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January 27, 1999

PRELIMINARY PREVIEW:

CONSUMER PROTECTION FOR THE 21st CENTURY ECONOMY

or

CONSUMER FINANCIAL RIGHT TO KNOW

or

FINANCIAL SECURITY

<u>**Overview:**</u> A revolution in technology and increased competition in financial services gives Americans more numerous and complex financial choices than ever before. President Clinton believes that consumers should have the tools to profit from these new opportunities and protection from new abuses. Certainly, many consumers already benefit from this financial revolution -- they have greater access to credit, comparison shop for mortgage rates on the Internet, use credit cards to earn frequent flyer miles, and invest on line at low commission rates. But not all Americans benefit from these new opportunities. Moreover, for all Americans, new products have brought new risks and new opportunities for predatory practices. We must update our consumer protection laws to adapt to a changing marketplace.

Note: Items in italics require further policy development. Items with asterisks(**) involve policy disputes that, if not resolved, will be presented to NEC Deputies.

1. <u>Provide Full and Fair Disclosure</u>

Credit Cards:

a. Require full and conspicuous disclosure about the expiration date of any "teaser" or discount interest rates on credit cards.

b. Require additional monthly disclosures about how long and how costly repayment would be if the consumer makes only the minimum payment. (From Bankruptcy bill.)

c. Require lenders to notify consumers that new extensions of credit may not be appropriate to consumer's financial needs and provide a simple worksheet to assist consumer in determining how to use credit appropriately. (From Bankruptcy bill.)

Banks

d. Provide enforcement "teeth" for bank sales practice guidelines (e.g., require disclosure that non-deposit products are not federally insured and give bank regulators authority to take enforcement actions).

e. ***Require the Federal Reserve to establish an electronic database of banking fee information (already required to be provided to customers) for easy comparison shopping.***

Rent-to-Own Companies

f. Require rent-to-own companies to make basic disclosures including whether product is new or used and what total cost would be to purchase under rent-to-own contract (and other disclosures determined necessary after completion of upcoming FTC study).

ATMs

g. Require ATM owners to post surcharge disclosure both on machine and on-screen.

Consumer Credit Counseling

h. *Develop standards of conduct for debtor counseling services.*

Mortgages

I. *Require new disclosures for high LTV second mortgages (e.g. 130%).*

j. Require minimum standards for creditor notice to consumers before home foreclosure, including notice of legal rights, how to avoid foreclosure, and information on availability of third party credit counseling. (From HUD/Fed study)

k. ***Require strong disclosures before lenders can sell insurance products (e.g., credit life insurance) to consumers with a pending mortgage application [or require that such products can only be sold after loan closing].***

l. ***Other recommendations by HUD and the Federal Reserve on changes to RESPA and TILA to simplify the home mortgage and settlement service process.*** (From HUD/Fed study)

Mutual Funds

m. *Require disclosure of mutual fund gross earnings and fees (not just net earnings) to highlight impact of fees on long-term returns.*

2. <u>Protect Privacy</u>

a. *Prohibit sharing of medical information, such as those gathered from health or life insurance records, within financial services conglomerates*

b. ***Require customer notice and opportunity to opt-out before an organization can share transaction or experience information with a third party [or affiliate]***

c. *Clarify what constitutes adequate notice and opportunity for opt-out and when required for affiliate sharing of non-transaction/experience information.*

d. *Require that firms that collect "header" information (e.g., social security number and mother's maiden name) and provide it to credit agencies give notice and opportunity for opt-out to consumers.*

e. *Call upon FTC (in cooperation with Treasury and bank regulators) to study whether the FCRA (and specifically the transaction/experience exception) should be rewritten in light of dramatic changes in where and how information is collected.*

f. Give bank regulators broader authority to examine bank compliance with FCRA. (From VP announcement last year.)

