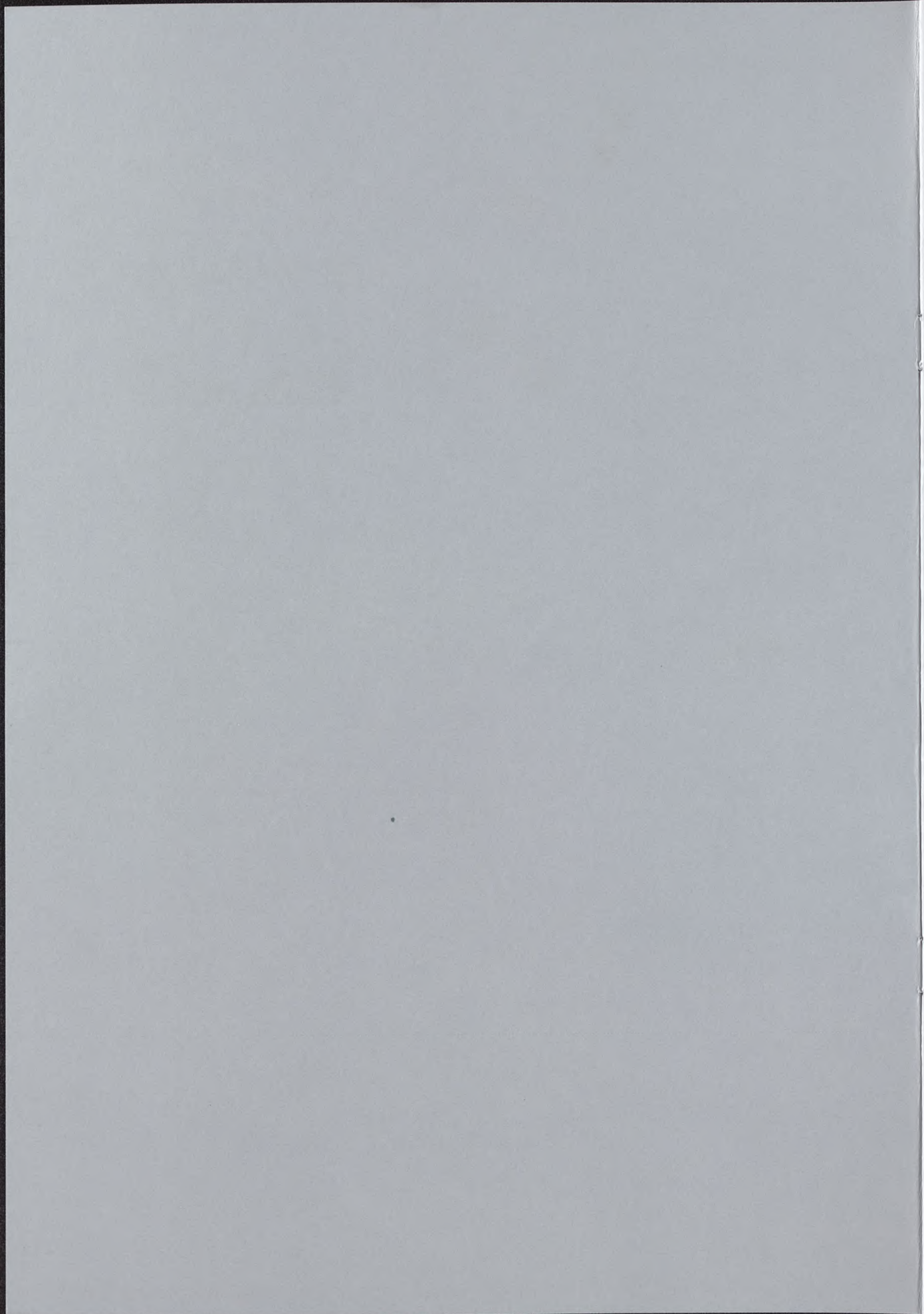


Consumer Federation of America



2012

ANNUAL REPORT





Consumer Federation of America

March 15, 2013

Dear CFA Member,

Congressional gridlock resulted in little meaningful legislation benefiting consumers, with two notable exceptions. The National Defense Authorization Act strengthened consumer lending protections for military personnel, and an amendment to the Telecommunications Act of 1996 provided radio spectrum for shared use.

