, the commission refuses to acknowledge the need to begin a new factual inquiry."

Kimmelman outlined a number of dangers associated with the FCC's price cap plan:

- evening, night and weekend long distance rates would be allowed to rise 15 percent over the next three years, compared to a 20 to 25 percent decline in the last three years;
- ratepayers would be overcharged between $2.4 and $7 billion over two to four years of price caps (based on data submitted to the FCC by AT&T, a price cap supporter, and economic analysis by Economics and Technology Inc. of Cambridge, Massachusetts);
- companies that the FCC says "have market power sufficient to permit them to act in manners contrary to the public interest" would lock in inflated current rates and transform declining production costs into huge profit increases, rather than reduced prices; and
- quality of service could decline, since phone companies would face no effective penalty for reducing service to increase profits.



"Just four years after total industry disruption that distorts productivity patterns and on the heels of regulatory efforts to reduce inflated local and long distance rates, this is no time to experiment with radical deregulatory proposals," Kimmelman said.

The FCC may make a decision this fall on its price cap plan unless Congress steps in to protect ratepayers' pocketbooks.

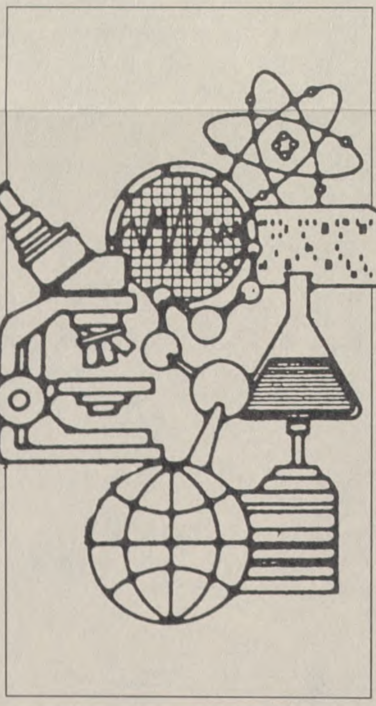
Bills to Regulate Medical Labs Advance

Legislation to strengthen regulation of clinical laboratories has been passed by the full House and by the Senate Commerce Committee.

The bills, which are intended to improve quality control in medical testing and to eliminate economic incentives for physicians to self-deal in medical services, are supported by a broad spectrum of public interest and professional groups, including CFA.

The House Energy and Commerce Committee reported H.R. 5150, "The Clinical Laboratory Improvement Amendments of 1988," in early August. That bill, which covers quality control and regulation, was passed by the full House September 14.

The Senate Commerce Committee passed S. 2477, "The Medical Testing Improvement Act," in August. S. 2477 addresses economic as well as quality regulation.



"The House language on quality control is stronger, but the Senate language on economic regulation is much better," said CFA Research Director Mark Cooper. "We hope to get the best of both bills in conference."

The coalition of public interest and professional groups has called for passage of "meaningful legislation" to "regulate the quality of clinical laboratory tests and to remove the distorted economic incentives provided to some physicians through self-referral and indirect billing for medical tests."

In addition to CFA, members of the coalition include: American Association of Retired Persons, American Clinical Laboratory Association, American Society of Cytotechnologists, National Consumers League, National Council of Senior Citizens, National Council of La Raza, Pathology Practice Association, and Womens Equity Action League.

CFAnews

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CFA Endorsed Candidates

SENATE

Sen. Edward Kennedy (D-MA)
Sen. George Mitchell (D-ME)
Sen. Frank Lautenberg (D-NJ)
Sen. Paul Sarbanes (D-MD)
Sen. Donald Riegle (D-MI)
Sen. Howard Metzenbaum (D-OH)

