CFA
CFAnews
Jan./Feb. 1998
Volume 22, No. 8
ISSN #0732-8281

Baby Bells Continue To Thwart Competition

Roughly two years since Congress passed the Telecommunications Act of 1996, the Baby Bells have managed to thwart the development of competition in the local service market, according to a CFA report released in January.

The Bells, meanwhile, continue to press aggressively to be allowed to offer long distance services.

If they were allowed to do so without first opening up the local market to competition, as the Telecom Act demands, consumers would likely never see an estimated $10 billion savings in the form of lower local phone bills, according to the study, "Stonewalling Local Competition."

"The local market is a $100 billion a year monopoly with deregulated profits," said CFA Research Director and report author Mark Cooper.

"The only way to squeeze out excess profits and inefficiencies is to expose local companies to effective competition," he added. "However, currently there is virtually no significant competition for local telephone service, because the Baby Bells have created insurmountable barriers to entry."

Based on analyses by state attorneys general, state consumer advocates, public utility commissions, the Department of Justice, and the Federal Communications Commission, the report documents how the Baby Bells have:

- refused to implement policies to allow new competitors access to local networks subject to just, reasonable, and non-discriminatory rates, terms, and conditions;
- refused to implement measures Congress mandated to prevent abuse of affiliate self-dealing and that the Department of Justice deems necessary for monitoring and preventing anti-competitive discrimination against new market entrants;
- failed to live up to the terms of regulatory and contractual agreements with potential competitors and refused to participate in dispute resolution processes; and
- failed to set prices for use of existing local phone networks or set prices so high that there is no opportunity for competitors to make significant plans for entry.

"If the Baby Bells were permitted to enter long distance before local competition has been established on a meaningful basis, competition throughout the industry could be undermined, because only the Baby Bells would be able to offer an attractive bundle of local and long distance services," Cooper said.

Furthermore, regulators would not be able to prevent reintegrated regional monopolies from engaging in abusive and discriminatory practices against potential entrants, he said.

FCC Denies Bell South Long Distance Application

So far, the FCC has continued to deny the Bells access to the long distance market. Recently, Bell South become the third of the Bell companies to have its application to offer long distance services within its service area denied.

In this, as in previous cases involving Ameritech and SBC Communications, the FCC maintained that the company has done too little to open its local market to competition. Specifically, the agency found that Bell South had not provided rivals the same easy access to its network as it provides to itself.

The agency's ability to continue to hold the line, however, was threatened when a federal judge in Texas issued a ruling in December striking down key provisions of the act.

The ruling states that the law's provisions setting conditions the Bells must meet before being allowed to offer long distance services constitute an unconstitutional "bill of attainder." According to the ruling, the law punishes the Bells by prohibiting them from immediately providing the same services as competitors are allowed to provide.

The FCC, along with AT&T, MCI, and Sprint have filed motions to block the decision, and many observers believe it will be overturned on appeal.

Meanwhile, the U.S. Supreme Court has agreed to review a decision last year by the U.S. Court of Appeals for the Eighth Circuit in St. Louis, which found that the FCC exceeded its authority when it issued rate setting rules designed to provide the terms for opening the local network to competitors.

The appeals court found that rate setting authority resides with the states.

The FCC, AT&T, and MCI had all filed challenges to the decision, while the Bell companies had asked the court not to review the decision.

The Supreme Court is expected to issue its decision next year, determining whether the FCC has the authority to regulate the prices at which local Bell companies must offer interconnection services to potential competitors.

Some in Congress Advocate Legislative "Fix"

Meanwhile, there are rumblings in some quarters in Congress about the need

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Credit Card Debt Burdens Escalate

Credit card debt continued to increase rapidly in 1997, imposing substantial financial burdens on tens of millions of households, according to a CFA study released in December.

A significant reason for the debt rise, the report found, was aggressive marketing and credit extension by issuers.

"Millions of households carry far too much high-cost credit card debt," said CFA Executive Director Stephen Brobeck, author of the report.

"While several factors help explain recent growth in credit card debt, more aggressive marketing and credit extension by issuers appear to be the most important," he said. "These are the only factors that have grown significantly in the past several years."

Between 1990 and the end of 1996, aggregate credit card debt more than doubled. In the ten-month period from the end of 1996 to the end of October 1997, this total increased by another six percent to an estimated $452 billion.