Executive Branch departments and agencies, however, continued their leadership on consumer issues, including establishing a strong new fuel economy standard, issuing rules to help ensure sustainable mortgages and improved mortgage servicing, strengthening children's online privacy protections, modernizing and improving food safety regulations, recalling unsafe children's products, establishing stronger play yard standards, and approving a consumer-friendly antitrust settlement on the E-book case. At the state level, state insurance regulators created a working committee to address concerns about high auto insurance rates charged lower-income drivers.

CFA advocacy to support these reforms included leading DC-based coalitions, mobilizing grasstops support with assistance from a Consumer Reports grant, writing hundreds of letters, submitting dozens of testimonies and comments, preparing more than two dozen studies, and communicating through the press, including issuing more than 90 press releases.

During the year, we were pleased for new opportunities to support consumer cooperatives and public power. We also undertook wide-ranging education and social marketing efforts. Most notable were America Saves and Military Saves, in which 42,000 individuals enrolled or pledged as Savers, bringing the total number of sign-ups to more than 315,000. More than 2,000 non-profit, government, financial services, and business organizations participated in the sixth annual America Saves Week, which we co-led.

We were well on our way to achieving a budget surplus, allowing us to increase our reserves, when we received a substantial cy pres award that will allow us to expand America Saves and other financial education efforts.

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

Sincerely,

Stephen Brobeck
Executive Director

Consumer Advocacy

Major Accomplishments

Communications: CFA continued to participate actively in debate about communications and commercial issues related to the digital revolution. As well as giving and discussing papers at academic and think tank forums, we communicated with the Federal Communications Commission, the Department of Justice, the White House, and Congress about many specific issues – the E-book price fixing case, the EMI-Universal music industry merger, Wi-Fi distribution of video content for personal use, radio spectrum for shared use, and Internet governance. Communications included Senate testimony, FCC comments, a Supreme Court amicus brief, and major reports. Progress included congressional legislation providing radio spectrum for shared use, a consumer friendly DOJ settlement on the E-book case, and European restraints on music industry mergers.

Consumer Credit: CFA continued to play a leading role in federal and state efforts to strengthen consumer protections related to high-cost credit. Most effective was our work improving enforcement and coverage of the Military Lending Act. Early in the year, we published a major report recommending new consumer protections then advocated these protections before the Department of Defense, other federal agencies, and Congress. Several of them were included in the National Defense Authorization Act passed by Congress. Working with other advocates, CFA made progress on other issues as well, including helping persuade the Federal Deposit Insurance Corporation to issue a strong letter of concern about bank payday lending and helping rid the marketplace of costly tax-time financial products. Key here was the preparation and distribution of major reports on these tax-time products, on overdraft fees and practices, and on checking account affordability. With allies, we also helped Senators develop legislation to curb abuses in online lending. Throughout the year, we supported the work of state advocates through individual assistance, a payday loan website, a listserv, monthly phone meetings, and the annual payday loan summit.

Consumer Financial Protection Bureau: CFA continued to play a leadership role in defending the CFPB and urging it to serve consumer interests, often through the broad-based coalition, Americans for Financial Reform. Most successful was our advocacy, with other national and state groups, of improved mortgage servicing guidelines related to residential foreclosures and of a strong ability-to-repay requirement for mortgages. Nearly all of these recommendations were included in the final rules issued by the agency. CFA also took the lead on a couple other issues being considered by the CFPB. With Consumer Action, we urged the agency to expand the scope of its complaint database to include payday loans and prepaid cards, then to give the public access to these complaints. And with state groups and the National Consumer Law Center, in several meetings we communicated to the CFPB the importance of moving more aggressively to regulate non-bank credit providers. Important to all these communications was the good access we enjoyed to key agency staff, including Director Cordray.

Consumer Protection: CFA continued to work with allies on consumer privacy and protection issues dealt with by federal agencies. Our greatest success was helping persuade the Federal Trade Commission to amend and strengthen the Children's Online Privacy Protection Rule. And our complaints to the FTC about violations of this rule persuaded at least one company to change its practices. Also significant was our leader-

ship in representing consumer interests in the National Telecommunications and Information Administration's "privacy multistakeholder process" to develop a voluntary industry code of conduct for mobile application transparency. And with other groups we urged the FTC to strengthen consumer protections for payment through mobile devices and to update its guidelines for online advertising disclosures as well as asking the Federal Communications Commission to check telephone cramming. Our work with U.S. and European advocates through the Transatlantic Consumer Dialogue and the Organization for Economic Cooperation and Development developed policy positions that were communicated to the U.S. and the European Union officials.

