

Consumer Advocacy or Financial Industry Interests?

Financial Markets Center reports endangered consumer advocacy at Fed's Consumer Advisory Council

[Zdravka Todorova](#) Mar. 15 . 2004

Membership in the Federal Reserve Bank's Consumer Advisory Council (CAC) is tilting towards financial industry interests, rather than consumer advocacy, say analysts from the Financial Markets Center (FMC).

As a regulator of banking firms and supervisor of financial holding companies, the Federal Reserve Bank's responsibilities include enforcing the Community Reinvestment Act, Equal Credit Opportunity Act, Truth In Lending Act, Home Ownership and Equity Protection Act, and other laws designed to safeguard financial consumers. CAC advises the Federal Reserve Bank through meetings with the Fed Board of Governors on issues such as community development and fair lending.

Appointed by the Board of Governors after a nominating process open to the public, members of the CAC serve staggered three-year terms. The Equal Credit Opportunity Act directs the Board to "achieve a fair representation of the interests of creditors and consumers" in appointing members to the CAC.

In recent years, however, representatives of large financial companies have claimed a growing portion of CAC seats. Officials of financial organizations account for two-thirds of the advisory group's membership, reports the FMC. Between 2002 and 2004, 63% of the CAC's members have been representatives of the financial industry. Industry interests accounted for 46% of CAC seats from 1992 to 2001.

The current Council includes executives from *Citigroup*, *JP Morgan Chase*, *Countrywide Financial* and merger partners *Bank of America* and *FleetBoston*. Of the nine CAC members whose terms begin in 2004, six come from the financial industry.

By contrast, representation on CAC by leaders of consumer, labor, civil rights and community organizations have decreased significantly. Between 2002 and 2004, representatives of these interests accounted for just 7% of Council seats, down from a modest 11% in the 1992-2001 period; 27% of CAC seats in 2002-2004 have been held by individuals whose primary affiliation is with legal, research, housing development or community development organizations. The table bellow shows the composition of CAC by members' affiliations for the 1992-2004 period.

Composition of CAC by Members' Affiliations: 1992-2004

	Financial Firms (CDFIs) ¹	Consumer, Labor, Civil Rights or Community Groups	Legal, Research, Housing or Development Organizations ²	Public Sector	Other ³	Total
2004	20 (3)	1	8	1	—	30
2003	18 (3)	2	8	—	—	28
2002	15 (2)	3	7	1	—	26
2001	15 (2)	3	6	2	—	26
2000	16 (2)	3	8	3	—	30
1999	13 (1)	4	9	3	1	30
1998	12 (1)	2	12	2	2	30
1997	14 (2)	4	10	1	1	30
1996	14 (3)	4	9	1	2	30
1995	14 (1)	4	6	1	5	30
1994	14 (2)	3	6	3	4	30
1993	13 (1)	2	6	4	5	30
1992	12 (1)	4	7	3	3	29
TOTALS	190 (24)	39	102	25	23	379

Source: Annual reports and press releases, Board of Governors of the Federal Reserve System

¹ CDFI stands for Community Development Financial Institutions. They are included in the total number of financial firms for each year. For example, the 2004 CAC members include 20 representatives of financial firms, three of whom represent CDFIs.

² Includes academic institutions and sole-practitioner attorneys.

³ Examples of "Other" include a consultant, foundation officer, dean of business school and financial writer.

Attorneys, consultants and other individuals who provide services primarily or solely to financial firms are not included in the tally of industry representatives – a convention that tends to understate creditor representation in past years.

"The representation data underscore the increasingly asymmetrical nature of the Board of Governors' advisory system," concludes FMC report.

For more information see:

<http://www.fmcenter.org/>

<http://www.federalreserve.gov>



Wireless Broadband
Web & eMail Hosting
Networking
Personal Service

EXCEED

EXPECTATIONS

EVERYTIME

www.kcaurora.com

Copyright © 2004 The Kansas City Aurora