



CONSUMER FEDERATION OF AMERICA

USDA Mad Cow Response Inadequate

Responding to the first confirmed case of bovine spongiform encephalopathy (BSE) or "mad cow" disease in the United States, the U.S. Department of Agriculture announced new safety regulations December 31 to protect the public health.

USDA banned the use of cattle that are too sick to stand or walk, banned the use of head and spinal cord tissue in human food, and tightened techniques used in slaughterhouses.

"Although the USDA actions are appropriate, so far as they go, they do not do enough to assure the safety of the nation's meat supply," said Carol Tucker Foreman, Director of CFA's Food Policy Institute.

Furthermore, had the administration not blocked an amendment to the agriculture spending bill earlier this year, meat from the infected cow would never have been processed for food, she said. That amendment, offered by Sen. Daniel Akaka (D-HI),

would have prohibited the slaughter of downer cattle for use in human food.

Although it was approved by the Senate, it was removed from the final bill at the urging of the administration during a closed House-Senate conference committee meeting.

Tucker Foreman noted that many of the steps announced by the USDA were either ones long advocated by CFA and other consumer groups to protect against BSE or were weaker versions of actions advocated by consumer groups.

"Had USDA and the meat industry followed our counsel earlier, our country could have avoided the consumer fears and trade disruptions" that have resulted from the discovery of a contaminated cow in the United States, she said.

Tucker Foreman identified three main concerns with the USDA action.

- The Secretary's statement stopped short

of supporting a mandatory national system for tracing all meat animals from the slaughterhouse back to the farm of origin. "A voluntary or piecemeal system is not sufficient to protect either public health or consumer confidence," Tucker Foreman said.

- The new actions do not include increased testing for the presence of BSE. CFA supports, at a minimum, testing of all animals over the age of three.

- The steps did not include asking Congress for mandatory recall authority, which consumer groups have urged for many years and which was supported by the previous administration. The recall in this case was voluntary, and the companies involved did not act immediately after receiving

notice that they had processed and sold meat from a contaminated animal.

In addition, she took the Food and Drug Administration to task for not expanding the feed ban to preclude the use of all ruminants in animal feed and for not assigning enforcement resources "sufficient to assure the ban on feeding ruminant material to bovines is effective."

Furthermore, the steps outlined by the administration so far are "quite general," Tucker Foreman said. "CFA will watch closely to see that the provisions are not weakened as public scrutiny diminishes and as the commitments move from press release to regulation to actuality."

On the **Web**
<http://www.consumerfed.org/usdarelease123003.html>

Conference Keynoters Offer Differing FCRA Views

Sen. Paul Sarbanes (D-MD) and Assistant Treasury Secretary Wayne Abernathy presented different perspectives on recently enacted amendments to the Fair Credit Reporting Act in keynote addresses at CFA's December financial services conference.

While both highlighted progress in combating identity theft, Sen. Sarbanes focused more on the bill's short-comings, particularly its preemption of strong state laws.

The business community argues that we have a national economic system and therefore need national laws, Sen. Sarbanes said. But states have always been laboratories of experimentation, he noted.

We need to be sure that a national standard doesn't become a way of blocking states from offering stronger protections, he said. "If you're going to preempt and establish federal standards, they must be of a sufficient level" to provide adequate protections in a way that "doesn't block states from protecting consumers at a higher level."

Preemption should apply only to conduct required by federal law, he said. Unfortunately, the new law's preemption provisions are considerably broader than that.

Identity Theft Imposes Enormous Costs

Identity theft is a problem that "affects too many directly, but affects all of us indirectly," Abernathy said.

He cited a recent Federal Trade Commission study which found that identity theft costs institutions and retailers \$50 billion a year, and that cost is passed on to everyone, he said.

In addition, the study found 10 million



Sen. Paul Sarbanes



Wayne Abernathy



John Weicher



Allan Sloan

victims spent \$5 billion to clear their names, he said.

Abernathy said he believes the new tools contained in the FCRA legislation will be very effective in reducing the incidence of identity theft, the cost to consumers, and the time it takes for victims to clear their records.