3. **Prevent and Punish Financial Fraud**

a. *Clarify that the ban on unfair and deceptive trade practices applies to financial institutions.*

b. Fully implement the FTC Consumer Response Center's: (I) toll-free consumer hotline ("FTC-Help"); and (ii) fraud database ("Consumer Sentinel") shared with law enforcement.

c. *Treasury enforcement initiative to guard against and punish identify theft.*

d. Support legislation to bar pretext calling (investigators and data brokers who trick confidential consumer information out of banks). (From VP announcement last year.)

e. Limit consumer liability on non-PIN protected debit cards (look like credit cards but can expose consumer to greater risk of loss).

f. *** Prohibit unsolicited mailing of loan checks to the same extent as unsolicited mailing of credit cards.* **

g. ***Prohibit [or require adequate disclosure for] unsolicited mailing of cards with new (and confusing and higher risk) features (e.g., ATM card becomes debit card)***

h. Continue FTC Internet enforcement initiative to keep fraud from clogging the Internet (including fraudulent billing for Internet services).

I. *Anti-cramming regulations: FCC has begun a rulemaking to prevent placement of unauthorized charges on phone bills. However, it is unclear if FCC has authority to regulate local phone bills. [DO WE SUPPORT LEGISLATION TO CLARIFY?]*

j. *Expand current restrictions against balloon payments on high cost mortgages.* (From HUD/Fed study.)

k. *Prohibit the advance collection of lump-sum credit insurance premiums on high cost mortgage loans and require automatic termination of insurance with loan termination.* (From HUD/Fed study.)

4. **Expand Access to Financial Services**

a. Expand low-cost electronic banking accounts (ETAs) (Treasury rulemaking outstanding)

b. Install ATMs in post-offices in low-income areas

c. Expand individual deposit accounts (IDAs) to encourage low-income to save (HHS) (in budget).

5. **Educate Consumers**

a. *Launch a consumer financial planning/asset building education campaign building on existing resources and programs in many Federal agencies including USDA, DoD, DoL, HHS, Treasury, FTC, SEC and Fed, as well as public-private partnerships.*

b. ***Promote financial literacy education in K-12 by: (I) identifying promising personal finance education programs an including them in guidance distributed to state and local education officials, like did on school uniforms; and (ii) provide incentives for applications for innovative integration of financial literacy into math and economic curricula under DoEd curriculum development grant program.***

c. *Establish an easy to use government clearinghouse of resources for financial planning (building on FTC and other agency sites).*

Consumer privacy

INTRODUCTION

A revolution in technology and increased competition in financial services has given Americans more numerous and complex financial choices than ever before, and consumers should have the tools to profit from these new opportunities. Certainly, many consumers already benefit from this financial revolution -- they have greater access to credit, can comparison shop for mortgage rates on the Internet, and use credit cards to earn frequent flyer miles. But not all Americans have access to convenient or affordable financial services. Moreover, for all Americans, new products have brought new complexities and new opportunities for abusive practices and invasions of privacy. We must update our consumer protection laws to adapt to this rapidly changing marketplace.

Members of Congress, including Ranking Members Sarbanes and LaFalce, have sponsored important legislation to modernize our consumer financial protection laws. We applaud their leadership and look forward to working with Congress on a consumer protection agenda.

Set forth below is a series of actions that the Clinton Administration believes should be part of this agenda. The list is not exhaustive, and we will continue to look for constructive ideas in these and other areas. Among the issues deserving further scrutiny are lending practices such as " pay day" loans (short-term loans which can carry interest rates of 400%) and bank check processing practices that may be designed to maximize bounced check fees. We will work with the states and the FTC to address these issues. Secretary Cuomo is also making important efforts to address abusive mortgage lending practices.

PROTECTING FINANCIAL PRIVACY

Ensure consumers have meaningful notice and an opportunity for informed choice if their financial information is shared. Although consumers put great value on the privacy of their financial records, our laws have not caught up to technological developments that make it possible and profitable for companies to share financial data in new ways. Current law does provide some important privacy protections: for example, the Fair Credit Reporting Act (FCRA) requires a form of notice and opt-out before sharing certain information about consumers (e.g., information provided on an account application). But there are no limits on the sharing of information about consumers' transactions (e.g., account balances, who they write checks to) within a financial conglomerate, or even on the sale of that information to a third party. We support legislation to give consumers control over the use and sharing of all their financial information.

Prevent use of medical information for credit decisions or other unanticipated purposes. Our greatest privacy concerns involve medical information. Yet, with a growing number of mergers between insurance companies and other financial services firms, lenders and brokers potentially have access to private medical records. We support legislation requiring that medical information, such as that gathered from life insurance records, not be shared within financial services conglomerates (e.g., between banking and insurance affiliates), except for narrowly defined purposes. Consumers who undergo physical exams to obtain insurance, for example, should not have to fear that the information will be used to lower their credit card limits or deny them mortgages.