Energy Efficiency: With Consumers Union, CFA continued consumer leadership on energy efficiency issues. Our greatest success was helping persuade the Administration to issue, then to defend, a new fuel economy standard – 54.5 mpg by 2025 – that would double the fuel efficiency of cars and light trucks. As well as conversations with Administration leaders, our support included analysis of consumer impacts, release of public opinion surveys, testimony at three NHTSA-EPA hearings, submission of comments to the agencies, participation in a nationwide tele-town hall meeting, and recruitment of state and local group support. We also supported the leadership of California on this issue by testifying in California and DC, and by working with California groups, on behalf of the state's Advanced Clean Cars program. On appliance efficiency, we continued to work with environmental and energy efficiency groups to support new Department of Energy standards for dishwashers and clothes washers and to develop new standards for external power supplies and battery chargers, set top boxes, and TVs.

Food and Agriculture Policy: CFA continued its decades-old leadership on food policy issues. Working with other consumer and public health groups, we continued to urge the Food and Drug Administration to develop pro-consumer regulations required by the Food Safety Modernization Act. Throughout the year, we sought to persuade the White House to release four of these proposed regulations, and two of these rules were released in early 2013. And to help ensure adequate implementation and enforcement of new rules, we continued to work with allies to secure funding increases for the FDA. On meat and poultry safety, CFA and other consumer groups successfully advocated for a change in Food Safety and Inspection Service policies to more accurately identify the sources of meat contamination. We also worked with allies to oppose a FSIS proposal that would weaken its poultry inspection program. On labeling, CFA helped persuade the Administration to defend the U.S. country of origin labeling law against challenges by other countries to the World Trade Organization, which upheld the U.S. right to require labeling.

Housing: Much of CFA's work on housing issues involved implementation of Dodd-Frank rules by the Consumer Financial Protection Bureau. Most important to CFA were those rules establishing lenders' responsibility to underwrite mortgages that borrowers could afford to repay. On this issue, especially its "qualified mortgage" provision, we had many conversations with the agency's director and staff, submitted comments, talked to press, and with the Center for Responsible Lending developed recommendations with a key industry group. The final rule, while short of what we had advocated, established important new protections. Also important to CFA were final regulations on mortgage servicing. Our work with other advocates talking to the CFPB's director and staff, and submitting comments, helped persuade the agency to improve the final rule. On a broader set of issues, CFA took leadership by participating in the influential Bipartisan Policy Center Housing Commission to develop recommendations on housing finance reform and low-income housing, hosted ten Consumer Lender Roundtable dialogues, and met frequently with Administration leaders.

Insurance: CFA's continuing leadership on insurance focused most attention on four issues – low-income auto insurance, claims payment, natural disasters, and force placed insurance. Early in the year, we launched a campaign to help make mandatory liability coverage much more affordable to low- and moderate-income households by releasing a major report widely covered by the press. This report persuaded the National Association of Insurance Commissioners to create a working group, and invite us to speak to them, about the subject. Later, we released additional reports on costly and discriminatory pricing by major insurers that also were widely reported on. Throughout the year, we built a national coalition around the issue and began organizing state campaigns. On claims payment, we completed a major report on the Colossus claims evaluation system, also widely covered by the media, that we discussed with the NAIC and with several states. We also began researching other computerized claims systems. On natural disasters, early in the year we issued a report on catastrophe insurance and, in the wake of Sandy, served on a New York State Governor's Commission, testified before the NAIC, and spoke frequently with press. On force placed coverage, we met with New York State regulators, testified before the NYS Department of Financial Services, and spoke frequently with regulators and with reporters.

Investor Protection: CFA's work on investor protection issues was dominated by opposition to and implementation of the JOBS Act, which rolled back long-standing investor protections. Working with consumer and labor allies, we built and led a coalition in support of these efforts, which made calls to and sent letters to the Administration and Senate, and spoke frequently with press about this high-visibility "jobs issue." However, we persuaded the Senate to amend only one portion of the House legislation. In meetings and other communications with the chairman, commissioners, White House, and Treasury, CFA and allies then urged the Securities and Exchange Commission to incorporate investor safeguards in the implementing rules. While we did persuade the SEC to follow normal rulemaking procedures to allow public comments, at year's end it was not clear whether the agency would include needed investor protections. On other issues, CFA worked with allies on Dodd-Frank implementation. On cross-border application of derivatives rules, we met several times with the chairman and commissioners of the Commodity Futures Trading Commission, with SEC commissioners, and with a top Treasury official. On the standard of conduct for broker-dealer investment advice, we took the lead in proposing an effective standard and meeting with the industry and the SEC to discuss this standard.

