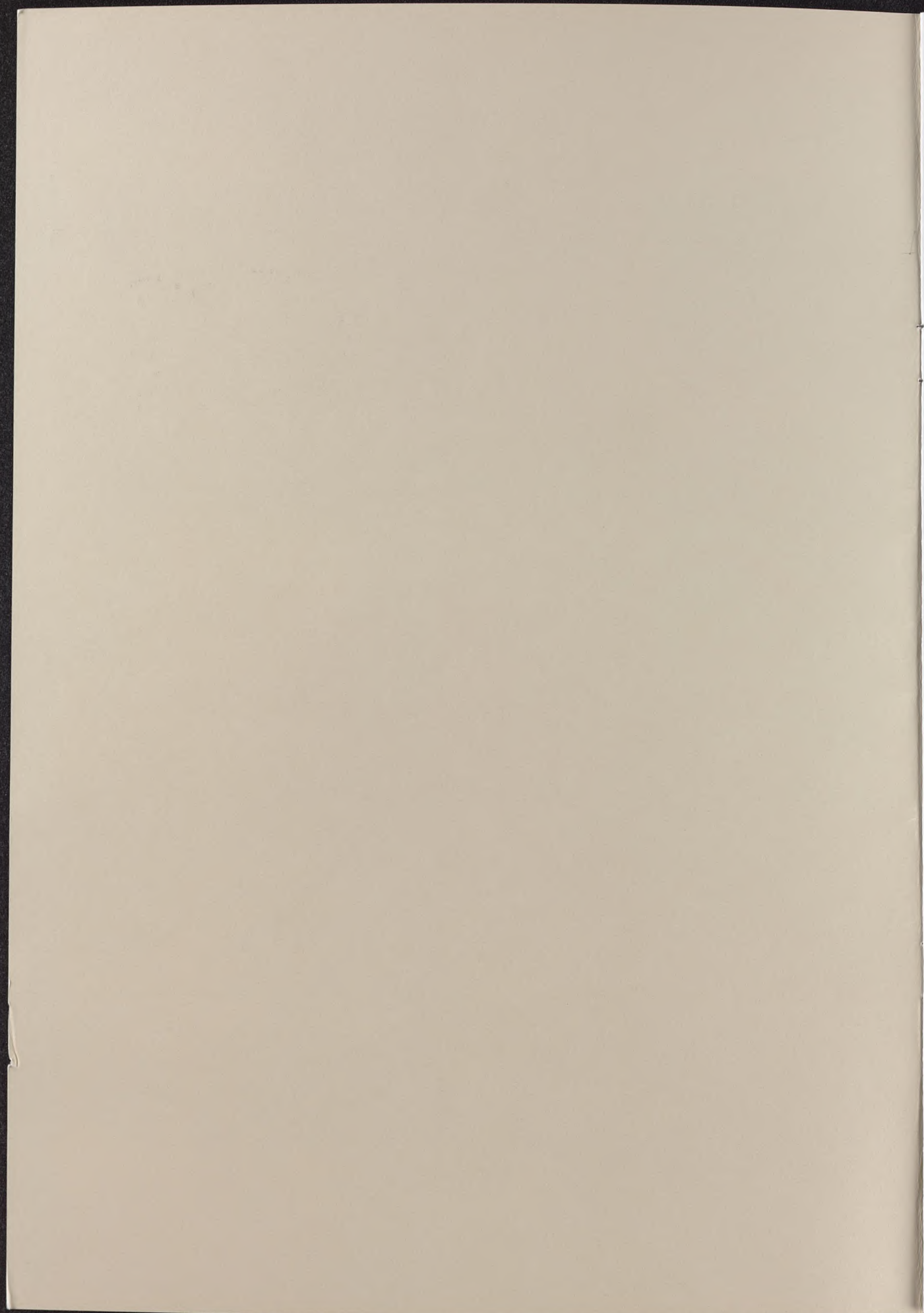


Consumer Federation of America



2014

ANNUAL REPORT





Consumer Federation of America

March 13, 2015

Dear CFA Member,

In the past year, CFA's advocacy made progress on issues being addressed by federal regulatory agencies. With allies, we helped persuade the Department of Defense to strengthen Military Lending Act protections and prohibit use of military allotments in retail purchase contracts; the Federal Communications Commission to propose net neutrality protections; the U.S. Department of Agriculture to strengthen pathogen reduction performance standards for poultry parts and ground patties; the Securities and Exchange Commission to issue regulations for credit rating agencies; the Department of Labor to develop a proposal for protecting retirement savings; and the Federal Insurance Office to begin addressing low-income auto insurance issues. At the state level, our work helped convince three state insurance departments to prohibit the use of "price optimization" by auto insurers.

Legislatively, we worked with members of Congress and several state legislatures to introduce bills banning the use of education and occupation by auto insurers in their ratemaking. And, we helped persuade the governor of California to veto legislation that would have curbed efforts by the state's Energy Commission to set energy efficiency standards for digital products.

This advocacy was strengthened by the participation of state and local consumer groups, which was supported by Consumer Reports and assisted by new consumer issue webinars as well as by other services of our State and Local Resource Center.

CFA's main outreach to individual consumers continued to be through our America Saves and Military Saves campaigns. During the year, these campaigns persuaded more than 40,000 individuals to enroll or pledge as Savers, bringing the total number of Savers to nearly 400,000. Many were encouraged to do so through America Saves Week, in which more than 1,300 organizations participated.

We also made progress strengthening CFA internally. Our two-year campaign to expand membership resulted in 55 new organizational members, bringing the total number of CFA member groups to 290. We also modernized our databases and began overhauling our website. And, an unexpected cy pres award bolstered our balance sheet.

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

Sincerely,

Stephen Brobeck
Executive Director

Consumer Advocacy

Major Accomplishments