Monitor Bank Compliance with FCRA. Currently, bank regulators may not examine for compliance with existing privacy protections, but must wait for a consumer complaint. Congress should give regulators broader authority to monitor compliance.

[**Best Practices**. Even in the absence of legislation, many responsible banks have begun posting their privacy practices on the Internet and otherwise informing customers about how their data is handled. The Office of the Comptroller of the Currency is today publishing best practices in this area, so that additional institutions can be encouraged to inform their customers and do so in the most effect way possible.]

EXPANDING DISCLOSURE

Credit Card Disclosures

Prevent Misleading Credit Card Marketing of "Teaser" Rates. Consumers frequently complain that they did not understand marketing materials on credit card interest rates and are shocked when rates skyrocket, whether because a "teaser" rate expired or they had a minor late payment. Some consumers are misled by mailings that promote a "low 3.9% initial rate" but fail to disclose as prominently that the rate doubles or triples in six months or with a single late payment. We support legislation requiring "teaser" rates for credit cards to be accompanied by equally prominent disclosure of the expiration date of the initial rate and the eventual APR.

Require Credit Card Minimum Payment Disclosures. In recent years, credit cards lenders have lowered minimum payments. Many consumers still assume, however, that, as with a monthly mortgage payment, repeated payment will eventually retire the debt. In reality, low minimum payment requirements and high interest rates often means that borrowers make little, if any, headway. We support legislation requiring clear and conspicuous notice of how long and how costly repayment would be if a consumer makes only the minimum payment.

Disclosure of Late Payment Fees. It can be hard to tell from a credit statement whether and when a late payment fee (in addition to interest on the unpaid balance) will be assessed. We support legislation requiring monthly statements to display prominently the date that payment is due, together with any late payment fee.

Disclosure of Security Interests. Increasingly, creditors take security interests in goods purchased on credit. While consumers expect that they can lose their car or their home, they may not realize that they are granting a lien when they use a credit card. Liens may be taken in goods with little resale value as a collection technique or to encourage reaffirmation of the debt if the consumer goes into bankruptcy. We support legislation requiring effective notice of liens taken.

Disclosure of Interest Rates and Fees on Credit Advances Through Third-Party Checks. Credit cards offer some card holders "convenience" checks that allow them to write checks against their credit account in places where credit cards are not honored. But card holders may not understand that rates and charges are typically higher than for their credit card. Currently, these charges are explained only in initial disclosures but not at the time that the checks are sent to the consumer. That law should be changed.

Apply Disclosure Rules to Internet Credit Card Solicitations. More and more, credit cards are offered to consumers on the Internet, but current law does not require the same complete disclosures as apply to direct mail solicitations. We support legislation requiring that all Internet credit card solicitations include clear and conspicuous disclosure of the card's terms and conditions, updated regularly to reflect current terms and costs.

Bank Disclosures

Provide Enforcement "Teeth" for Rules on Bank Sale of Non-Deposit Products. Increasingly, consumers can buy securities, mutual funds, annuities, insurance on bank premises. Although none of these non-bank products are insured, studies have shown that many customers believe that these products are FDIC-insured or that the bank would protect them from loss. Under current bank regulator guidelines, banks that sell non-deposit products must disclosure that those products are not federally insured and limit their practices to avoid such confusion, for example by selling these products at a space physically separate from where banking transactions occur. However, a violation of these guidelines brings no penalties. We call on the banking regulators to adopt regulations that will be fully enforceable by civil money penalties and other sanctions.

Rent-to-Own Companies

Disclosures and Other Requirements for Rent-to-Own (RTO). The attraction of obtaining a TV, refrigerator, or living room furniture with little down has spurred the rapid growth of firms offering to rent products with an option to buy. But an RTO firm can sell a customer a used product that looks new, and the consumer can pay many times the value of the product. The FTC is nearing completion of a study of the RTO industry. We look forward to their recommendations, and expect to support a legislative response. Adequate consumer protections, including disclosure so consumers can compare the cost of RTO to other alternatives, should be required. In addition, we will work with states to ensure that any federal rules do not interfere with or preempt state consumer protection efforts, including regulation of RTO under state credit sales and usury laws.