Abernathy also discussed:

- capitalization limits on credit unions and whether they should be allowed to use a risk-based capital system, which in his view would free up capital;
- the need to ensure that the terror insurance program does not become a permanent "government subsidy for people who don't need a government subsidy;" and
- the need to strengthen oversight of the Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac.

The need for enhanced GSE oversight was also the topic of a presentation by John Weicher, Assistant Secretary of the Department of Housing and Urban Development (HUD).

Weicher outlined the administration's proposal for restructuring regulation of the GSEs, which involves moving regulation from an independent office within HUD to the Department of Treasury and giving the new regulator authority to set minimum capital standards and to decide whether GSEs can enter new lines of business.

Contrary to criticism that has been aimed at this proposal, it would neither change the GSEs' role in the housing market nor weaken the ability of mortgage lenders to provide funding for consumers, Weicher said.

Sen. Sarbanes said GSE oversight, along with mutual fund reform, will be on the Senate Banking Committee's agenda in the coming year. And he discussed the need for new predatory lending protections.

"There's a place for sub-prime lending, but it must be fair to both borrower and lender," he said. Legitimate sub-prime lending "does not constitute exploiting people and simply stripping equity."

Enhanced Investor Protections Advocated

Changes in the way Americans fund their retirement make enhancing investor protections a top priority, said *Newsweek's* Wall Street Editor Allan Sloan in another keynote address.

With traditional pension plans and post-retirement medical benefits disappearing and government not picking up the slack,

Americans are increasingly dependent on personal investments to fund their retirement, he said. But that means we need enhanced consumer protections, he added.

"As long as we're all going to be in the stock market, and we'll have to take care of ourselves, we need consumer protections, not just from the creeps that are out there, we need protection from ourselves," Sloan said.

The Enron scandal revealed the harm investors can inflict on themselves when they invest the bulk of their retirement money in company stock, he said. For the workers who lost money, about one-third of it was money they were required to invest in company stock and two-thirds was money they voluntarily invested in company stock, he said.

As a solution, he advocated limiting individuals to investing no more than 20 percent of their retirement funds in company stock. The government has an interest in controlling such investments, he said, because they have implications for the general taxpayer.

"If I'm going to pay for this with tax incentives for the 401(k), I don't want you showing up when you're old and toothless and broke and have to pay for it again," he said.

Despite recent scandals, mutual funds remain the best way for the average person to participate in the stock market, Sloan said. But mutual fund investors need to pay attention to costs, he added.

In order to be able to do that, they need better disclosure, he said. "We need a lot of disclosure, and we need things written in English."

2003 Review of Consumer Legislation

Financial Services

Bankruptcy – Despite efforts to win quick passage of anti-consumer bankruptcy legislation, the year ended with the bill's fate up in the air. The House passed a bill (H.R. 975) in March on a 315-113 vote that was virtually identical to last year's industry-friendly conference agreement. At the heart of the bill is a rigid means test designed to force more debtors to file under Chapter 13, thus limiting their ability to make a fresh financial start. Early in the year, Senate Judiciary Committee Chairman Orrin Hatch (R-UT) said he planned to bring the bill directly to floor, foregoing committee consideration, but that threat never materialized. Now the bill is expected to be brought to the Senate floor early in 2004. The key factor remains an amendment, crafted by Sen. Charles Schumer (D-NY), that would prevent abortion protestors from using bankruptcy to escape civil fines and judgments. The Senate has been unwilling to pass the bill without the provision, and the House has been unwilling to pass the bill with it. Senate supporters are said to be looking for a compromise, but that has so far been elusive. Now that the attention of financial services lobbyists is no longer absorbed by reauthorization of the Fair Credit Reporting Act, however, the issue is expected to get more attention. Another provision that came under scrutiny in the Senate this year is one that would loosen conflict of interest protections that prevent investment banks from serving as advisors to the bankruptcy trustees of debtor companies with which they have had a recent investment banking relationship. Securities and Exchange Commission (SEC) Chairman William Donaldson came out against changing current law during a Senate hearing.