The estimated 55 to 60 million households with revolving credit card balances carried an average of more than $7,000 of card debt each, costing them an average of more than $1,000 per household in interest and fees in the past year.

Lower Middle Income Households Hard Hit

Lower middle income households were especially burdened by these credit card debts. According to Federal Reserve data, their consumer debt to income ratios were far higher than those of other income groups.

In fact, one study found that households with income between 100 percent and 150 percent of the poverty level that carried revolving debt carried larger credit card balances than did "revolving" households with incomes at least 200 percent above poverty.

That helps explain why, according to research by Georgetown University's Credit Research Center, Chapter 7 bankrupts studied in 1996 had after-tax incomes averaging just $19,800 and credit card debts averaging $17,544, Brobeck said.

The financial pressure of meeting credit card debts is acknowledged by many households.

A June 1997 survey conducted for CFA by the Opinion Research Corporation International found that 36 percent of all households, and 43 percent of all cardholders, say they are "very concerned" about meeting their credit card monthly payments.

The numbers are even higher for those of modest incomes. A full 42 percent of all households with incomes of $15,000 to $25,000, and 55 percent of cardholders in this income group, said they were very concerned about meeting their credit card monthly payments.

"Credit card debts are crushing millions of households and are heavily burdening tens of millions of others," Brobeck said.

Key Cause is Aggressive Marketing, Issuing of Credit

Recently, despite rising debt losses, credit card issuers have solicited even more aggressively, the report found.

In the first half of 1997, credit card solicitations were at a record level. The second quarter mailing of 881 million solicitations was the highest on record.

From 1995 to 1996, credit card telemarketing expenses rose 30 percent (from 18.6 to 24.1 million hours). Similarly, credit card ad expenses rose 14 percent from 1995 to 1996.

Mainly to try to persuade cardholders to run large balances, issuers have dramatically increased credit lines, the report found.

From March 1993 to June 1997, unused bank card lines increased 167 percent to $1.6 trillion. That is an average of nearly $20,000 for every cardholding household.

The report also found that, in general, credit card issuers were not very responsible in extending credit.

Debt losses were proportionately much higher than in much of the past. For example, the industry-wide charge-off rate of more than five percent experienced by banks (debt losses as a percentage of loans) was far higher than the rate of well under three percent in the 1970s and early 1980s.

Some banks were especially irresponsible in extending too much credit to consumers who could not afford it, the report found.

According to data supplied to CFA by Veribanc, five of the largest banks among the 42 largest credit card issuers had net charge-off rates exceeding eight percent from June 1996 to June 1997.

These included: Mellon (Wilmington) and Hurley State (Sioux Falls) with a charge-off rate of nine percent; Wells Fargo (Phoenix), 8.6 percent; First Union (Charlotte), 8.4 percent; and Advanta (Wilmington), 8.2 percent.

By comparison, four institutions had net charge-off rates of less than three percent during the same period. These

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Financial Modernization Bill Discussed

Removing regulatory restraints that prohibit banks from engaging in insurance and securities activities is the key to further "democratization" of the financial services industry, according to Comptroller of the Currency Eugene A. Ludwig, who delivered a keynote address at CFA's financial services conference in December.

Another keynote speaker, Rep. John LaFalce (D-NY) agreed that financial modernization could bring benefits of greater choice and competition to consumers. He warned, however, that "it can also become a consumer's nightmare," where consumer rights are unclear, risks are unidentified, and privacy is invaded.

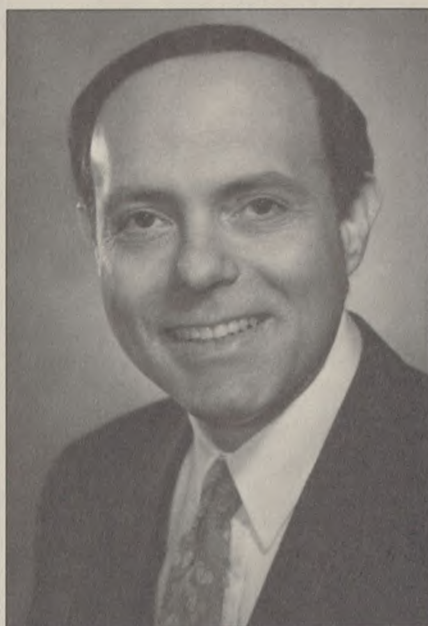
"The potential exists right now to make very great strides toward improving the financial well being of all Americans, but particularly under-served and unserved Americans," Ludwig said.