Communications: CFA continued as a leading advocate that the structure and practices of the communications industry serve the interests of consumers. The most important policy issue was treatment by the Federal Communications Commission of the issue of network neutrality. CFA communicated our position that the FCC must preserve net neutrality, with minimum disruption to innovation and investment, through comments to the agency and conversations with its top leaders. In early 2015, the FCC chairman's proposal – to reclassify Internet service providers as common carriers – strongly supported net neutrality though will face tough court challenges. CFA also weighed in on several competition issues. We organized opposition to the proposed Comcast/Time Warner merger, whose prospects, at year's end, were fading. In the ABC-Aereo case, we filed an amicus brief in support of Aereo's ability to allow free over-the-air broadcast on the Internet, which was refused by the U.S. Supreme Court. And in the Fox-Dish Hopper case, we filed an amicus supporting the ability of consumers to remotely view content from any Internet-connected device, which was supported by a U.S. district judge. CFA also defended consumer-friendly developments in the ongoing review of copyright being conducted by the U.S. Copyright Office, the Department of Commerce, and the Department of Justice.

Consumer Credit: CFA continued its longtime leadership on high-cost lending issues. To encourage the Department of Defense to issue an effective rule modernizing and closing loopholes in the Military Lending Act, we convened a broad-based coalition of consumer, civil rights, and military organizations; worked closely with federal regulators advising DoD, and mobilized the support of 100 members of Congress, 22 state attorneys general, and nearly 200 national and state nonprofit groups. The proposed rule, issued in September by DoD, contained nearly all of the recommendations made by CFA in its 2012 evaluation of the MLA, including expansion of the interest and fee cap and a ban on forced arbitration. To encourage the Consumer Financial Protection Bureau to issue a rule that effectively protects consumers from payday loans, CFA coordinated the efforts of state and national advocates, which have included numerous statements of support and rapid response actions to industry attacks. To urge DoD to prohibit lender abuse of military allotments in servicemember retail purchase contracts, CFA and allies communicated with both DoD and the CFPB. In response, DoD banned the practice. CFA also worked with allies to support the CFPB's ability to function as an effective consumer protection agency.