Fair Credit Reporting Act – Congress passed and the president signed legislation (H.R. 2622, S. 1753, P.L. 108-159) that makes changes to the Fair Credit Reporting Act. It entitles consumers to receive a free copy of their credit reports once a year upon request and provides enhanced protections regarding credit report accuracy, identity theft, medical privacy, and consumer access to credit scores. Unfortunately, it continues to allow huge financial services corporations to share sensitive financial information without consent, and it prevents states from adopting stronger laws. It also blocks states from adopting identity theft measures that are stronger than those in the bill. The House passed its bill in September, and the Senate followed suit with a more consumer-friendly bill in November. After a rushed conference, the House and Senate cleared the final bill in late November, and President Bush signed it into law in early December.

Mutual fund reform legislation – Even before the mutual fund trading scandals hit, the House Financial Services Committee had approved a bill (H.R. 2420) to improve mutual fund cost disclosure and strengthen the independence of mutual fund boards. Unfortunately, two of the bill's strongest provisions — one requiring mutual funds to pro-

vide customers with individualized cost disclosures and another requiring mutual fund boards to have an independent chairman were removed from the bill in mark-up. Opponents argued that the reforms were unwarranted in light of the industry's relatively scandal-free record. The bill appeared to be sidelined until the first revelations in September of widespread trading abuses gave it new momentum. Rep. Richard Baker (R-LA) and Financial Services Committee Chairman Michael Oxley (R-OH), quickly added provisions targeted specifically at trading abuses, and the bill passed the House in mid-November on a 418-2 vote. Hearings were held in the Senate, and strong reform bills were introduced (S. 1822, S. 1971). Senate Banking Committee Chairman Richard Shelby (R-AL) has said he will monitor the regulatory response and introduce his own bill if legislation is necessary.

SEC Civil Enforcement Authority – The Senate passed legislation as part of the CARE Act to enhance the SEC's civil enforcement authority. Sponsored by Sen. Carl Levin (D-MI), the measure would expand the universe of firms and individuals the SEC could fine directly for securities law violations, raise substantially the maximum civil administrative fines the agency is allowed to impose, and give the SEC the same authority that federal banking agencies have to subpoena financial records as part of an official agency investigation without first notifying the subject of the record request. In May, Chairman Oxley and Rep. Baker introduced a companion bill (H.R. 2179) that includes these provisions as well as additional measures to improve SEC access to grand jury information, to allow for nationwide service of subpoenas in agency civil actions, and to allow the Commission to hire private debt collection attorneys to assist in collecting disgorgement funds and financial penalties from securities law violators. The overall measure had strong, bipartisan support until Rep. Baker added an amendment during subcommittee mark-up that would restrict state securities regulators' enforcement authority. That anti-investor move caused panel Democrats to withdraw their support, and the bill was not presented for a scheduled committee mark-up in late July, nor was it put on the committee's legislative calendar as expected in the fall. Committee Democrats wrote to Chairman Oxley in the fall asking him to strip the preemption provision and pass the underlying bill, but he failed to do so before the end of the legislative session. Rep. Baker continues to press for passage of preemption legislation, leaving the likely fate of the bill uncertain.

Stock Option Expensing – With the Financial Accounting Standards Board preparing to issue a standard requiring companies to show stock options as an expense on financial statements, some members of Congress once again sought to impede that effort. One set of bills introduced (H.R. 1372, S. 979) would block adoption of the new standard by preventing the SEC from enforcing any such requirement pending a three-year economic impact study. A later set of

"compromise" bills (H.R. 3574, S. 1890) would require limited expensing of stock options for a handful of top corporate officials, but would otherwise prohibit implementation of an expensing standard pending an economic impact study. A broad coalition of consumer and other groups, including CFA, wrote in opposition to the bills on the dual grounds that mandatory options expensing is pro-investor and that political interference in the standard-setting process threatens its continued viability.

Auditor Independence – Sen. Carl Levin (D-MI) introduced legislation (S. 1767) to codify the basic principles for determining auditor independence and clarify that audit committees are required to evaluate non-audit services with these principles in mind. The bill would also ban auditors from providing tax shelter services to public companies they audit and to executives and officers of those companies. A coalition of consumer groups, led by CFA, endorsed the bill as a needed enhancement to last year's Sarbanes-Oxley Act.