Product Safety: Most of CFA's product safety work this past year involved encouraging and supporting the Consumer Product Safety Commission in its implementation of the Consumer Product Safety Improvement Act. To support the Consumer Incident Database, we documented its success in a report and intervened in a lawsuit filed by an anonymous company. We also urged, then commended the CPSC for taking, enforcement actions, including recalls of several unsafe products — Nap Nanny, Buckyballs, and Bumbo seats. With support from CFA, the agency issued strong and appropriate play yard standards. On other issues, through communications with the agency, Congress, and the press, CFA continued to urge CPSC or other standard-setting organizations to improve the safety of all-terrain vehicles, baby monitors, and window coverings. We also worked closely with a broad public interest coalition to oppose regulatory reform measures that would severely limit the ability of agencies, such as the CPSC, to ensure product safety.

Strategies

I. 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 conversations, many also took the form of testimonies and comments submitted to legislative committees or regulatory agencies.

Month	Committee/Agency	CFA Rep	Issue
January	CA CARB	Cooper, CARS, CU	Fuel economy
	NHTSA-EPA	Cooper	Fuel economy
	NHTSA-EPA	Gillis	Fuel economy
	CA CARB	Gillis	Fuel economy
February	CPSC	Weintraub, others	Bumbo baby seats
	NHTSA-EPA	Cooper	Fuel economy
March	SEC	Roper, others	Fiduciary duty
April	CFPB	Zigas, others	Mortgage lending
	FHFA	Zigas, others	PACE programs
	CFPB	Fox, others	Payday lending
	FINRA	Roper	BrokerCheck
	DoD, CFPB	Fox	Military Lending Act
	FHFA	Zigas, NCLC	PACE programs
May	OCC	Fox, others	Bank merger
	OMB	Weintraub	Voluntary standards
	FTC	Grant, CU	Mobile payments
	USDA	Waldrop	Poultry inspection
	NYS DFS	Hunter	Force placed insurance
June	FHFA	Zigas, others	Agency plan
	CPSC	Weintraub	Window coverings
	CPSC	Weintraub	Agency priorities
	CFPB	Fox, CRL, NCLC	Overdrafts
	OMB	Weintraub	Incorporation by reference

Month	Committee/Agency	CFA Rep	Issue
July	USDA	Waldrop	Traceback
	FCC, DOJ	Cooper	Verizon-Spectrum merger
	FTC	Grant, CU	Online advertising
	FHFA	Zigas, CRL	GSE housing goals
August	SEC	Roper	JOBS Act
September	CA CARB	Gillis	Fuel economy
	EPA	Cooper	Fuel economy
	Sen Commerce	Cooper	Radio spectrum
	CPSC	Weintraub	Section 6(b) of the CPSA
October	SEC	Roper	Advertising ban
	Fed Banking Regs	Zigas, others	Basel III capital standards
November	CFPB	Zigas, others	Mortgage servicing rules
	CPSC	Weintraub	Magnet sets
	CPSC	Weintraub	Generators
December	EPA	Cooper	Fuel economy
	NAIC	Hunter	Catastrophe insurance

2. Press

CFA's main link to consumers, and an important means of influencing legislation and policymaking, is the media. In addition to being interviewed for hundreds of broadcast and print stories, CFA frequently made news. In 2012, we issued 91 press releases on issues and held 13 live press conferences and tele-conferences. Moreover, we wrote many op-ed essays and blogs on investment and energy issues.

3. Research

CFA staff prepared many studies demonstrating the need for consumer protections, the preservation of existing protections, or the rejection of anti-consumer measures. Most of the following studies were reported on by news media.