"To achieve that potential, we need to encourage innovation, a balanced and sensible regulatory environment, and an open marketplace that serves everyone through genuine competition," he said.

Experience shows that nontraditional bank customers benefit from an integrated package of financial products and services, he said. "As we reach out to the under-served markets, we need to embrace a balanced, integrated approach that includes financial education, savings and investment products, and low-cost access to the payments system, as well as credit in its various shapes and forms," he said.

However, he argued that "for much of this century, the banking industry has been locked into a regulatory straightjacket" that "has limited its ability to innovate."

As a result, he said, "banks have until fairly recently been actively discouraged by regulation from providing new products and services or integrating product and service offerings."



Comptroller of the Currency Eugene A. Ludwig

The inability of banks to compete in these areas has hurt consumers, he said.

Bills Must Address Consumer Concerns

In the debate on legislation to lower barriers between the banking, insurance, and securities industries, "the OCC's position has been that genuine financial modernization must advance bank safety and soundness, promote access to credit for low-and moderate-income Americans, enhance competition, and lead to lower prices and more options for consumers," he said.

"We believe that all of these goals would be served by legislation that would permit banks to engage in a wide range of financial activities and to choose the organizational form that best suits their business plans, consistent, of course, with safety and soundness," Ludwig said.

In his speech, Rep. LaFalce also stated that allowing banks to be full competitors in the various financial services could "benefit consumers by offering a broader choice of financial services at competitive costs and at locations that are familiar and convenient." But he added that it could also "overwhelm and confuse consumers."

Rep. John J. LaFalce

"It is our job ... to ensure that consumers reap the benefits of financial modernization and are protected from the risks," he said.

With that in mind, Rep. LaFalce said he has fought for, and will continue to insist on, inclusion of a package of consumer protections in the legislation related to bank sale of non-deposit products.

These include anti-coercion rules, suitability standards, prohibitions against misrepresentation of such factors as insured status or risks associated with the product, and development of a consumer dispute resolution mechanism within the various regulatory agencies, he said.

"That must be, at a minimum, part of any financial modernization bill," he said.

Pro-consumer Banking Agenda Outlined

Rep. LaFalce also outlined an agenda of pro-consumer issues in other areas that he plans to pursue in 1998.

These include:

- passing legislation to protect homeowners from purchasing unnecessary private mortgage insurance;
- introducing legislation to address deficient disclosure in auto lease advertisements;
- introducing legislation to establish and strengthen consumer protections for debit cards, unsolicited loan checks, and stored value cards;
- examining ways to eliminate lending discrimination that creates illegal and artificial barriers to credit;
- looking into abusive practices in the rent-to-own industry to determine what consumer protections are needed; and
- studying privacy issues, particularly as they relate to the Internet.

As Congress examines financial modernization legislation as well as these other issues, "consumer interests must be central to the debate," Rep. LaFalce said.

Bells Thwart Competition *(Continued from Page 1)*

to "fix" the Telecom Act to make it easier for the Bell companies to get into the long distance market.

Sen. Conrad Burns (R-MT) has said he plans to hold hearings on the legislation this year in the Communications Subcommittee, which he chairs. And Sen. John McCain (R-AZ), who chairs the Senate Commerce Committee, has said he may propose legislation.

In the House, however, both Commerce Committee Chairman Thomas J. Bliley, Jr. (R-VA) and Telecommunications Subcommittee Chairman W. J. "Billy" Tauzin (R-LA) have reportedly said they do not favor reopening the legislation.

This is the correct decision, Cooper said. "Despite the lack of progress so far from the consumer point of view, the goals of the legislation remain valid," he said.

"By establishing a coherent framework for evaluating entry requests and providing a substantial reward for compliance, Congress struck the correct balance between competitive benefits in local and long distance markets," he said.