ATMs

Mandate Clear and Conspicuous ATM Surcharge Disclosures. When customers use an ATM, the operator of the machine may impose a sizeable surcharge. Accordingly, most consumers shop around to avoid ATM fees or pay less. A conspicuous posting of the amount of any surcharge allows customers to easily avoid higher priced machine, or at least to begin the transaction with their eyes open. While ATM networks generally require members to post fee notices on the machine, a recent survey shows that nearly 25 percent of machines had either no posting or an inaccurate one. We support legislation requiring ATM owners to post a clear and conspicuous notice on the machine as well as on-screen, and subjecting ATM owners to sanctions for failure to make the mandated disclosures.

Mortgages

[**Truth-in-Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA) Reforms to Enhance Comparison Shopping for Mortgage and Settlement Services and to Stem Abusive Practices.** In July 1998, the Federal Reserve Board and the Department of Housing and Urban Development released a Congressionally mandated study of how best to streamline the statutory disclosure requirements for mortgage loans and settlement services, with the goal of simplifying and improving the quality of information provided to consumers to enhance their ability to shop and increase competition. The report calls for a series of statutory reforms to RESPA and TILA to make the information provided to consumers more reliable, more timely, and more helpful in comparison shopping for all the services required to finance a home. Congress should adopt the report's recommendations. For example, the required annual percentage rate disclosure should include all costs the consumer is required to pay in order to receive credit, instead of the patchwork of costs currently disclosed. Creditors should be required to provide firm and reliable clsoing cost informations, and disclosures should be made early in the application process, before creditors impose substantial fees.]

Other Disclosures

Expand Truth in Lending Act (TILA) coverage for consumer loans and leases. TILA protections currently apply to all credit transactions secured by home equity and to other non-business consumer loans under $25,000. When TILA was passed in 1968, the $25,000 limit was sufficiently high to ensure that most automobile, credit card, and personal loan transactions would come under TILA protections. Thirty years later, this is not the case, particularly for automobile loans. The same $25,000 limitation was imposed in 1976 in the Consumer Leasing Act sections of TILA. The limit should be raised to $50,000 to cover most cars and other consumer loans.

Require Effective Disclosure of Exchange Rate and Fees for International Money Transfers. Consumers wiring money abroad often are confused or misled about fees and exchange rates. To prevent this confusion, we would amend the Electronic Funds Transfer Act to require additional disclosures relating to exchange rates for international transfers. Financial institutions or other businesses that initiate international money transfers on behalf of consumers would have to disclose, in both English and the language principally used by the business: (1) the exchange rate used in the transaction; (2) the prevailing exchange rate; and (3) all commissions and fees charged in connection with such transactions. Current law does not require such disclosure.

COMBAT FRAUD AND ABUSIVE PRACTICES

Devote Law Enforcement and Agency Resources to Financial Fraud.

"Identity Theft" Enforcement Initiative. Identify theft is the use of another's individual identifying information to commit an offense -- for example, using another's social security number to apply for a credit card.) Once, one had to forge or steal documents to impersonate another, but now one can easily use your identifiers to impersonate you over the phone or Internet. This type of crime is growing rapidly [insert numbers]. Last year, Congress enacted new laws barring the use of another's identifying information. The Secret Service, in coordination with the Justice Department and regulatory agencies, will undertake a vigorous prevention and enforcement strategy to combat identity theft. They will work cooperatively with the American Bankers Association and others in the banking industry who have worked to combat this problem.

Combat Internet Securities Risk and Fraud with Investor Education and Enforcement. More and more Americans are investing in the stock market; 5.6 million are now trading on-line. The technology opens up great opportunity, but the rewards are not without their risks. Complaints to the SEC were up 330% in one year, and new securities fraud schemes are uncovered each day. SEC Chairman Levitt is launching a stepped-up SEC effort to arm investors with the information they need to understand and manage the risks and protect themselves against fraud. In addition, President Clinton's budget provides $11 million in new funds for SEC enforcement that will allow for a substantial increase in resources to tackle Internet fraud.