HOUSE OF REPRESENTATIVES

CA: Wayne Meyer (D-2nd)
Rep. Nancy Pelosi (D-5th)
Rep. Barbara Boxer (D-6th)
Rep. George Miller (D-7th)
Rep. Ronald Dellums (D-8th)
Rep. Pete Stark (D-9th)
Rep. Don Edwards (D-10th)
Rep. Tom Lantos (D-11th)
Anna Eshoo (D-12th)
Rep. Anthony Beilenson (D-23rd)
Rep. Henry Waxman (D-24th)
Rep. Edward Roybal (D-25th)
Rep. Howard L. Berman (D-26th)
Rep. Mel Levine (D-27th)
Rep. Esteban Torres (D-34th)
Lida Lenney (D-40th)
Rep. Jim Bates (D-44th)
CT: Rep. Barbara Kennelly (D-1st)
Rep. Sam Gejdenson (D-2nd)
Rep. Bruce Morrison (D-3rd)
FL: Rep. Larry Smith (D-16th)
ID: Jeanne Givens (D-1st)
IL: Rep. Charles Hayes (D-1st)
Rep. Sidney Yates (D-9th)
Rep. Frank Annunzio (D-11th)
Rep. Lane Evans (D-17th)
Rep. Richard Durbin (D-20th)
IN: Rep. Peter Visclosky (D-1st)
Tom Ward (D-3rd)
Rep. Jim Jontz (D-5th)
MD: Rep. Steny Hoyer (D-5th)
Rep. Kweisi Mfume (D-7th)
ME: Rep. Joseph Brennan (D-1st)
MA: Rep. Barney Frank (D-4th)
Rep. Edward Markey (D-7th)
Rep. Joseph Kennedy II (D-8th)
Rep. Joe Moakley (D-9th)
Rep. Gerry Studds (D-10th)
Rep. Brian Donnelly (D-11th)
MI: Rep. Howard Wolpe (D-3rd)
Rep. Dale Kildee (D-7th)
Rep. Dennis Hertel (D-14th)
Rep. Sander Levin (D-17th)
MN: Rep. Bruce Vento (D-4th)
Rep. Martin Sabo (D-5th)
Rep. Gerry Sikorski (D-6th)
Rep. James Oberstar (D-8th)
MO: Rep. Alan Wheat (D-5th)
NV: Jim Spoo (D-2nd)
NJ: Rep. James Florio (D-1st)
Frank Pallone (D-3rd)
Rep. Robert Torricelli (D-9th)
Rep. Frank Guarini (D-14th)
NM: Rep. Bill Richardsdon (D-3rd)
NY: Rep. George Hochbrueckner (D-1st)
Rep. Thomas Downey (D-2nd)
Rep. Robert J. Mrazek (D-3rd)
Rep. Gary Ackerman (D-7th)
Rep. James Scheuer (D-8th)
Rep. Charles Schumer (D-10th)
Rep. Major Owens (D-12th)
Rep. Stephen Solarz (D-13th)
Rep. Charles Rangel (D-16th)
Rep. Ted Weiss (D-17th)
Rosemary Pooler (D-27th)
Rep. Matthew McHugh (D-28th)
Rep. Louise Slaughter (D-30th)
David Swarts (D-31st)
Rep. John LaFalce (D-32nd)
Rep. Henry Nowak (D-33rd)
NC: Tom Gilmore (D-6th
OH: Rep. Marcy Kaptur (D-9th)
Rep. Dennis Eckart (D-11th)
Rep. Thomas Sawyer (D-14th)
Rep. James Traficant (D-17th)
Rep. Edward Feighan (D-19th)
Rep. Mary Rose Oakar (D-20th)
Rep. Louis Stokes (D-21st)
OR: Rep. Ron Wyden (D-3rd)
PA: Rep. Thomas Foglietta (D-1st)
Rep. William Gray (D-2nd)
Rep. Peter H. Kostmayer (D-8th)
Rep. William Coyne (D-14th)
RI: Rep. Fernand St Germain (D-1st)
Rep. Claudine Schneider (R-2nd)
TX: Rep. Mickey Leland (D-18th)
UT: Rep. Wayne Owens (D-2nd)
VA: David Brickley (D-8th)
WI: Rep. Robert Kastenmeier (D-2nd)
Rep. Gerald Kleczka (D-4th)
Rep. David Obey (D-7th)

Improved Financial Planner Oversight Needed

Congress needs to act to protect consumers from fraudulent, self-dealing, and incompetent financial planners, CFA's Barbara Roper testified before the Senate Banking Committee's Consumer Protection Subcommittee at a hearing this summer on financial planning abuses.

In a 1987 report, "Financial Planning Abuses: A Growing Problem," CFA estimated that at least $500 million was lost to fraudulent planners in 1986 and that at least that much was misinvested because of incompetent or self-interested advice.

"Nearly all of the major financial planning abuses are already covered by existing laws," said Roper, who is author of the report. "In some cases, confusion arises over the applicability of those laws to financial planners. In other cases, inadequate enforcement is the problem.

"Particularly for the victims of fraud, legal protection almost always comes too late, after the money is gone. If the consumer is to be protected, a better job must be done up front to detect and deter such abuses," she said.