Insurance Regulation – Bills were introduced in both the House and Senate to provide for federal regulation of the insurance industry. Most were industry-backed bills that would allow insurers to choose between federal and state regulation, which would inevitably lead to a race to the bottom in consumer protections. Only one bill (S. 1373), introduced by Sen. Fritz Hollings (D-SC), provides significant consumer protections. It would create a federal system to regulate all interstate insurers, while intrastate companies would continue to be regulated by the states. It would also require federal prior approval of prices, provide for annual market conduct exams, create an office of consumer protection, enhance competition by removing the antitrust protection for insurers, improve consumer information, and create a system of consumer feedback. CFA Insurance Director J. Robert Hunter testified on the issue before the Senate Commerce Committee in October.

GSE Regulation – The revelation of a major accounting fraud at Freddie Mac gave new impetus to efforts to overhaul regulatory oversight of the mortgage finance Government Sponsored Enterprises (GSEs). Legislation was offered to eliminate the GSEs' current financial regulator, which operates as an independent office within the Department of Housing and Urban Development, and to switch this function to the Department of Treasury, providing the new regulator with greater authority to monitor the financial health of Fannie Mae and Freddie Mac. The bill stalled in House Financial Services Committee, however, after the White House criticized it for not going far enough. Specifically, the administration wants any new regulatory structure under the Treasury Department to have authority both to set minimum capital requirements and to decide whether the GSEs can enter new lines of business. The Senate Banking Committee is expected to introduce a bill early in 2004, with legislation given a 50/50 chance of pas-

sage. CFA Director of Housing and Credit Policy Allen Fishbein testified on the issue in the House and Senate and laid out a pro-consumer policy for GSE regulatory restructuring. His Senate testimony was presented on behalf of CFA and four other consumer, civil rights, and community organizations.

Health and Safety

Background Checks for Gun Purchases – Rep. Todd Tiahrt (R-KS) succeeded in getting a provision included in the omnibus spending bill that would reduce from 90 days to 24 hours the time in which records from criminal background checks required for gun purchases must be destroyed. Under the Brady Act, federally licensed gun dealers must request background checks on all buyers, either through state authorities or the FBI's National Instant Check System, to make sure they are legally authorized to own guns. The longer holding period allows for testing of the instant check system to make sure it is operating appropriately and enables law enforcement officials to retrieve firearms erroneously approved for sale to people who do not meet the criteria for gun purchases. The shorter time period would make it impossible to retrieve the vast majority of guns sold to prohibited persons, such as felons, fugitives, and those guilty of domestic violence misdemeanors. Other provisions added to the omnibus spending bill at the behest of the National Rifle Association would: prohibit the Bureau of Alcohol, Tobacco and Firearms (ATF) from finalizing a proposed rule that would require gun dealers to conduct an annual physical inventory in order to allow dealers to identify missing and stolen firearms and report them to ATF in a timely fashion; prohibit public release of any information regarding firearms production or sale that is required to be kept by gun dealers and manufacturers; prohibit public

CFAnews

Consumer Federation of America

1424 16th Street, N.W., Washington, D.C. 20036

(202) 387-6121 • www.consumerfed.org

President: Kenneth McElowney

Chairman: Sen. Howard M. Metzenbaum

Executive Director: Stephen Brobeck

Research Director: Mark Cooper

Public Affairs Director: Jack Gillis

Director of Consumer Protection: Jean Ann Fox

Legislative Director: Travis Plunkett

Associate Director: Nancy Register

Director of International Issues: Mark Silbergeld

Director of Administration: Betty Leppin

Director of Financial Education: George Barany

Project Director: Susan Peschin

Public Policy Associate: Diana Neidie

Conference Manager: Adele Ellis

Project Manager: Mel Hall-Crawford

Project Manager: Susan Winn

Project Manager: Jodi Shulimson

Assistant General Counsel: Rachel Weintraub

Comptroller: Debra Winfield

Administrator: Miguel Carpio

Executive Assistant: Lydia Grogan

Health and Safety Associate: Chris Waldrop

Project Coordinator: Michelle Watts

Legislative Assistant: Anna Pettrini

Office Assistant: Milena Carpio

CFA's Center for Insurance Policy

Director of Insurance: J. Robert Hunter

Life Insurance Actuary: James H. Hunt

Insurance Counsel: Kathleen O'Reilly

CFA's Food Policy Institute

Director: Carol Tucker Foreman

Associate Director: Jeff Nesbit

CFA's Center for Housing/Credit Policy

Director: Allen Fishbein

Coordinator: Brad Scriber

CFAnews Editor: Barbara Roper

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

© Copyright 2004 by Consumer Federation of America. CFA should be credited for all material. All Rights Reserved.