Consumer Protection/Privacy: CFA continued as a leading advocate for stronger protections against consumer fraud. With other advocates, we urged the Federal Trade Commission to strengthen the Telemarketing Sales Rule, including submitting comments. This advocacy was strengthened by our annual survey of complaints to state and local government agencies, undertaken in partnership with the North American Consumer Protection Investigators, which reported a significant increase in telemarketing abuses. We also worked with the FTC's Fake Check Scam Task Force to identify and combat new abuses. CFA's Identity Theft Service Working Group revised its Best Practices to address issues such as free trial offers and data breach services. We also worked on a wide range of consumer privacy issues, including: meeting with officials of the FTC and Federal Communications Commission on issues ranging from "big data" to

'mobile location data' to "robocalls"; participating in the multi-stakeholder process convened by the National Telecommunications and Information Administration on best practices for the commercial use of facial recognition technology; and demanding that the Administration keep its promise to introduce legislation to protect consumers' online privacy. In addition, CFA continued to track consumer protection issues related to new forms of payments and made a presentation to a House task force about mobile payments.

Energy Efficiency: CFA continued its consumer leadership on motor vehicle fuel economy and appliance efficiency. We continued to defend and support high fuel economy standards, which the Administration adopted in late 2012, by analyzing automaker progress, estimating consumer pocketbook savings, and surveying related consumer concern and preferences, then sharing this information with policymakers and the public. To help ensure that automakers accurately disclose fuel efficiency ratings in advertisements, we also coordinated comments to the Federal Trade Commission regarding its Fuel Economy Advertising Guide. In a related area, CFA made the consumer case for increased fuel economy in medium to heavy duty trucks. That work included measuring public support for stronger fuel economy standards and sharing that information with the Administration and the public. CFA also continued its longtime consumer leadership on appliance efficiency, focusing most attention on California, which often leads the nation in setting related standards. With Consumer Action, we helped persuade Governor Brown to veto legislation that would have weakened the California Energy Commission's ability to set strong standards for appliances, including electronics. And with allies, we worked to develop federal energy standards affecting cooktops, ovens, furnaces, computers, public housing, and federally assisted single family housing.

Food and Agriculture: CFA continued its leadership on food policy issues. Working with other consumer and public health groups, we submitted comments to the Food and Drug Administration and met with key agency leaders on multiple proposed regulations implementing the Food Safety Modernization Act. We also continued to work with allies to ensure funding increases for the FDA so that the agency can adequately implement and enforce the FSMA. On meat and poultry safety, CFA successfully advocated for new pathogen reduction performance standards for poultry parts and ground patties, which were finalized in early 2015. Working with allies and members of Congress, we persuaded the U.S. Department of Agriculture not to purchase Chinese chicken for use in the National School Lunch Program. We also worked with Representatives Rosa DeLauro and Louise Slaughter to introduce the Pathogen Reduction and Testing Act, which would strengthen USDA's authority to keep pathogens out of the meat and poultry supply. In addition, CFA worked with allies to successfully defend country of origin labeling against challenges in U.S. courts, at Congress, and before the World Trade Organization.

Housing: CFA continued to provide leadership on housing issues in the consumer and civil rights community in 2014. The year marked the final adoption of Dodd-Frank rules governing asset-backed securities, including mortgage-backed securities. The five agencies charged with writing this rule issued a final regulation which included changes in the definition of "Qualified Residential Mortgages" (QRMs) that adopted language and features promoted for nearly four years by CFA and allies, including publication of our article in *The Hill*. CFA was deeply involved in Senate Banking Committee discussions around comprehensive housing finance reform, culminating in the Johnson-Crapo legislation which passed the Committee in May. CFA joined in a series of meetings with key Administration officials from the U.S. Department of Housing and Urban Development, Treasury, and the National Economic Council to promote provisions in the bill protecting consumers and ensuring that any new system adequately serves the needs of low-income consumers and lenders of any size. The Committee adopted some critical changes drafted by CFA and allies, but the final bill was inadequate and, in part because

of our opposition, never was voted on by the full Senate. CFA also continued to play a leadership role in the Bipartisan Policy Center's Housing Commission, whose continued discussions culminated in a three-day Housing Summit.