Instead of reopening the legislation, he said, policy makers should redouble their efforts to break down the walls to local competition by:

- imposing substantial economic penalties for non-compliance;
- withholding approval of mergers or acquisitions without enforceable commitments to open local markets;
- making a high level commitment to preserving the public policy balance of the Act in the courts; and
- more vigorously implementing the consumer protection sections of the Act.

FCC Urged To Lower Access Fees

The ability of the Bell companies to stonewall local competition has also had implications for the issue of interstate access fees, which are the charges long distance companies pay local companies to connect calls.

In December, CFA joined with the National Retail Federation and the International Communications Association to petition the FCC to initiate a rulemaking to reduce these access fees to cost-based levels.

When the FCC chose to rely on the anticipated development of local competition to bring down access charges, it said it would turn to a prescriptive approach if competition failed to develop sufficiently to allow a market-based approach to work.

"Because it is now apparent that competition is not developing sufficiently to restrain and reduce access charges in the immediate future, the Commission must now fulfill that promise. Access charges must be prescribed to cost-based rates in order to ensure that captive telephone consumers are not subjected to bloated rates while yet another set of local competition plans are contemplated and tested," the petition states.

The petition also calls on the FCC, as it lowers access charges, to ensure that reductions are fully passed through "to the ultimate customer, residential and business consumers."

In a separate issue, CFA has also joined with a broad consumer-business coalition to petition the FCC to lower a new 28.4-cent fee that local phone companies can charge long distance companies for each 800-number call made from their pay phones.

Long distance phone companies are passing this cost along to their 800-service customers.

"While pay phone owners should be compensated fairly, the 28.4-cent fee is far higher than the actual costs involved," Cooper said.

The petition calls on the FCC to "instead require carriers to pay an incremental cost-based rate that, based on analyses already contained in the record, should be no more than $0.06 per call."

Copies of the report, "Stonewalling Local Competition," are available for $10, prepaid, from Consumer Federation of America, 1424 16th Street, N.W., Suite 604, Washington, D.C. 20036.

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

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Design & Typeset by: Dahlman/Middour Design

Poor Face Several Barriers To Saving

Low income is not the only barrier to saving for poor households, according to a CFA report released in December.

High cost banking services and a belief that governments place low limits on savings accumulation by those receiving benefits also play a part, according to the study, which was based on ethnographic research conducted for CFA and supported by The Ford Foundation.

"Our research strongly suggests that practical initiatives can be taken that increase savings accumulation among low income households," said CFA Executive Director Stephen Brobeck.

The research was based on ethnographic field reports from two different low income populations – African American households in a northwest Mississippi town and predominantly Hispanic households in San Jose, California.

It was conducted during the summer of 1997 by Queen Booker of the University of Mississippi and by Philippe Bourgois of San Francisco State University under the direction of Swarthmore College economics professor John Caskey.

Value of Saving Recognized

Most of the households interviewed recognized the value of savings.

As one Mississippi resident put it: "For once, just once, I would like to be able to pay the bills and not worry about a check bouncing before I get to the bank. I want to have some kind of security, any kind."

Yet, few members of these low income households had accumulated savings. Beyond low incomes, the following are among the barriers to savings they face.

• High cost banking services. In Mississippi, many of the households frequently bounced checks. In addition to bounced check fees, they were then charged additional daily fees until account deficits were covered. In San Jose, many of the households carried balances on credit cards that continuously incurred interest charges.

• The belief that saving would make them ineligible for government subsidies. Most who expressed this fear under-estimated the level of savings permitted.

• The belief that it was not worthwhile to save small amounts because there would be no significant accumulation.

• Lack of community acceptance of savings. Some households indicated a desire to avoid social pressure to use any savings to meet the financial needs of family and friends.

Despite these barriers, a minority of households had managed to save several hundred dollars.

Several of these family units had acquired their savings from recent lump-sum payments, but other savers had built savings through persistent small accumulations. The latter were much more likely than non-savers to use budgets to plan and monitor expenditures.

In contrast, non-savers tended to use "cash-and-carry budgeting" – cashing paychecks, paying pressing bills, and carrying what was left in cash to meet ongoing expenses.

Most non-savers also paid relatively large banking fees, usually for bouncing checks, and/or incurred credit card interest charges.