Design & Typeset by: Dahlman/Middour & Nolan Design

release of information reported to ATF, such as information on multiple handgun sales to the same buyer within five days or gun tracing information; and prevent ATF from computerizing records of gun dealers who go out of business, which has been done in the past primarily to facilitate the tracing of crime guns. The Senate adjourned for the year without adopting the spending bill, but it is expected to be one of the first items on the Senate agenda in 2004.

CPSC reauthorization – The Senate gave unanimous consent in September to legislation (S. 1261) to reauthorize the Consumer Product Safety Commission (CPSC). The bill would set a funding authorization level of \$60 million for fiscal year 2004, with annual stepped increases to \$73.6 million for FY 2007. It would also increase the maximum civil penalty under the act from \$1.65 million to \$20 million for companies that violate the act by failing to report product hazards. No House hearings have yet been held on the issue. CFA Assistant General Counsel Rachel Weintraub testified in support of reauthorization legislation in June.

Assault Weapons Ban – Companion bills were introduced in the House and Senate (H.R. 2038, S. 1431) to reauthorize and expand the assault weapons ban, which is set to expire next September. Both bills would broaden the definition of assault weapon to include any semi-automatic rifle, shotgun, or pistol that can accept a detachable magazine and includes one listed additional feature, such as a pistol grip, fore-end grip, or collapsible stock. Both would also close other loopholes in the current law and would make the ban permanent. Although the bills enjoy strong public support, the measure ran into immediate opposition in the House, where Rep. Tom Delay (R-TX) said Republican leaders would not allow a vote. Speaker of the House Dennis Hastert (R-IL) countered that no such decision had been made, but he did not promise a vote. President Bush, who supported a ban during his campaign, has refused to use his political influence in support of the measure.

Safety Regulation of Guns – Sen. Jon Corzine (D-NJ) and Rep. Patrick Kennedy (D-RI) introduced companion bills (H.R. 2403, S. 1224) to require the gun industry to comply with the same health and safety regulations as virtually all other products sold in America. CFA endorsed the bills, which would give the Department of Justice consumer protection authority.

Highway Safety – The Senate Commerce Committee gave voice vote approval in June to draft legislation to reauthorize the National Highway Traffic Safety Administration (NHTSA) and other transit safety programs. The bill directs NHTSA to adopt a vehicle rollover prevention standard and improve other safety standards. Provisions related to the safety of 15-passenger vans and tires, seat belt use reminder technology, vehicle back-over crash avoidance technology, and truck and bus safety were also included, as was a booster seat incentive grant program encouraging state

enactment of these laws. Meanwhile, the Senate Environment and Public Works Committee marked up highway funding legislation (S. 1072) in November that failed to include a top highway safety priority — a requirement that all states enact primary seat belt enforcement laws or risk losing highway funds. In December, Senators John Warner (R-VA) and Hillary Rodham Clinton (D-NY) introduced a bill (S. 1993) that would give states three years to enact a primary seat belt enforcement law or achieve a seat belt usage rate of at least 90 percent by other means. States that fail to meet either goal would have a portion of their highway funds withheld.

Country of Origin Labeling – Congress included a provision in the agriculture appropriations bill to delay implementation of country-of-origin food labeling. The labeling requirement, which allows consumers to avoid food from countries based on reports of poor sanitary conditions in that country, was due to take effect next September. The final bill would prohibit the agriculture department from spending money on the program through FY 2006, with the exception of labeling for farm-raised and wild fish. The agriculture appropriations bill became the vehicle for the omnibus spending bill, which passed the House on December 8. The Senate expects to take up the measure in January.