Internet Fraud Enforcement Initiative. Federal, state and local law enforcement officials and regulatory agencies are receiving a growing number of complaints from consumers about Internet fraud. Many of the same features of the Internet that make it a powerful tool for legitimate e-commerce (global reach, instant and often anonymous communications, ability to reach millions of consumers) also make it an attractive vehicle for fraud schemes. The Internet Fraud Initiative will crack down on Internet fraud by, for example, stepping up training for federal, state, and local prosecutors and agents; developing information on the nature and scope of Internet fraud; and keeping the public better informed about current fraud schemes and how to handle them. The initiative will also help coordinate the efforts of federal (Department of Justice, Secret Service, FBI, Postal Inspection Service, FTC, and SEC), state and local law enforcement agencies.

Ban "Pretext Calling." We are alarmed by widespread reports of private investigators and data brokers tricking financial institutions into providing confidential customer information. Along with the banking industry, we support legislation that would end this practice, ensure that institutions protect the privacy and security of consumer financial information, and punish wrongdoers.

Fully Implement FTC-HELP and Consumer Sentinel. The Year 2000 will be the first year of operation for FTC's toll-free consumer hotline, part of the Commission's Consumer Response Center. The hotline will give consumers fast and easy access to information they need to protect themselves -- from tips about credit and debt collection to advice on how to avoid becoming a victim of fraud. Complaints to the hotline become part of the Consumer Sentinel, the FTC's fraud database, which is shared only with other law enforcers in the U.S. and Canada. By 2000, the Consumer Sentinel database is expected to be a primary tool in the fight against consumer fraud. The President's FY2000 budget funds Consumer Sentinel. [TO BE AMENDED ONCE 2001 BUDGET ISSUES WORK OUT]

Improve Consumer Protections Against Fraudulent or Abusive Practices.

Expand Disclosures for High LTV Mortgages. Consumers with high credit card debts are frequently offered second mortgages to consolidate their debts, extend the time for repayment, and reduce the interest rate. These mortgages can result in debt levels of 125% to 150% of the home's value. Consumers may not understand the consequences of these refinancings, especially that the failure to repay these consumer debts could lead to losing their home, and recent studies show that many such homeowners promptly incur new consumer credit debts. We support legislation requiring lenders on high loan-to-value second mortgages to disclose that: (1) interest payments may not be fully deductible; (2) the consumer may be unable to resell the house unless the entire loan amount is repaid; and (3) default can result in foreclosure.

Increase Civil Liability Limits for TILA Violations. TILA provides an individual right of action for violations under which a consumer can recover actual damages, additional statutory damages, and court costs, TILA permit statutory damages, in credit transactions, of twice the amount of any finance charge, and in lease transactions, of 25 percent of the total amount of monthly payments under the lease. The amount of these damages is limited to a range of not less than $100 nor greater than $1,000 for non-mortgage loans or leases, and to a range of $200 to $2000 for mortgage loans. These damage limits may be too low to deter TILA violations, particularly at unregulated institutions not subject to systematic and regular examinations. We support raising the statutory cap to a level sufficient to deter violations.

Take Action Against Abuses in "Sub-prime" lending. Sub-prime loans are generally made to lower income Americans, and include some of the most abusive practices in the financial services sector. [Bracketed items being vetted; will eventually be shortened.]

[**Curb Abusive Practices in the Home Equity Market**. The Fed/HUD Report documented continued problems with abusive practices in some segments of the mortgage market, including problems associated with loans outside the reach of the Home Ownership Equity Protection Act (HOEPA), which provides additional protections for purchasers of high-cost loans. These uncovered practices include "loan flipping" -- recurrent refinancings that may make it difficult for a home owner to pay off a loan or to sell her home. The study recommended that substantive consumer protections to target abusive practices: for example: to reduce the occurrence of loan flipping, creditors should be restricted from chargin financing fees in high cost loans covered by HOEPA; provisions restricting prepayment penalties should be expanded and simplified, and the HOEPA threshold should be lowered. In addition, creditors should be required to provide additional data to the Federal Trade Commission on HOEPA loans. We will work with Congress to enact the report's recommendations.