Strategies Suggested For Reducing Savings Barriers

The research suggests several strategies for reducing savings barriers within low income households. These include:

• Encouraging these households to use savings accounts, not checking accounts, as their basic account. Such an account would usually entitle them to free check-cashing. Payments could be made through money orders purchased at post offices or convenience stores.

• Publicizing within low income communities the actual savings limits to qualify for government benefits, and, where these limits are too low (e.g., under $1,500), raising them.

• Making education about budgeting available to these households. This education should emphasize that making steady savings contributions for many years yields a relatively large savings accumulation. For example, saving $50 a month for 25 years (with a five percent yield) would accumulate nearly $30,000.

• Supplementing budgeting education with public campaigns stressing the importance of savings for all Americans.

The report is available for $10, prepaid, by writing to Low Income Savings Report, CFA, 1424 16th Street, N.W., Suite 604, Washington, D.C. 20036.

Proposed Rules Threaten Benefits Recipients

Significant harm will come to federal benefits recipients as a result of the Electronic Funds Transfer Act if the law is implemented as outlined in Treasury Department proposed rules, CFA and National Consumer Law Center have concluded.

In comments submitted to Treasury in December with nine other consumer organizations, the groups outlined problems with the proposed rules that would undermine the goal of bringing the 10 million federal benefits recipients who do not have bank accounts into the financial mainstream.

"The proposed rules issued by Treasury do too little to protect the interests of this most vulnerable population," said CFA Director of Consumer Protection Jean Ann Fox.

"Instead of using the law to help draw these individuals into the mainstream banking system, the Treasury proposal will push all too many into the arms of the unregulated, unsupervised wing of the financial services industry," she said.

Known as EFT '99, the law requires that all federal benefits payments be made electronically by January 1, 1999. Under the proposed rules' four-tiered system of implementation:

• some benefits recipients will be eligible for a hardship waiver that will allow them to continue to receive a paper check;

• benefit recipients who already have a bank account will be encouraged to switch to direct deposit of their benefits payments;

• benefit recipients who do not have an account will be encouraged to establish an account voluntarily and begin receiving their benefits payments electronically; and

• benefit recipients who fail to name a financial institution for receipt of federal benefits payments and who do not qualify for a waiver will be provided the default account established by Treasury.

Inadequate Regulation of Accounts Proposed

Under the proposed rules, only the default account would be regulated by Treasury.

These rules clearly violate the law's requirements that all individuals who are required to have an account for the purposes of receiving federal benefits payments have access to such an account at a reasonable cost and subject to appropriate consumer protections, the groups note in their comments.

Furthermore, even for the default accounts, where the Treasury has recognized the need to establish regulations, those regulations are far too limited, requiring only that the accounts be in the name of the recipient and at a financial institution.

"The regulations include no requirement for direct access to the federal funds at the financial institution. The regulations include no requirement that only reasonable costs be imposed for accessing the federal funds. The regulations include no requirement that any consumer protections apply," said NCLC Managing Attorney Margot Saunders.

If, in clear violation of the law, Treasury persists in refusing to regulate the voluntary accounts established by recipients to comply with EFT '99, federal benefits recipients could be faced with excessive costs, lack of choice, reduced access, and the forced use of the other services provided by non-financial institutions, the groups stated.

Waivers Too Limited

In addition, the groups said, the hardship waivers provided under the proposed rules are too limited.

Specifically, they said waivers should be available to individuals with mental disabilities, literacy problems, or English fluency problems that make it difficult for them to maintain a banking account; to those who have a bank account at the time the rules take effect but for whom the rules nonetheless pose a financial hardship; and for those who become eligible for federal benefits after the law's passage in 1996.

In addition, the groups provided detailed comments on how to improve the design of the electronic transfer accounts, including ensuring that they are subject to all the consumer protections available to other types of bank accounts and ensuring that they are subject to the same protection from attachment by third parties as is currently available for most federal benefits checks.

EFT '99 offers Treasury "the opportunity to take a giant step toward creating a financial system that serves almost all consumers," Fox said.

"If the proposed regulations are adopted without improved consumer protections, however, Treasury will perpetuate the two-tier financial system that now provides federally insured and regulated depository accounts for moderate income to affluent consumers and uninsured, unregulated fringe banking services for the poor and powerless," she said.

