

## THE CLINTON-GORE PLAN FOR FINANCIAL PRIVACY AND CONSUMER PROTECTION IN THE 21st CENTURY

*May 4, 1999*

**Today, President Clinton Introduces Legislative Proposals and Executive Action to Protect Consumers in the New Economy, Based on Five Principles:** (1) Protect Financial Privacy; (2) Expand the Consumer's Right to Know; (3) Prevent Fraud and Abusive Practices; (4) Expand Access to Financial services; (5) Educate Consumers.

**PROTECT FINANCIAL PRIVACY.** Cross-industry mergers and consolidation have given banks unprecedented access to consumers' financial and medical records at just the time when new technologies have made it possible -- and potentially profitable -- for banks to mine such data. President Clinton believes that consumers deserve notice and choice about the use of their personal information, and Vice President Gore has led the Administration's efforts to protect consumers' financial and medical privacy in the new financial marketplace. Today, President Clinton will call on Congress to:

- 3 **Give Consumers More Power Over Their Own Information.** Require institutions to inform consumers of plans to share or sell their financial information; give the consumer the power to stop it. Current law does not limit on selling or sharing of information about consumers' transactions.
- 3 **Protect Medical Information.** Impose special restrictions on any sharing of medical information within a financial conglomerate. As banks and insurance firms merge, for example, consumers should not fear that the results of a physical exam could be used to make a credit decision.

**EXPAND THE CONSUMER'S RIGHT TO KNOW.** Consumers face a bewildering array of choices in today's financial marketplace and often do not have sufficient information to make wise decisions. Aggressive marketing can obscure the truth about the financial choices a customer is being asked to make. For example, consumers are often surprised when low introductory credit card rates expire and interest rates spike. To address this, President Clinton will urge Congress to:

- 3 **Improve Credit Card Disclosures.** Prevent misleading marketing of "teaser rates" by requiring equally prominent disclosure of expiration dates of low rates, eventual terms, and possible penalties; require disclosure of how long and how costly repayment would be if a consumer makes only the minimum payment.
- 3 **Improve Disclosure Rules.** Improve disclosure rules for Internet credit card solicitations.

- 3 **Require Greater Disclosure for Other Financial Products.** To allow consumers to comparison shop, require enhanced disclosures for rent-to-own arrangements, home mortgages and settlement services, and international money transfers.
- 3 **Require Dual ATM Disclosures.** Require ATMs to provide disclosure of surcharges on the machine and the terminal screen, so consumers can shop with their feet.

**PREVENT FRAUD AND ABUSIVE PRACTICES.** More and more Americans are using the Internet to invest in the stock market and conduct other financial transactions. Fraud schemes -- including stock manipulation -- are uncovered each day. Off-line, old fraudulent practices continue, and new ones -- such as identity theft and on-line schemes -- continue to arise. Low-income borrowers must often turn to unregulated, high-cost lenders whose terms are sometimes abusive. To crack down on financial fraud and attack other abuses, the Clinton Administration will:

- 3 **Seek Increased Funding for SEC Efforts.** Work with Congress to provide to the SEC \$16.5 million (\$5.5 million in addition to the \$11 million increase in the FY00 budget) to increase Internet prosecutions and surveillance, enhance the SEC's Enforcement Complaint Center, and augment training for law enforcement on Internet securities fraud.
- 3 **Fight Identity Theft.** Launch a vigorous identity theft enforcement and prevention strategy led by the Treasury Department.
- 3 **Fight Internet Fraud.** Crack down on Internet fraud under an effort led by the Department of Justice that will step up law enforcement training and public education.
- 3 **Stop Sub-prime Lending Abuse.** Improve reporting of high-cost mortgage loans and give the FTC and HUD adequate authority to stop sub-prime lending abuses.

**EXPAND ACCESS TO FINANCIAL SERVICES.** Too many Americans cannot afford, or do not have access to, basic banking services. The Administration will strengthen its efforts -- working with banks and consumer groups -- to expand access to low-cost banking services to all Americans.

- 3 **Low-Fee Banking Accounts for Federal Beneficiaries.** The Treasury Department will pay set-up costs to encourage private banks to offer low-fee banking accounts for those who receive federal benefits like Social Security.
- 3 **Expand Individual Development Accounts (IDAs).** The President's balanced budget would provide additional funds for accounts that allow low-income families to save for education, emergencies, homeownership or business.
- 3 **Bolster the Community Development Financial Institutions (CDFI) Fund.** The President's balanced budget would increase funding for grants, loans, and equity investments in local institutions serving low and moderate income communities.

**EDUCATE CONSUMERS AND IMPROVE FINANCIAL LITERACY.** The daunting complexity of financial products and choices increases the importance of consumer financial education.

- 3 **A Plan to Raise Financial Literacy.** President Clinton today directed that the National Economic Council to prepare an interagency plan to raise financial literacy and increase the government's support for consumer financial education. Under the plan, for example, the Department of Education will publicize proven educational programs that integrate financial literacy into basic school curricula.

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