Insurance: CFA's campaign to help ensure that low- and moderate-income drivers can afford state-required auto insurance continued, expanding substantively and geographically. Our studies on the uninsured and on the high cost of premiums charged LMI drivers in urban areas, based on a database of millions of prices, were extensively reported on. These reports, our coalition-building, and our communications with policymakers led to a Federal Insurance Office notice on assessing auto insurance affordability, and congressional and state legislation banning income and occupation as rating factors. Thirty-three consumer, community, and civil rights organizations signed our comments submitted to the FIO on affordability. During the year, we also uncovered the growing practice of "price optimization," in which insurers price policies not just on risk-related factors but also on customer sensitivity to price increases, which adversely affects LMI drivers. This issue gained national traction when information, which we uncovered about Allstate's pricing practices in Wisconsin, allowed us to challenge regulators in all states, three of which then prohibited the practice. CFA also continued to weigh in on forced place issues being considered by state insurance departments and the Federal Housing Finance Agency. And we critiqued federal proposals to continue unwarranted subsidies to insurers by existing federal flood and terrorism insurance programs.

International: CFA and allies in the Transatlantic Consumer Dialogue provided a consumer voice in the Transatlantic Trade and Investment Partnership negotiations. In response to our concerns about lack of transparency, the European Union announced that it would make its negotiating proposals public. Moreover, our concerns about provisions for investor state dispute resolution and regulatory cooperation were seriously considered. CFA also communicated our views about how to make the "safe harbor" agreement to protect the privacy of personal data flowing from EU to U.S. companies more effective. And, we participated in the Organization for Economic Cooperation and Development's revision of its 1999 guidelines for consumer protection in ecommerce.

Investor Protection: CFA continued its leadership on investor protection issues. Our most significant success was Securities and Exchange Commission adoption of regulations governing credit rating agencies. Through our comment letters, communications through the press, and meetings with the agency's chair, commissioners, and staff, we helped persuade the agency to revise proposed rules in order to reduce the risk of inflated ratings to high-risk products. We also made significant progress helping persuade the Administration to issue a fiduciary duty rule that would strengthen protections for retirement savers. Working with allies, we met with high-ranking Administration officials and Hill staffers, participated in a press briefing, issued critiques of industry-funded studies, and helped develop a website to inform the public. Despite strenuous industry opposition, by year's end the Administration appeared ready to send a rule to the Office of Management and Budget for final review. However, progress on a similar measure at the SEC – adopting a uniform best interest standard for brokers and investment advisers – remained stalled despite our efforts, with allies, that included meeting with the SEC chair and commissioners and sending coalition letters. CFA did, however, make some progress on an important issue – definition of accredited investors – related to JOBS Act implementation. Utilizing research, mobilization of experts, and outreach to stakeholders, we developed a recommendation that was adopted by the SEC's Investor Advisory Committee that, at year's end, was being considered by the Commission. On the issue of market structure, CFA developed a white paper which it discussed with journalists, the Commission, and Congress, including briefing Senate Banking Committee staff.

Product Safety: CFA continued to lead efforts on both broad and product-specific safety issues. We worked closely with a broad public interest coalition to oppose regulatory reform that would thwart the ability of the Consumer Product Safety Commission and other federal agencies to protect the public. We formed a new coalition to oppose the use of all-terrain vehicles on public roads and issued a report documenting that many states are increasing ATV access to these roads in spite of opposition by ATV manufacturers as well as by consumer advocates, physicians, and public health experts. And, we coordinated letters from coalition members that opposed efforts by some state and local officials to allow ATVs to be driven on public roads. CFA testified before the CPSC about numerous issues including priorities for the next fiscal year, which highlighted implementation of the Consumer Product Safety Improvement Act, third party testing, and recreational off highway vehicles. With other groups, we filed comments concerning the reduction of third party testing burdens, voluntary recalls, voluntary standards, the ability of the CPSC to disclose information to the public, sling carriers, and in support of our earlier petition, window coverings. We also worked on numerous voluntary standards, including those for juvenile products, laundry packets, furniture stability, and adult bed rails. In addition, we worked to help ensure that the CPSC's budget did not include provisions limiting its ability to protect the public. And, we worked successfully to help secure the confirmation of CPSC Commissioner Adler.