Joining CFA and NCLC in filing the comments were Arizona Consumers Council, Consumer Action, Mercer County Community Action Agency, National Association of Consumer Agency Administrators, National Consumers League, Organization for New Equality, Niagara Frontier Consumer Association, Public Voice for Food and Health Policy, and Virginia Citizens Consumer Council.

Credit Card Debts *(Continued from Page 1)*

were MBNA (Wilmington), 2.1 percent; Peoples (Bridgeport), 2.4 percent; Travelers (Newark), 2.7 percent; and First USA (Wilmington), 2.9 percent.

"The industry-wide charge-off rate should be well below four percent," Brobeck said. "Banks with a rate exceeding six percent are clearly extending too much credit to too many consumers who cannot afford it."

Strategies Offered for Reducing Debt Burdens

Banks and other lenders have responded to the rising number of personal bankruptcies by urging Congress to reduce access to Chapter 7 bankruptcy, in which debtors are able to discharge their unsecured debts.

"Contrary to widespread belief, bankruptcy reforms that make it more difficult for consumers to discharge credit card debts probably would not reduce debt levels," Brobeck said. "That is because the incentive for consumers to reduce debt would likely be more than offset by the incentive for creditors to market even more debt."

The relative ease with which consumers can discharge virtually all unsecured debts through Chapter 7 bankruptcy today acts as one of the few brakes on the irresponsible issuing of credit card debt by creditors, Brobeck explained.

"If this ability were severely restricted, the brake on creditors would be largely released. The likely result would be far more aggressive marketing of credit card debt to low and lower middle income households," he said.

The single most effective strategy for reducing credit card debt burdens, and the level of personal bankruptcies, would be for banks and other creditors to issue credit more responsibly, Brobeck said.

He reiterated the recommendation, contained in the first CFA report on credit card debt, that creditors voluntarily limit credit lines to 20 percent of a household's income.

The report is available for $10, prepaid, by writing to Credit Card Debt Report, CFA, 1424 16th Street, N.W., Suite 604, Washington, D.C. 20036.

Investor Protection Update:

Hearings Held On Bills To Limit Fraud Suits

Both the House and Senate held hearings in the fall on legislation to limit investors' ability to bring securities fraud lawsuits in state court.

The bills, S. 1260 and H.R. 1689, which are being pushed by the high-tech, accounting, and securities industries, would require that class action securities fraud lawsuits involving securities traded on a national exchange be brought in federal court under federal law.

In written comments to the Senate Securities Subcommittee, CFA opposed passage of the legislation on the grounds that it is "unwarranted based on the available evidence, harmful to defrauded investors, and unlikely to be effective."

"The Private Securities Litigation Reform Act, adopted by Congress in 1995 over the president's veto and despite the opposition of state and federal securities regulators, has yet to be fully defined by the courts," said CFA Director of Investor Protection Barbara Roper.

"As a result, we still don't know what the federal standards are or to what degree they will affect the ability of fraud victims to recover their losses," she added. "Surely that is the minimum information Congress should have before it even considers preempting state law."

If Congress insists on moving forward, despite the absence of evidence to support such a move, the legislation should be substantially rewritten, CFA warned.

At a minimum, it should: clarify that Congress intends recklessness to be considered a basis for liability under federal securities laws, lengthen the federal statute of limitations, and fully restore civil liability for aiding and abetting securities fraud.

"We urge Congress to wait until there is adequate evidence on which to base a careful and unbiased assessment of any problems that have resulted from passage of PSLRA, including problems that limit recoveries by legitimate victims of fraud. Only then can Congress craft balanced legislation that targets any problems without placing unreasonable limits on the rights of defrauded investors," the comments conclude.

Bond Fund Ratings Approved

The National Association of Securities Dealers has approved a proposed rule to establish an 18-month pilot program allowing use of "volatility ratings" in supplemental sales literature for bond mutual funds.

In comments to NASD, CFA had cautioned that the use of the ratings would only benefit investors if a number of conditions were placed on their use. "We are encouraged that many of the concerns we raised in our comments are reflected in the proposed rule," Roper said.

Specifically, the proposed rule would prohibit calling the ratings "risk" ratings, which could lead investors to assume they measure a wider range of risks than simply share price volatility, Roper said.

It would also prohibit use of ratings represented by a single number or symbol and use of subjective factors in calculating the ratings.