Roper suggested that a few relatively simple steps to strengthen existing regulatory structures would dramatically improve the situation. Those steps include:

- clarifying that all those who call themselves financial planners are subject to regulation as investment advisers;
- increasing civil penalties for failure to register;
- increasing frequency of inspections, including an initial inspection of all financial planners within six months of registration;
- offsetting the cost of increased staffing for inspections by raising adviser registration fees;
- strengthening disclosure requirements by limiting the form disclosure can take, expanding the information included under disclosure requirements, rejecting applications on the grounds of unclear or contradictory disclosure statements, and increasing civil penalties for non-disclosure; and
- amending the act to provide for private right of action under the act for clients who can allege financial damage as a result of violations of the act.

This final point is particularly important, Roper said, because "it provides a real incentive for planners to uphold the high standards set out in the act, and it doesn't require any additional expenditures by Congress."

Since no bill has as yet been introduced to address these problems, legislative action is unlikely during this session of Congress.

NICO Offers Life Insurance Buyer's Guide

The National Insurance Consumer Organization has issued an updated edition of its indispensable life insurance buyer's guide, "Taking the Bite Out of Insurance: How to Save Money on Life Insurance."

Written by James Hunt, Director of NICO and former Vermont Commissioner of Banking and Insurance, the 94-page guide has been expanded to address the increasingly complex insurance products offered since it was first published in 1981.

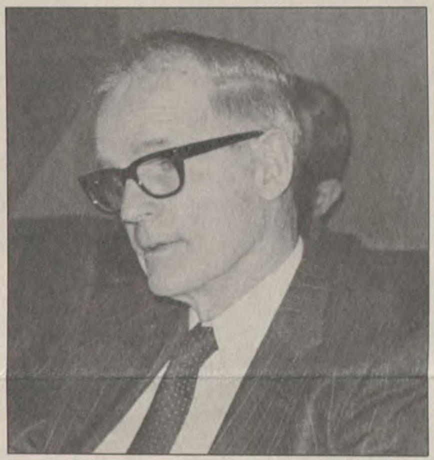
NICO's advice to the majority of insurance buyers is to buy annual renewable term (ART) insurance. The guide also explains "how policies combining life insurance and savings—whole life, universal life, or variable life—can be excellent investments under certain conditions." But the guide offers this warning: "deceptive sales techniques abound in the sale of such policies, and if you don't know how to protect yourself from them, you can lose a lot of money."

The guide provides a wealth of detailed information of the various types of insurance products in language easily understood by the lay person. It helps consumers determine how much insurance they need, as well as what type of insurance they should buy. And it provides advice on how consumers can find the least expensive policies available and sets guidelines for what they should expect to pay. Consumers can also learn whether and how to replace their existing policies.

A 1987 CFA report estimated that consumers spend $5 to $10 billion unnecessarily each year on life insurance. "These excessive costs, which average $50 to $100 per household, are a compelling reason for consumers to evaluate more carefully their life insurance purchases," said CFA Executive Director Stephen Brobeck. "Along with the *Consumer Reports* life insurance book, the NICO guide is the best consumer publication on the subject," he added.

The guide is available for $9.95 to *CFAnews* readers ($2 off the regular price). To obtain a copy, send a check to National Insurance Consumer Organization at 121 N. Payne Street, Alexandria, Virginia 22314.

Support of Consumer Banking Protections Urged



CFA Legislative Representative Peggy Miller (left) urged members of the Senate Banking Committee to include in any final banking deregulation bill the consumer protection provisions contained in Title IV of the House deregulation bill.

Miller made her comments in a hearing September 9 which was called by Chairman William Proxmire (D-WI) (right) as a special briefing on the House consumer protection package. She was joined on the panel by Judith Brown of the American Association of Retired Persons, which has been a staunch ally of CFA in the fight to protect low income banking provisions targeted for elimination by banking lobbyists.

While the bill that has already passed the Senate contains strong language on home equity loans and truth in savings, it lacks the basic banking, government check cashing, and community reinvestment reform provisions that Miller said are "needed in any deregulation bill to balance the impacts of increasing fees, tightening restrictions on accounts, reduction of credit, and increased complexity of banking products."

The House bill, which has passed the Banking Committee, is currently under consideration in the Energy and Commerce Committee, where mark up was scheduled in late September. Conference is expected in early October.

ATV Amendment Added to CPSC Reauthorization

Lobbyists for all-terrain vehicle manufacturers ran out of gas in the House August 9, when the Energy and Commerce Committee reported out a Consumer Product Safety Commission reauthorization bill that included an amendment requiring manufacturers of three-wheel ATVs to offer refunds to purchasers of these vehicles.