Strategies

1. Legislative and Regulatory Communications

CFA's principal advocacy strategy was communicating information and viewpoints to members of Congress, the Administration, and regulators. While most of these communications took place in individual conversations, we also frequently submitted letters, comments, or testimony to Congress, the White House, federal regulatory agencies, state regulatory agencies, and even European government bodies. During the course of the year, we submitted more than 110 of these written communications, often with allied organizations.

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 2014, we issued 85 press releases on issues and held eight press conferences. We also published a number of op-ed essays, letters, and blogs in independent print and online sources including the New York Times, Sacramento Bee, The Hill, Investment News, Wealth Management, Housing Wire and Huffington Post.

3. Research

CFA developed and analyzed data from nine nationwide surveys on issues including holiday spending, credit scores, personal savings, auto insurance, and motor vehicle fuel efficiency. We also prepared important studies demonstrating the need for consumer protections, the preservation of existing protections, or the rejection of anti-consumer measures. And much other research was incorporated into press releases but not written up in separate reports. All of this research was reported on by the news media.

The major studies were:

Communications

*Buyer and Bottleneck Market Power Make the Comcast-Time Warner Merger
"Unapprovable"*

*Decision-Making in the Face of Complex Ambiguity: Mapping the FCC's Route to the
Broadband Network Compact*

*Abuse of Market Power for Broadband Internet Access Services: Blind Theory and
Bonehead Analysis Can't Hide the Problem*

Consumer Credit

*Consumers at Risk from Tax-Time Financial Products and Unregulated Preparers
(with National Consumer Law Center)*

Consumer Protection

*Nation's Top Ten Consumer Complaints (with North American Consumer Protection
Investigators)*

Energy Efficiency

*Electricity Consumption and Energy Savings Potential of Consumer Digital Devices:
The Role of California Appliance Standards Leadership*

*Paying the Freight: Consumer Benefits of Increasing Fuel Economy for Medium and Heavy
Duty Trucks*

Insurance

*The High Price of Mandatory Auto Insurance for Low-Income Households: Premium Price
Data for 50 Urban Regions*

Uninsured Drivers: A Societal Dilemma in Need of a Solution

Investor Protection

Toward a U.S. Equity Market Structure That Serves All Investors

Can the Internet Transform Disclosures for the Better?

Product Safety

ATVs on Roadways: A Safety Crisis

Consumer Research and Education

Auto Insurance and Lower-Income Households: With support from the Ford Foundation, we continued to research lower-income auto insurance issues related to affordability and discrimination, then communicated our findings and policy recommendations to policymakers, the press, and other advocates. This research analyzed those who could not afford mandatory insurance coverage and the severe penalties for driving without this coverage, the high prices for this required coverage charged lower-income drivers in the 50 largest urban areas, and the increasing insurer practice of setting rates based not just on costs but also on what the traffic will bear (“price optimization”).

Consumer Protection: In partnership with the North American Consumer Protection Investigators, CFA conducted its annual survey of complaints to state and local government protection agencies. For National Consumer Protection Week, we issued a new video and tips for consumers about how to protect themselves from ID theft and fraud. CFA hosted a Twitter Town Hall for veterans about identity theft and was one of the founding members of the Veterans Financial Coalition, whose mission is to assist and promote resources to a growing population of veterans, provide financial education for veterans and those serving veterans, and raise awareness of the unique financial challenges that veterans face. We also updated our www.IDTheftInfo.org website with news stories and other information. Throughout the year, we sent alerts to our state and local consumer agency and organization members about new studies, educational materials, and other information from CFA and other sources.

Credit Scores: In partnership with VantageScore Solutions, CFA again surveyed the nation’s knowledge of credit scores and also updated an interactive website (www.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, more than 50,000 persons had taken the quiz.