Health Care

Generic Drug Access – The Senate reached a bipartisan compromise on legislation to promote greater access to generic drugs and included the measure in its Medicare overhaul legislation. Many of these provisions were included in final Medicare overhaul legislation, which was signed into law by the president in late November (P.L. 108-173). Although not as strong as last year's Senate bill, the new law will: allow only one stay per drug to be granted, thus limiting the ability of brand-name drug manufacturers to prevent generic competition by triggering multiple 30-month stays; strengthen the ability of generic companies to assure that their drugs are not in violation of any patent before going to market; prevent anti-competitive contracts between brand-name and generic drug companies in which generic firms are paid by the brand-name firm not to compete; and make it easier to bring several classes of generic drugs to market.

Medical Malpractice – The House passed a bill (H.R. 5) in March on a 229-196 vote to cap damages to victims of medical malpractice. The bill would limit pain and suffering awards to \$250,000, cap punitive damages at \$250,000 or twice the economic damages, and limit the fees that plaintiffs' attorneys can charge when they charge on a contingency fee basis. This is the seventh time the House has passed medical malpractice legislation, but it has always died in the Senate. In order to break that impasse, Senate Majority Leader Bill Frist (R-TN) tried to broker a compromise that would have set a higher cap (\$500,000) on non-economic damages, but it failed to win the support of doctors' groups. He then sought

to bring the Republican-sponsored bill (S. 11) to the floor without first going through the committee process, but it fell 11 votes short of the 60 needed to invoke cloture and end debate. Senators Lindsey Graham (R-SC) and Richard Durbin (D-IL) introduced an alternative bill (S. 1055), that, instead of capping pain and suffering damages, offers tax credits to offset the cost of soaring malpractice premiums for doctors in high-risk specialties.

Corporate Accountability

Class Action Limits – Bills were introduced in both the House and Senate (H.R. 1115, S. 274, S. 1751) that, in the name of curtailing class action abuses, would instead create barriers for consumers seeking redress. Both the House and Senate versions would permit defendants to remove most state class action suits to federal court. This would have the effect of over-burdening an already backlogged federal docket, slowing the pace of certifying class actions, and leaving consumers caught between conflicting state and federal class certification requirements. The House passed its bill in June. The Senate Judiciary Committee approved S. 274 in April, but supporters were unable to collect the 60 votes need to bring it to the floor. Senate Majority Leader Bill Frist (R-TN) placed a new version (S. 1751) up for a test vote in October, but it fell one vote short of the 60 needed to invoke cloture. Several Democrats who support the concept behind the bill voted against it because they objected to being excluded from negotiations. They have since reportedly reached an agreement, and the bill is expected to be brought to the floor for a vote early in January.

Gun Liability Shield – The House voted in April to give gun manufacturers, sellers, and trade associations new immunity from civil liability for damages resulting from negligent manufacturing or selling practices. The Senate has yet to consider either the House-passed bill (H.R. 1036) or its own measure (S. 1806). The National Rifle Association claims to have lined up the 60 votes needed to bring the bill to the floor, but disagreements reportedly remain over what amendments will be allowed.

Energy

Energy bill – The House passed legislation (H.R. 6) in April designed to implement the administration's energy policy. The Senate had appeared to be hopelessly deadlocked, but broke the impasse in late summer by adopting last year's bill on an 84-14 vote. Although the House and Senate bills are very different, they both contain numerous anti-consumer provisions, including provisions designed to speed deregulation of the electricity market while doing little to improve the stability of the nation's electric grid or protect consumers from unfair hikes in their electricity bills. Despite locking Democrats out of conference negotiations, leaders still found it difficult to reach agreement on final language. When they finally emerged from conference with a deal in mid-November, the conference report passed the House on a 246-180 vote but fell

two votes short of the 60 needed to bring it to the Senate floor. Supporters have said they expect to be able to find the additional two votes needed to bring the bill to the floor in 2004, but even if do they will likely face a budgetary point of order.

Oil Reserves – The Senate added a provision to the 2004 Interior spending bill directing the U.S. Department of Energy to develop and use cost-effective procedures for filling the U.S. Strategic Petroleum Reserve (SPR), but it was dropped from the final bill.

