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**Congress of the United States**

**House of Representatives**

**Washington, D.C. 20515**

February 1, 1978

Dear Colleague:

On February 7, the House will consider H. R. 9718, legislation providing for an Office of Consumer Representation. As Members of the Banking, Finance and Urban Affairs Committee, we have had an opportunity to see first-hand how consumers are seriously under-represented in the Federal bank regulatory process. On a daily basis, these Federal agencies hear from the many attorneys, lobbyists, economists and others who advance industry's viewpoint on the dozens of issues which directly and indirectly affect the consumer. Each business witness is able to concentrate on those relatively few government actions which will vitally affect them. That is industry's right and the Office of Consumer Representation will do nothing to thwart industry's representation.

Yet as a practical reality, individual consumers and consumer groups do not have sufficient economic resources and technical expertise consistently to present their viewpoint. The imbalance of representation has caused an irrational and ineffective decision-making procedure. Examples of the need for consumer representation are legion:

1. Since 1975, the Federal Reserve Board has had the power to prescribe regulations defining unfair or deceptive acts or practices of banks. To date, they have not acted -- even on such non-controversial issues as non-interest-bearing Christmas Clubs and inadequate or deceptive savings account disclosures. The proposed Office of Consumer Representation would provide the needed impetus for action by the Federal Reserve in this area.
2. In 1973, the Consumers Union was forced to sue the Federal Reserve to obtain public disclosure of consumer interest rate information. While the information was released in 1975, there is no guarantee that the information will continue to be published. The Office of Consumer Representation is expressly directed to make reports on consumer interest rates, a step which will allow consumers to make more intelligent marketplace decisions.

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3. Fifteen months after the Equal Credit Opportunity Act regulations had been made final, the Federal Reserve Board had neither set up an Office of Compliance nor had it made any revisions in its bank examination manual. Similarly, the Federal Deposit Insurance Corporation and the Comptroller of the Currency were inexcusably slow in gearing up for enforcement of the law. Recent Congressional initiatives on Debt Collection and Community Reinvestment will only succeed if there is vigorous enforcement by the Government. The Office of Consumer Representation can have an important role in seeing that Congressional intent on these new consumer protection issues is followed.

4. The track record of the Federal bank regulatory agencies in responding to consumer complaints is abysmal. A 1976 survey of consumers who had filed complaints at the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Comptroller of the Currency, the Federal Home Loan Bank Board and the National Credit Union Administration, revealed that an astonishing 70% were not satisfied with the agencies' resolution of their problems. This study by the Subcommittee on Consumer Affairs of the Banking Committee also revealed that none of the agencies have taken steps to publicize the existence of their consumer affairs offices.

One function of the Office of Consumer Representation will be to receive and evaluate complaints and to transmit to the appropriate agencies problems concerning actions or practices which may be detrimental to the interests of consumers. This centralized approach to the handling of consumer complaints would enhance the accountability of the Federal bank regulatory agencies to the American taxpayer.

We, therefore, urge you to support H. R. 9718.

Sincerely,

*Henry S. Reuss*

Henry S. Reuss, Chairman, Committee on Banking, Finance and Urban Affairs.

*Fernand J. St Germain*

Fernand J. St Germain, Chairman, Subcommittee on Financial Institutions, Supervision, Regulation and Insurance.

*Frank Annunzio*

Frank Annunzio, Chairman, Subcommittee on Consumer Affairs.

*Parren J. Mitchell*

Parren Mitchell, Chairman, Subcommittee on Domestic Monetary Policy.

*James J. Blanchard*

James J. Blanchard, Member, Committee on Banking, Finance and Urban Affairs.

*Gladys Noon Spellman*

Gladys Noon Spellman, Member, Committee on Banking, Finance and Urban Affairs.

*Paul E. Tsongas*

Paul E. Tsongas, Member, Committee on Banking, Finance and Urban Affairs.

*Clifford Rilen*

Clifford Rilen, Member, Committee on Banking, Finance and Urban Affairs.

*Mary Rose Oaker*

Mary Rose Oaker, Member, Committee on Banking, Finance and Urban Affairs.

*Bruce F. Vento*

Bruce F. Vento, Member, Committee on Banking, Finance and Urban Affairs.

*Newton I. Steers, Jr.*

Newton I. Steers, Jr., Member, Committee on Banking, Finance and Urban Affairs.

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