Communications

The End of the End of Competition for Digital Access Service (Cooper)

The Role of Antitrust in Protecting Competition, Innovation and Consumers as the Digital Revolution Matures (Cooper)

Consumer Protection

2011 Consumer Complaint Survey Report (Grant)

How Are Identity Theft Services Measuring Up to Best Practices? (Grant)

Energy

A Key Step to Ending America's Oil Addiction (Cooper)

Consumer Adoption of High Fuel Efficiency Vehicles Increasing Dramatically
(Cooper, Gillis)

Have Restructured Wholesale Electricity Markets Benefitted Consumers? (Brobeck, APPA)

Financial Services

2012 Refund Anticipation Loan Report: The Party's Over for Quickie Tax Loans But Traps Remain for the Unwary (Fox, NCLC)

The Military Lending Act Five Years Later (Fox)

2012 Survey of Large Bank Overdraft Loan Fees and Terms (Fox)

Household Financial Planning Survey (Brobeck, CFP Board)

Can Consumers Avoid Checking Fees? (Fox, Brobeck, Naron)

13th Annual Holiday Spending Survey (Brobeck, CUNA)

Report on Low- and Moderate-Income Household Finances (Brobeck, EBRI)

The Financial Status and Decision-Making of the American Middle Class (Brobeck, Primerica)

Second Annual Survey of Consumer Knowledge About Credit Scores (Brobeck, VantageScore)

Insurance

Lower-Income Households and the Auto Insurance Marketplace: Challenges and Opportunities (Brobeck, Hunter)

The Insurance Industry's Incredible Disappearing Weather Catastrophe Risk (Hunter)

Employee Knowledge and Attitudes About Employer-Provided Disability Insurance
(Brobeck, Unum)

Low Ball: An Insider's Look at How Some Insurers Can Manipulate Computerized Systems to Broadly Underpay Military Claims (Romano, Hunter)

Auto Insurers Charge High and Variable Rates for Minimum Coverage to Good Drivers from Moderate-Income Areas (Brobeck)

Consumers Disapprove of Factors That Auto Insurers Use in Setting Prices (Brobeck)

Consumer Research and Education

Auto Insurance and Lower-Income Households: With support from the Ford Foundation, we continued to research and try to mitigate the high cost of minimum liability coverage offered to low- and moderate-income households in urban areas. We disseminated the findings of three studies to state regulators, advocacy organizations, and consumers through extensive media coverage.

Consumer Protection: CFA conducted its annual survey of complaints to state and local consumer protection agencies in partnership with the North American Consumer Protection Investigators. Throughout the year, we emailed alerts to consumer protection agencies about scams, research reports, new laws and regulations, consumer education materials, and other information from CFA and other sources. And we contributed information to the National Consumer Protection Week website.

Credit Scores: In partnership with VantageScore Solutions, CFA again surveyed the nation's knowledge of credit scores and also updated an interactive website (creditscorequiz.org) and related brochure. Our efforts to publicize both included a well-attended press conference and briefings to nonprofit groups. By year's end, over 33,000 persons had taken the quiz.

Energy Efficiency: With continued support from the Energy Foundation, we researched public attitudes about motor vehicle fuel economy and released survey findings, and money-saving tips, and disseminated both with the aid of 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.

Group Disability Insurance: CFA researched the role of group disability insurance in household income protection, then worked with Unum to design an employee survey whose findings were disseminated through the press.

High-Cost Credit: With continuing support from the Ford Foundation and Annie E. Casey Foundation, CFA issued reports on the impacts of the Military Lending Act, large bank overdraft practices, and refund anticipation loans. And we maintained our payday loan website, organized another annual Summit, and provided information to a grasstops network of more than 400 activists.

Identity Theft: CFA released a report using "best practices," developed in 2011, to assess identity theft services and recommend needed improvements. We also updated and expanded our ID theft information website (www.IDTheftInfo.org).

Internet Disclosure: With funding from FINRA, CFA began work on a project designed to produce best practices for Internet disclosure by investment firms. Work on the project in 2012 included a literature review, website reviews, interviews with experts, and development of surveys for financial professionals and investors.

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

Military Saves: With support from FINRA Investor Education Foundation and Wells Fargo Bank, CFA continued to work closely with the Department of Defense on Military Saves. All four service branches, the Air and Army National Guard, the Reserve Corps, and the Coast Guard participated in the year-round effort. Military installations in the U.S. and abroad promoted good savings behavior. They were supported by defense credit unions, military banks, service banking liaison officers, and non-profit service organizations. Early in the year, 380 organizations signed up to participate in Military Saves Week, then continued activities that reached 255,000 individuals just during the first quarter. Over 26,800 individuals took the Military Saves pledge, bringing the total number of pledges to more than 130,000 since 2007.