The FTC will take enforcement action to ensure that creditors do not evade HOEPA through misuse of open-ended home equity loans. Creditors should also be required to inform HOEPA applicants of available home counseling programs prior to closing. Congress should eliminate the requirement for a showing of "pattern or practice" of asset-based (foreclosure) lending to establish HOEPA violations, and provide for civil penalties for HOEPA violations. Moreover, all amounts paid by a borrower, including credit insurance, should be counted toward the HOEPA trigger. The definition of " creditor" should be expanded to include individuals that control the lending practices of a company to deal with the problem of small, thinly capitalized sub-prime lenders who escape HOEPA liability by dissolution or bankruptcy. Finally, Congress should expand enforcement of RESPA by providing injunctive authority to HUD, state attorneys general and state financial regulators; expanding HUD's civil remedies; strengthening the current criminal sanctions for violations of anti-kickback provisions, providing for private causes of action to enforce RESPA violations; and standardizing statutes of limitations.]

[The Banking Regulators Should Continue to Improve Guidance on Sub-prime Lending. The Federal Financial Institutions Examination Council is improving guidance to regulated financial institutions on fair lending compliance. The FFIEC issued fair lending examination procedures for banking regulators in January 1999 and focused particular attention on the problem of "steering" loan applicants on a prohibited basis to a sub-prime lender within a financial institution's organization. In March, the FFIEC released additional guidance focused on safety and soundness issues and fair lending problems. The OCC recently issued guidance warning of the risks in this area.

Today, the President is directing the Office of the Comptroller of the Currency and the Office of Thrift Supervision, in consultation with HUD, the FTC, the Justice Department, and the other banking regulators, to study whether further actions are necessary to halt abusive practices in the sub-prime area.]

[Improve Reporting on High-Cost Loans. There is a current imbalance in reporting requirements and enforcement under HMDA as between regulated depository institutions and other mortgage lenders. Some unregulated lenders do not have to report all their loans, and face no sanctions if they fail to report when required. We support legislation providing HUD with enforcement authority to assure compliance by all lenders with HMDA reporting, unless the lenders are already covered by existing enforcement authority of the banking regulators. These legislative changes will help level the playing field on reporting and compliance between regulated and unregulated financial institutions, and will improve disclosure in a growing segment of the mortgage lending market.]

[**Improved Reporting on Race, Income and Other Data**. Financial institutions are required under the Home Mortgage Disclosure Act (HMDA) to report the race, income and other data about home mortgage borrowers, but a Federal Reserve regulation implementing the Equal Credit Opportunity Act (ECOA) prohibits them from collecting such information for non-mortgage borrowers. Experience suggests that the data collection on home mortgage borrowers has helped to reduce discrimination and increase access for minority borrowers in that market, and the current prohibition has inhibited self-testing under the fair lending laws, reduced the ability of financial institutions to develop and market innovative products to reach new markets, and reduced the reliability and effectiveness of fair lending enforcement. The Treasury Department will work with the Federal Reserve to determine whether the regulation can be amended to allow increased reporting.

Clear Reporting. HMDA regulations do not require financial institutions to report separately on sub-prime loans; these loans are lumped together with traditional loans, which may distort the data, for example, with respect to denial rates. If these loans were reported separately, banking regulators and enforcement agencies could better analyze the data for potential fair lending problems. The Treasury Department will work with the Federal Reserve on ways to require financial institutions to report the reasons for any denial.

Evasions of HMDA. An institution does not have to report under HMDA if fewer than 10% of its loans are made for home purchase. The effect of the rule is to exclude from reporting some of the largest and fastest growing mortgage providers in the country, whose consumer loan portfolio is also large. The Board should consider reissuing the rule to bring such providers under HMDA coverage.

Ban Coercive Sales of Insurance Products. Credit insurance is designed to ensure repayment of the mortgage in the event of the borrower's death or injury or job loss. However, the economic value to the consumer of these products is dubious. Moreover, credit insurance is frequently marketed in a way that is either explicitly or implicitly coercive -- that is, consumers are told or left with the impression that their chances of getting the loan or getting it more quickly would improve if they purchased the insurance. Some creditors collect up-front lump-sum insurance premiums for the policy term, so consumers cannot cancel. Required disclosures appear to be ineffective at deterring these practices. We support legislation barring the advance collection of lump-sum insurance premiums, so that consumers can pay for the insurance one month at a time, and so loan termination automatically cancels both coverage and liability for insurance payments. *In addition, Congress should bar the solicitation of credit life insurance until the lender has approved the loan application and communicated approval to the borrower.*[check?][Fed points out that allowing consumer to cancel at any time screws up pricing, as lender has priced loan assuming that the insurance is there; if insurance can be cancelled at any time, the lender will charge the consumer a higher price assuming that the consumer will cancel. Do we have an answer?]