Telecommunications

Media Ownership Rules – Federal Communications Commission rules to allow further concentration in media markets were met with strong bipartisan opposition in Congress. The House and Senate both included language in their respective Commerce-State-Justice appropriations bills (H.R. 2799, S. 1585) designed to prevent the FCC from carrying out the network ownership cap rule for at least a year. During end of session negotiations, conferees worked out an agreement with the administration to remove the spending rider and insert language that would permanently change the cap to 39 percent. The measure is included in the omnibus spending bill, which passed the House December 8 but is still pending in the Senate.

Do Not Call List – In response to a September ruling by a federal judge that the Federal Trade Commission (FTC) did not have authority to begin enforcing its do-not-call registry, Congress cleared a bill in just two days to protect the program (H.R. 3161, P.L. 108-82). Introduced by House Commerce Committee Chairman Billy Tauzin (R-LA), the legislation specifically authorizes FTC to operate and enforce the registry and provides for fines of \$11,000 per violation. Even before President Bush signed the bill, however, another legal challenge emerged, on the grounds that the program violates the free speech rights of telemarketers, because it exempts charitable organizations. An appeals court ruled that the FTC could begin enforcing the list while the case is argued.

Anti-spam Legislation – Congress passed and the president signed weak legislation (S. 877) to regulate junk e-mail or "spam." The new law, which preempts stronger state laws, would allow marketers to send an initial unsolicited email, after which recipients could request no further contact. It criminalizes some of the most common techniques used by spammers, and it directs the FTC to study the possibility of creating a national do-not-spam registry modeled on the popular do-not-call registry. The FTC, state attorneys general, and Internet service providers, but not individual consumers, will be permitted to sue violators for monetary damages of up to \$3 million. The Senate took the lead on the issue, passing its bill (S. 877) on a 97-0 vote in October. An amended version of S. 877 cleared the House and Senate in late November. President Bush signed it into law (P.L. 108-187) in December.

America Saves Offers New Initiatives

As part of a growing national campaign, America Saves has announced new initiatives to promote savings among American Latinos and to encourage lower income households to build wealth through homeownership.

The campaign was begun by CFA in 2001 to encourage and assist low- and moderate-income Americans to save and build wealth.

Since then, local campaigns have been launched in 16 communities from Philadelphia to Guam and are being organized in approximately another 25.

The national component of the campaign has also been expanded, through the campaign website and special partnership efforts. These include a partnership with Cooperative Extension Service to promote the campaign through its network and a partnership with Black Entertainment Network to create and promote Black America Saves.

As a result of these efforts, more than 15,000 individuals have identified a savings goal, developed a strategy to reach that goal, and enrolled as savers through either local or national campaigns.

Building Wealth Through Homeownership

A study released by CFA and national housing groups in December found that home equity represents well over half of the personal wealth held by lower income and minority home-owning households.

While home equity represents 42 percent of net wealth for all homeowners, it represents 80 percent of the net wealth of lower income homeowners and more than half the net wealth of moderate-income African-American and Hispanic households.

Moreover, the typical low-income homeowner had net wealth of \$50,000 in 2001, while the typical low-income household had net wealth of only \$7,900.

"Paying off the mortgage on a home has been, and will continue to be, the easiest way for lower income and minority households to build personal wealth," said CFA Executive Director Stephen Brobeck.

To help these households save for a home and preserve their equity in their home, CFA and other national housing groups

announced a new "Build Wealth Through Homeownership" initiative in December that is part of the broader America Saves campaign.

"Thanks to the leadership of CFA, Fannie Mae and the many housing partners participating in this effort expect to make great progress towards expanding homeownership opportunities for under-served Americans," said Pamela Banks, Vice President of Regulatory Compliance at Fannie Mae and co-chair of the America Saves Homeownership Advisory Committee.

The campaign was developed by an advisory committee made up of housing, minority, and low-income assistance organizations, as well as financial services companies. Many of the advisory group organizations will disseminate homeownership wealth-building messages and services throughout their networks.

These messages are contained in a free brochure and a new sub-page on the America Saves website, which offer basic advice to those wishing to purchase a home or build equity in an existing home.