After rejecting a motion to strike H.R. 3343's ATV provision 14-28, the committee adopted a compromise provision worked out by Rep. Joe Barton (R-TX), Rep. Dennis Eckhart (D-OH), and Chairman John Dingell (D-MI). This amendment:

- bans three-wheel ATVs;
- allows consumers to return certain three-wheel vehicles and receive either a cash refund from the manufacturer or a credit toward future purchases;
- requires manufacturers to offer free training and injury information to purchasers of four-wheel ATVs; and
- directs the CPSC to establish performance standards for four-wheel vehicles.

"Congress will finally be giving ATV owners the relief they deserve," said Sandra Eskin, CFA Legislative Representative. "Many consumers thought they were buying 'family fun' vehicles, but what they got were 'death traps.' With this legislation, the CPSC will finally be forced to finish the job it began in 1985 when it first addressed ATV hazards."

Other product safety initiatives added at committee mark-up include provisions addressing dangers associated with toxic art supplies, reclining chairs, and toys with small parts.

In addition to such product-specific provisions, the House bill contains measures that strengthen the CPSC's regulatory and enforcement authority and improve agency operations. For example, it gives consumers more power to petition for stronger safety rules and sets a 120-day deadline for the CPSC to respond to such petitions.

H.R. 3343 also requires the CPSC to report to Congress on its activities relating to indoor air pollution.

Meanwhile, ATV lobbyists have concentrated their energies on the Senate, where action on comparable CPSC legislation, S. 1882, is being stalled by Idaho Senators James A. McClure (R) and Steve Symms (R).

The senators are blocking a floor vote on this measure, not only because they want to prevent inclusion of any ATV amendment, but also because of their displeasure over CPSC attempts to stop the sale of worm probes manufactured by an Idaho company. The CPSC alleges that these devices, electrified metal rods used for worm harvesting, present a substantial electrocution hazard.

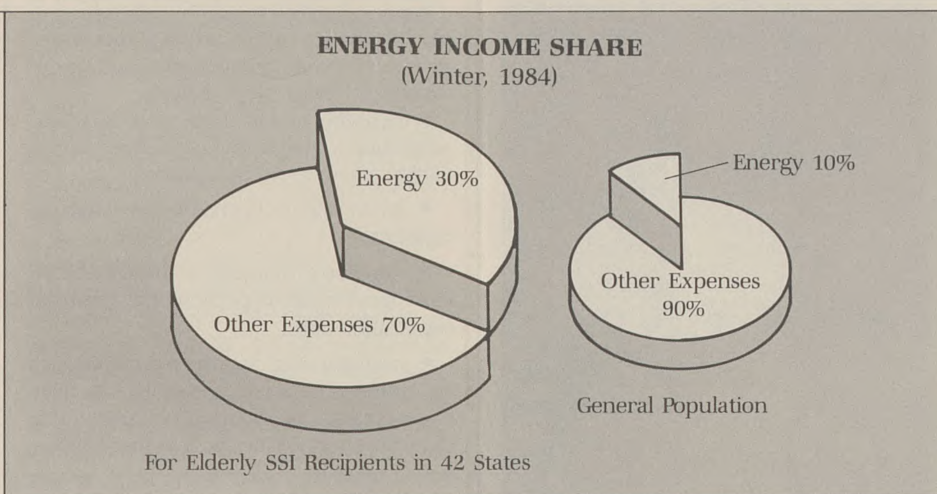
"We will continue to push hard to get a CPSC reauthorization bill passed by this Congress," stated Eskin. "It has been stalled too long."

Energy Crisis Continues for Nation's Poor

The energy crisis of the 1970s never ended for the nation's poor, who have been forced by high residential energy prices to make choices between staying warm in the winter and paying rent or buying food, according to a recent report by the National Low Income Energy Consortium.

"The Late Great Energy Crisis: Hidden Hardships" analyzes data from government and private sources and finds that:

- During the winter of 1986-87, approximately 28 percent of all poor or near poor U.S. households were without heat for one or more days because of an inability to pay utility or fuel bills.
- During the winter of 1983-84, home energy cost consumers more than 30 percent of an elderly person's maximum monthly Social Security Income (SSI) benefits in 42 states; in nine states, home energy costs amounted to 50 percent or more of those benefits; and in one state, more than 70 percent.
- A 25 percent energy cost reduction for housing would make more than a million more housing units affordable to low income households.