Encyclopedia of Consumer Activism: In partnership with Professor Robert Mayer, we prepared a reference book on consumer activities, organizations, and issues in the U.S. and abroad that will be published by ABC-CLIO in the summer of 2015.

Energy Efficiency: With continued support from the Energy Foundation, we researched public opinion on support for increased fuel economy in cars, concern about gas prices, and expectations for fuel economy in future vehicle purchases. We also conducted research on public support for increased fuel economy standards for medium and heavy duty trucks and estimated the consumer savings from higher standards. This research was communicated to policymakers and was released to the press.

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

High-Cost Credit: With continuing support from the Ford Foundation and Annie E. Casey Foundation, CFA researched high-cost credit issues, maintained our payday loan website (www.PaydayLoanInfo.org), organized an annual advocates' Summit, and helped support the activities of a grasstops network of several hundred activists.

Investor Internet Disclosures: With a grant from FINRA, we completed and released a report on how the Internet can be used to improve the effectiveness of disclosures by investment firms.

Life Insurance Rate of Return Services: CFA's life insurance actuary analyzed cash-value life insurance policies, including rates of return, for more than 100 customers.

Military Saves: With support from FINRA Investor Education Foundation, Wells Fargo Bank, and the USAA Educational Foundation, CFA continued to work closely with the Department of Defense on a Military Saves campaign to promote savings among servicemembers. All four service branches plus the Air and Army National Guard, the Reserve Corps, and the Coast Guard – and many military installations in the U.S. and abroad – participated in the year-round effort. They were supported by defense credit unions, military banks, service banking liaison officers, and nonprofit service organizations. During the year, 627 of these organizations signed up to participate in Military Saves Week. Through their activities during the Week, the services and their installations reached more than 130,000 individuals. Social media communications resulted in more than one million impressions on Twitter and more than 17,000 likes on Facebook. More than 24,000 individuals took the Military Saves pledge, bringing the total number of pledges and re-pledges to more than 180,000 since 2007.

Wealth-Building Among Youth: America Saves undertook two initiatives to encourage and assist teenagers and young adults to develop good saving habits. One program focused on training young workers to begin saving automatically through their first work experience. In 2014, this initiative expanded to twelve cities and reached about 9,000 young workers with 4,475 pledging through America Saves to save more than \$3 million over seven months. More than two-thirds of these pledges signed up for direct payroll deposit, and 3,339 new accounts were opened. This effort was supported by the Federal Deposit Insurance Corporation, the Consumer Financial Protection Bureau, and the U.S. Treasury with funding from Experian, JPMorgan Chase Bank, and the National Credit Union Foundation. A second initiative targeted students on college campuses. We created a working group, America Saves for Students, with participants from 18 college and university campuses who met monthly to discuss ways to encourage student saving. In addition, we worked with local America Saves campaigns to create three models for campus-based campaigns that have been made available to interested schools.

Wealth-Building in Lower-Income Households: With funding from cy pres awards, financial institutions, and foundations, CFA continued to expand the America Saves campaign that we lead and manage. More than 40,000 individuals enrolled or pledged as Savers, bringing the total number of sign-ups, at year's end, to 393,455. During the year, about 100,000 Savers received a quarterly newsletter, more than 4,000 received goal-based text message reminders every two weeks, and about 34,000 received monthly e-wealth coach emails. The America Saves website had about 400,000 unique visitors. In partnership with the American Savings Education Council, we organized the eighth annual America Saves Week, held the last week in February. More than 1,300 nonprofit, government, education, financial services, and employer organizations from 48 states signed up for the Week. Participating Cooperative Extension programs reached more than 175,000 people with 10,361 of them setting a savings goal. About 1.5 million contributors produced 5.9 million tweets leading to 16.3 million impressions on Twitter during America Saves Week. Related press coverage, aided by nationwide consumer surveys of savings attitudes and behavior, reached over 40 million Americans.