Individuals who enroll as American Savers with the goal of saving for a home or building equity in their home will also have access to motivational workshops and wealth coaching.

Hispanics Face Wealth Gap

In November, America Saves launched an initiative designed to encourage personal savings by American Latinos as a vehicle to build wealth.

Hispanic America Saves will use a bilingual wealth-building brochure and website to enroll Latinos as American Savers.

The campaign is designed to help eliminate the wealth gap that exists between American Latinos and other American households.

That wealth gap is substantial, according to an analysis of data from the Federal Reserve Board released in November by CFA and Freddie Mac.

The typical Hispanic American household held net wealth (assets, including home equity, minus consumer debts) of \$11,450 in 2001, compared with median net wealth of \$86,100 held by all American households, according to data from the latest Federal

Reserve Board Survey of Consumer Finances.

In addition to some important demographic differences that are contributing factors, the analysis revealed some "proximate reasons" for the wealth gap:

- the financial planning horizon of Hispanics is shorter than that of other Americans;
- Hispanic Americans are more likely than other Americans to spend all of their income; and
- they are less likely to save.

Outreach Efforts to Expand

Some local America Saves campaigns have emphasized outreach to Latinos, particularly in El Paso, Texas. The El Paso Saves initiative includes new financial services offered by credit unions in the Colonias (Texas border communities).

"Our community has had a tradition of saving, although access to the conventional U.S. financial institutions has been an impediment," said El Paso Saves Coordinator Anibal Olague, who is Border Field Officer with the Texas Department of Housing and Community Affairs. "Through America Saves, we have built partnerships with credit unions and community organizations to facilitate

establishing savings programs and educate on the importance of formalizing household savings goals toward building wealth."

Hispanic America Saves is designed both to support local efforts such as those in El Paso and to extend that outreach nationally through a bilingual "Build Wealth Not Debt" brochure and website that will be promoted and used by a number of Hispanic organizations.

Development of the campaign was assisted by a number of Hispanic groups, financial services companies, and government agencies that are members of the America Saves Advisory Group. The campaign is supported financially by Freddie Mac as part of its mission to expand affordable home ownership opportunities for America's families.

"As we narrow America's homeownership gap, we must eliminate the wealth and savings gap that holds back our country's Hispanic and minority communities," said Dwight P. Robinson, Senior Vice President of Corporate Relations at Freddie Mac. "By supporting Hispanic America Saves, Freddie Mac is helping more Latino families today lay the financial groundwork for achieving homeownership tomorrow."

On the Web

<http://www.consumerfed.org/americasaveshomeownership121603.pdf>
<http://www.consumerfed.org/hispanicamericasaves111703.pdf>
http://www.americasaves.org/back_page/homeownership.cfm
http://www.americasaves.org/back_page/spanish/index.html

PRSR STD
U.S. POSTAGE
PAID
WASHINGTON, D.C.
PERMIT NO. 8772

Health Advocate Joins CFA Food Policy Institute



Jeff Nesbit

Longtime public health advocate Jeff Nesbit has joined CFA as Associate Director of the Food Policy Institute.

"We're thrilled that Jeff has joined us," said Carol Tucker Foreman, Director of CFA's Food Policy Institute. "He has a long record of success on important public health advocacy issues, and he will be a tremendous asset to CFA."

A former national journalist and public affairs chief at the Food and Drug Administration, Nesbit is widely credited with convincing former FDA Commissioner David Kessler and the agency to consider regulating tobacco. While at the FDA, he was also heavily involved in nutrition label reform efforts and health claim enforcement.

Nesbit served as a senior communications official at the White House during the first Bush administration and has run a successful public affairs consulting practice for the past decade. His clients have included the Discovery Health Channel, Yale Medical School, the American Red Cross, the American Heart Association, and others.

He has also served as staff director of the Koop-Kessler Committee on Tobacco Policy and Public Health. He is the author of 16 novels for children and adults.

CFAnews
CONSUMER FEDERATION OF AMERICA
 1424 16th Street, N.W. • Washington, D.C. 20036
 (202) 387-6121 • www.consumerfed.org

Mark Your Calendar

**Consumer
 Assembly
 2004**

March 11-12, 2004
 Washington, D.C.