Furthermore, the rule would require a number of specific disclosures to accompany the ratings, including a description of the criteria used to determine the rating and the fact that the rating was paid for by the fund.

CFA had advised prohibiting use of ratings that are paid for by the fund being rated on the grounds that it "invites funds to shop for the most favorable rating and creates a serious conflict of interest that calls the integrity of the ratings into question."

In an effort to discourage rate shopping, the proposed rule would require that, if a rating is used, any other ratings issued on the fund also be disclosed.

"The pilot program will provide time in which to determine whether the fund ratings promote or diminish investor understanding of bond fund risks," Roper said. "Final approval of the ratings should be based on that determination."

The rule must be reviewed and approved by the Securities and Exchange Commission before taking effect.

Planning Guide Available

A free guide to developing and implementing a basic financial plan is now available in English and Spanish from Consumer Action-San Francisco.

The eight-page tabloid publication, "From Here To Security: Your Map To Financial Freedom," was developed by CFA and NationsBank as part of a joint campaign to promote consumer savings.

"We all know that Americans are not doing enough to save and invest for the future," said Roper, who is lead author of the publication. "This tabloid provides easy-to-follow advice on how to develop and put into effect a simple savings and investing plan."

A joint CFA-NationsBank survey released in May found that a key factor in determining the success of Americans' savings efforts was whether they had ever developed a financial plan. Specifically, the survey found that those with a plan had about twice as much saved and invested as those without a plan.

The tabloid describes a simple, five-step process to develop a basic financial plan, including: setting goals, getting started, matching products to goals, doing an annual checkup, and choosing help wisely. It also includes tables outlining the key characteristics of the three major asset classes (cash, bonds, and stocks) and of financial services providers.

To receive a single copy of "From Here to Security," send a self-addressed, 8 by 10 envelope bearing $.55 in postage to Consumer Action-San Francisco, 717 Market St., Suite 310, San Francisco, CA 94103. Be sure to specify whether you want the English or Spanish version.

For a copy of both the English and Spanish versions, include $1.01 in postage on the envelope. Or, to order bulk copies, which are available free to non-profit groups, call 415-777-5267.

CPSC Votes To Begin Bunk Bed Rulemaking

More than 11 years after CFA petitioned the federal government for a mandatory rule to address hazards associated with bunk beds, the Consumer Product Safety Commission voted in January to begin such a rulemaking.

"At long last, CPSC has taken action to protect children from this deceptively safe-looking product. Over a hundred children have died while the agency deliberated," said CFA General Counsel and Product Safety Director Mary Ellen Fise. "We applaud the agency's action to protect America's children. Parents should not have to guard their sleeping children night after night from the risk of entrapment death."

A mandatory standard for bunk beds would give the Commission authority to impose civil penalties on manufacturers who violate the standard and deter others from making non-complying beds. It would also allow state and local governments to more aggressively help CPSC discover non-complying beds and would provide U.S. Customs with the legal tools to help keep foreign-made beds that do not comply with the standard out of this country.

CFA petitioned CPSC in 1986 to establish a mandatory standard for bunk beds. When the Commission denied the petition in 1988, over 200,000 injuries and at least 72 deaths had already occurred.

According to recently released CPSC data, there were 85 bunk bed-related deaths to children under the age of 15 from January 1990 through September 1997, with 54 of those deaths resulting from entrapment. In 1996 alone, there were an estimated 35,000 bunk bed-related injuries to children under age 15 treated in U.S. hospital emergency rooms. CPSC received reports of an additional 49 "near miss" entrapment incidents in which a child was entrapped yet received either no or minor injury because of some intervention. Based on this information, CPSC staff concluded in its report to the commission that, "Bunk bed deaths have not decreased in recent years."

While a voluntary standard addressing bunk bed hazards has been in effect since 1992, compliance by industry has been inadequate. In the last three years alone, CPSC has instituted eight recalls involving 41 manufacturers and affecting approximately 531,000 bunk beds. Because bunk beds have a useful life of 13 to 17 years and recall effectiveness has been low, there is still considerable concern that unsafe bunk beds are currently in use.

"If ever there was a case where industry got multiple chances to clean up its act and didn't, this is it," Fise said. "We are pleased that the agency has finally realized the need to take stronger action."

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