Limit Consumer Liability for Non-PIN Protected Debit Cards. "Off-line debit cards" allow consumers to pay for products through an electronic transfer at the point of sale. These "check cards" differ from on-line debit cards (i.e., ATM cards) because there is no PIN or other security feature (other than a signature) to authenticate the transaction. Although credit cards also carry no PIN protection, the consumer is generally only liable for no more than $50 of unauthorized charges. But with debit cards losses can be much higher unless the customer quickly notices and reports the loss. Thus, consumers can get the worst of both worlds: higher exposure to loss without security protections. Consumer liability for these cards should be limited as it is currently limited for credit cards -- a step that VISA and Mastercard have already taken voluntarily.

Prohibit Unsolicited Mailing of Loan Checks. Loan checks are credit products for which the consumer need only sign and cash the check to obtain a loan. Because these unsolicited checks are "live," however, the consumer is also at risk for fraudulent endorsement of the check. For the same reasons that Federal law prohibits unsolicited mailing of credit cards -- protecting consumers from the hassle of contesting liability for stolen card purchases -- we support legislation prohibiting unsolicited mailing of loan checks. Consumers should not feel they have to shred their daily mail.

Reform Accounting Rules for Consumer Installment Loans. We support legislation to eliminate the use of the "rule of 78," an outmoded accounting rule that disadvantages borrowers, for all consumer credit transactions. In 1992, Congress barred the rule's use in loans with terms over 61 months; our proposal would finish the task. Creditors would have to use an accounting method "at least as favorable to the consumer as the actuarial method."

EXPAND ACCESS TO FINANCIAL SERVICES

Provide Low-Cost Banking Services to All Americans. Too many Americans cannot afford, or do not have access to, basic banking services. The Administration will increase and strengthen its efforts -- working with banks and consumer groups -- to increase access to low-cost banking services to all Americans. As part of this effort, Treasury is finalizing a program to pay set-up costs for low-fee basic banking accounts for federal benefit recipients.

Provide Individual Development Accounts (IDAs) To Make It Easier for Low-Income Families to Save. IDAs allow low-income households to save not just for retirement but also for education, emergencies, home ownership, or business investment. Individual contributions can be matched to encourage more savings. (The FY 2000 budget doubles funding for IDAs.)

Bolster the Community Development Financial Institutions (CDFI) Fund. Treasury's CDFI Fund provides grants, loans, and equity investments to locally-based, specialized financial institutions and mainstream banks and thrifts serving low and moderate income communities.

The CDFI Fund is helping to expand the reach of these institutions to under served communities. The Administration is seeking $125 million for the Fund in FY 2000 and Fund reauthorization.

IMPROVE CONSUMER FINANCIAL EDUCATION

Launch a Campaign to Promote Education on Credit, Savings, and Investment. One of the best protections for consumers is education. Yet evidence suggests that consumers often find credit and investment opportunities confusing, and are carrying greater levels of debt, filing bankruptcy more often, not saving as much as they would like for retirement, and investing without full comprehension of the risks involved. The President today directed his National Economic Council to convene a high level interagency task force to present him with a plan to raise financial literacy levels, and to expand the Administration's commitment to public and private consumer financial education programs. Elements of this plan will include:

> **Identify and publicize successful "best practices" for high school and other financial education programs.** Nonprofit groups such as the National Council on Economic Education and Jump$tart, as well as government agencies including the Department of Agriculture and the Department of Defense, have developed educational modules and course materials that not only improve students' understanding of complex financial topics but also have been shown to improve their long-term financial status. Working with the interagency task force, the Department of Education will help publicize these proven educational programs, to make it easier for teachers, professors, and other educators to adopt financial education programs that work.
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> **Promote effective financial planning.** Studies show that families who are able to develop and follow a financial plan are much more successful in achieving major financial goals, such as saving adequately for retirement, their children's education, or a new business venture. A growing number of public, nonprofit, and corporate initiatives have begun to educate Americans about effective financial planning, such as the campaigns sponsored by the American Savings Education Council, the Securities and Exchange Commission, and the Department of Labor. The Administration will participate in joint initiatives with these and other groups to highlight the benefits of personal financial planning and the steps that all Americans can take to make financial planning easier.
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