Member Services

CONFERENCES/SPECIAL EVENTS

Consumer Assembly: The most important CFA meetings were associated with the 48th annual Consumer Assembly attended by more than 200 persons in March. They heard speakers – including Congressman Chris Van Hollen, Securities and Exchange Commission Chair Mary Jo White, Federal Communications Commission Chair Tom Wheeler, and American Enterprise Fellow Norm Ornstein – address issues related to the theme of current and future policy challenges.

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

Food Policy Conference: In April, more than 275 persons heard keynote speakers – including Congressman Jim McGovern, U.S. Department of Agriculture Under Secretary Kevin Concannon, White House Senior Policy Advisor Sam Kass, and Hart Research Associate Vice President Jay Campbell – address the 37th annual National Food Policy Conference.

Financial Services Conference: In December, more than 260 persons heard speakers – including Securities and Exchange Commission Commissioner Kara Stein, Government National Mortgage Association President Ted Tozer, FINRA Chairman Rick Ketcham, Ohio Securities Commissioner Andrea Seidt, Federal Reserve Board Community and Consumer Affairs Director Eric Belsky, and Moody's Analytics Chief Economist Mark Zandi – discuss banking, housing, investment, and insurance issues at CFA's 27th annual Financial Services Conference.

Awards Dinner: In June, more than 300 persons participated in CFA's 44th annual Awards Dinner to recognize distinguished consumer service. Senator Elizabeth Warren, former Federal Trade Commission Consumer Protection Director David Vladeck, Virginia Citizens Consumer Council President Irene Leech, and Kiplinger Publishing received awards.

PUBLICATIONS

CFA member organizations received the following publications:

- Eighteen issues of CFAnews Update, which reports consumer news and advocacy.
 - The 2014 policy resolutions adopted by CFA's annual meeting.
 - The 2013 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 quarterly meetings with national cooperative and public power leaders to exchange information and discuss challenges and opportunities. We also:

- Contributed research and support to a coalition led by rural electric and public power to ensure adequate affordable rail transport.
- Began working with NRECA and APPA on an analysis of the consumer impacts of distributed generation (i.e., rooftop solar).
- For the 15th year, with CUNA conducted a holiday spending survey that was widely reported on by the press.
- Supported legislation that would expand small business lending opportunities for credit unions.
- Organized a discussion of increasing regulatory burdens on credit unions at a CFA Board meeting.
- Worked with NAFCU, CUNA, and many individual credit unions to promote personal saving during America Saves Week and Military Saves Week.
- Worked more closely with food and housing cooperatives, including organizing a meeting for the latter with AARP.

STATE AND LOCAL RESOURCE CENTER

CFA's State and Local Resource Center, supported by the Colston E. Warne Fund of Consumer Reports, helped strengthen state and local member groups by supplying them with information, technical assistance, and resources. We awarded small grants to six state and local members for projects that included website design and upgrades, staff training in fundraising, computer equipment, community outreach, and communications. And we awarded larger grants for grassroots advocacy to eleven organizations seeking to regulate high-cost credit products, including ensuring a strong payday lending rule from the Consumer Financial Protection Bureau.

CFA expanded the number of opportunities for state and local advocates to learn about issues and talk to each other. As in the past, we organized state and local roundtable discussions before Consumer Assembly and after the Financial Services conference. And we provided more than \$22,000 to help cover the travel and lodging expenses of participating advocates. We also organized a roundtable discussion for state and local consumer protection agency leaders before the Assembly. For both state and local advocates and agency leaders, we organized five webinars on consumer issues – labeling foods with genetically modified ingredients, threats to federal regulation, privacy implications of behavioral marketing, and issues related to automobile recalls and used car frauds.

Finances

Because of an unexpected \$2 million cy pres award that we are sharing with another public interest organization, income greatly exceeded expenses. While most of these funds, and funds received in earlier years from cy pres awards, are designated for work in specific areas, they help offset regular income that is lower than regular expenses.

Income	\$4,961,867
Expenses	3,514,269
Net Assets	
Temporarily restricted	\$5,794,596
Unrestricted	2,661,096