Wealth-Building Among Youth: CFA began testing models that help teens and young adults develop a savings habit. We have used a peer-based strategy to help more than 2,000 Chicago high school students. We also began discussing an expansion of Saving At Work for first-time workers with agencies and organizations. And we undertook a college pilot program at the University of Illinois in which over 750 students participated and saved. To expand this last initiative to other colleges and universities, we developed a resource kit and informational webinar.

Wealth-Building in Lower-Income Households: With funding from cy pres awards and financial institutions, CFA continued to maintain and expand the America Saves campaign. More than 42,000 individuals enrolled or pledged as Savers, bringing the total number of sign-ups to more than 315,000. In addition to supporting more than 55 local, regional, and state campaigns, we helped organize new initiatives in five states. In partnership with the American Savings Education Council, we organized the sixth annual America Saves Week, held the last week in February, in which more than 2,000 non-profit, government, education, financial services, and employer organizations from 48 states participated. Their programs, including financial savings incentives offered by many banks and credit unions, involved over 600,000 persons. Related press outreach reached over 31 million Americans. At year's end, America Saves leaders anticipated even greater participation in 2013.

Member Services

CONFERENCES

The most important CFA meetings were associated with the 46th annual Consumer Assembly. More than 240 persons attended this March event. They heard speakers — including Senator Richard Blumenthal, noted political journalist and author Thomas Edsall, and White House officials Gary Guzy and Dan Weitzner — who addressed issues related to the theme of public policy challenges in the 21st century.

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

To address specific issues more thoroughly, CFA organized conferences on food and financial services. In April, more than 325 persons heard keynote speakers including USDA Under Secretary for Nutrition Kevin Concannon, USDA Under Secretary for Research Catherine Woteki, FDA Deputy Commissioner for Foods Mike Taylor, and CDC Director of Nutrition and Obesity William Dietz address the 35th annual National Food Policy Conference. In December, nearly 250 persons heard CFTC Commissioner Bart Chilton, FTC Consumer Protection Director David Vladeck, Mortgage Bankers President David Stevens, longtime *Washington Post* columnist Steven Pearlstein, and others discuss banking, housing, investment, and insurance issues at CFA's 28th annual Financial Services Conference.

In June, 350 persons participated in CFA's 42nd annual Awards Dinner to recognize distinguished consumer service. Senator Jeff Merkley, former CFTC Chairperson Brooksley Born, credit union leader Larry Blanchard, and Marketplace radio received awards.

PUBLICATIONS

CFA member organizations received the following publications:

- Twenty issues of CFAnews Update, which reports consumer news and advocacy.
- The 2012 policy resolutions adopted at CFA's annual meeting.
- The 2011 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 continued to organize and lead quarterly meetings with national cooperative and public power leaders to exchange information and discuss important challenges and opportunities. On specific issues we:

- With NCBA, developed and released a national survey of consumer views of cooperatives.
- Contributed research and support to a coalition led by rural electric and public power to ensure adequate affordable rail transport.
- Supported rural electric efforts to gain funding to extend broadband services in rural areas.
- Supported public power efforts to ensure workable CFTC regulations regarding energy purchases.
- Joined with APPA to issue a critical analysis of electricity deregulation.
- For the 13th year, with CUNA conducted a holiday spending survey that was widely reported on by the press.
- Worked with NAFCU and many credit unions to promote personal saving during America Saves Week and Military Saves Week.
- Supported legislation that would expand small business lending opportunities for credit unions.

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. The Center continued to devote most of its resources to grassroots advocacy. This past year state and local groups contributed significantly to successful efforts seeking to regulate high-cost credit products, urging the CFPB to oppose high-cost credit on prepaid cards, and promoting greater energy efficiency of consumer appliances, among other issues. State and local leaders facilitated discussion groups at the Consumer Assembly Roundtable dealing with housing, financial services, privacy, and consumer protection. They also participated in a second roundtable held in early December. The Center provided more than \$17,000 to help cover travel and lodging expenses for state and local leaders to attend conferences and roundtables.

Finances

This past year, CFA was the beneficiary of a substantial cy pres award that is permitting more robust work on America Saves and other financial education initiatives. While this award substantially increased CFA assets, it is restricted and cannot be used to bolster reserves. Fortunately, because we met our financial targets, we were able to expand these reserves (“unrestricted assets”) by more than \$100,000.

Income	\$6,721,700
Expenses	2,492,815
Net Assets	
Temporarily restricted	\$4,832,725
Unrestricted	1,696,345