Problems are particularly acute for those individuals who live in public housing, according to Steven Ferrey, a nationally recognized energy expert, because public housing tenants: represent the poorest segment of the population; are often ineligible for Low Income Home Energy Assistance; are more than one-quarter elderly and handicapped, with attendant special energy needs; and often lack the technical information and resources to make efficiency investments.

Ferrey, who prepared an analysis of public housing energy efficiency for CFA, said that these basic problems are exacerbated by the fact that more than half of all public housing units are located in cold climates and that most public housing is old, designed before energy efficiency became a major concern.

The Department of Housing and Urban Development now spends more than $1 billion annually in direct energy costs for public housing, compared to $250 million in 1970. But this $1 billion HUD expenditure represents a smaller fraction of the total utility bill. As a result, public housing tenants and local public housing sponsors are forced to pay an ever-increasing share. Utilities are affected when these increased burdens result in arrearages.

Ferrey said, despite these problems, a regulatory environment is in place that allows solutions that benefit all involved.

One long overdue means of improving energy efficiency lies in the purchase of more efficient electric appliances in public housing, Ferrey said. In 1980, HUD promulgated regulations requiring public housing authorities, when replacing appliances, to select either the most cost efficient, based on a life-cycle cost analysis that includes energy costs, or the most energy efficient. So far, that regulation has been virtually ignored.

"With local cooperation to make the existing system work, there can be a major improvement without additional cash outlays," he said.

Other new opportunities arise out of recent changes in the Housing Act, which now allows local public housing authorities to retain savings for up to 12 years that are earned from investing in energy efficiency. Ferrey outlined several possibilities for using such surpluses, including repaying the cost of the efficiency investments; establishing a revolving fund to capitalize additional efficiency investments in other public housing buildings; paying rebates to conserving tenants, or funding other projects.

"By exploiting these opportunities, it is possible to make public housing dramatically more energy efficient, make dwellings more comfortable, reduce arrearages and late payments, put additional dollars in tenants' pockets, and increase public housing cashflow by as much as 40 percent," said CFA Assistant Director Ann Lower.

She added, the key to success is in "effective cooperation between local housing authorities, utilities, and community groups."

CFA and Edison Electric Institute began exploring ways to make public housing more energy efficient in a roundtable discussion at the Electric Utilities conference sponsored by the two organizations in Washington, D.C. last spring.

These groups are being joined by Wisconsin Electric Power Company to sponsor a symposium in Milwaukee, Wisconsin in December to discuss the formation of effective partnerships to address the problem.

Law Enacted to Improve Commercial Fishing Safety

On September 9, President Reagan signed into law a CFA-backed bill which places long needed safety standards on one of the most hazardous industries in the nation. The "Commercial Fishing Industry Vessel Safety Act of 1988" (P.L. 100-424) is designed to reduce needless injuries and deaths on commercial fishing vessels:

- by establishing mandatory, industry-wide safety standards;
- by requiring that vessels carry essential safety and emergency equipment; and
- by developing a vessel inspection program.

The law is supported by four national consumer advocacy organizations—CFA, Consumers Union, Public Citizen, and the U.S. Public Interest Research Group.

Mortality in the fishing industry, according to the National Transportation Safety Board, is seven times the national average for all industry groups. However, the fishing industry lobby has historically opposed safety legislation, arguing that safety regulation would impose burdensome costs on the industry and force many fishermen out of business.

The safety act, which was first proposed as a means to address the high costs of liability insurance, originally included a cap on awards to fishermen injured or killed in fishing vessel accidents. The intent of this provision was to reduce the cost of liability insurance by limiting plaintiffs' ability to recover for harm resulting from unsafe vessel conditions, which consumer advocates saw as harmful to consumer interests.

Through persistent negotiation, consumer and other safety advocates were able to pivot debate on the legislation around the need for adequate industry-wide safety standards. Requiring commercial fishing vessels to take basic safety precautions, such as carrying adequate fire extinguishers and life preservers, should help to prevent numerous accidents and injuries, the consumer advocates argued. This in turn should serve as a more humane way of reducing insurance costs. Such steps will help "to protect the personal health and safety of commercial fishermen, as well as the long-term financial well-being of their industry," said CFA Legislative Director Gene Kimmelman.

"This bill is important, not only because it contains much needed safety improvements, but also because it shows that thoughtful, persistent lobbying can yield passage of good safety laws without harmful liability restrictions," Kimmelman said.

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