

CONFERENCE PURPOSE: The National Consumer Protection Week Conference is a yearly Bank-sponsored symposium for consumer professionals including bankers and community-based organizations in New England to discuss recent developments in consumer laws, policies and practices. The goal of this year's conference is to heighten public awareness about changes in the federal law regarding the use of consumers' financial and personal information and about technological developments in the area of consumer financial privacy. The conference will focus on three areas: 1) Regulatory updates on the Check 21 Act, CAN Spam, and the Fair Credit Reporting Act 2) Personal Financial Information: Regulatory Safeguards and Potential Pitfalls, and 3) New Technology: the Pros and Cons of Radio Frequency Identification (RFID) Tracking.

INTRODUCTION

I am delighted to welcome each of you here today. I want to thank our partners for working with us to put this conference together (FDIC, Massachusetts Attorney General's Office, Massachusetts Consumer's Coalition, and Consumer World).

Every year, the Federal Reserve Bank of Boston works with our partners to host a National Consumer Protection Week Conference. The event serves as an opportunity to convene consumer professionals in the region to discuss the latest consumer-related issues so that they can be more informed when they work with their constituents. Last year, our discussion was primarily on the challenges and opportunities in the changing U.S. payments system. We addressed issues on new check processing systems, and innovative and future payment systems. This year, our panelists will address the many changes in federal laws regarding the use of consumers' financial and personal information, and technological developments that may enhance or threaten consumers' financial privacy.

FOCUS ON PERSONAL CONSUMER INFORMATION

Safeguarding consumers' personal information is important. Recent data indicate that there is reason for concern. According to the results of a September 2003 FTC Identity Theft Survey, over 27.3 million Americans have become ID theft victims over the past five years, including 9.9 million people just last year alone. In 2003, identity theft victims reported losing \$500 on average, for a total of \$5 billion.ⁱ Businesses, including financial institutions, reported losing \$4,800 per customer, for a total of 47.6 billion.

Today you will hear from expert panelists on key pieces of legislation that were passed to provide more safeguards against the risk of identity theft. I want to touch on a few of them, the Fair Credit Reporting Act, CAN SPAM, and Check 21. These laws together require extra careful handling of consumer information by businesses and offer opportunities for consumers to track their credit accounts and activity. They also provide additional safeguards against unsolicited e-mails, and offer more efficient and less costly check payment services for customers and businesses.

First, is the Fair Credit Reporting Act, amended by Congress last year. The amendments enable increased accuracy of credit reports, offer better protection against identity theft, and restrict the marketing of financial products using sensitive information that is shared with institutions and their affiliates. In addition, the changes in the Fair Credit Reporting Act provide for one free credit report per year from each of the credit reporting agencies, and guarantee consumers access to credit scores at a reasonable fee.ⁱⁱ

Second, we all know the amount of unsolicited e-mails that clog our inboxes on a day-to-day basis. We always ask ourselves, "How did they get my e-mail address?" It is estimated that Unsolicited Consumer E-mails (or UCE) made up more than 50% of all e-mails in 2003. UCE were expected to cost businesses over \$10 billion in 2003.ⁱⁱⁱ Last year, the CAN Spam Act^{iv} was passed. It requires UCE to be labeled, although there are no standard labeling requirements. E-mail recipients can also choose to remove their names from lists, and the senders full information must be disclosed. These requirements help to reduce the deception that takes place through e-mail.

Third, many of you may have heard of the Check Clearing for the 21st Century Act (or Check 21). It was signed into law in October 2003, and becomes effective in October 2004. The law creates a new negotiable instrument called a substitute check, which has the legal equivalent of a real check, which banks can use to expedite payments. While banks are not required to change the way they process checks, the law does require them to accept substitute checks. Many will most likely take advantage of the new law, as it lowers check processing costs, and speeds up the check payment process. Many agree that the terrorist attacks of September 11, 2001, spurred policymakers to consider the Check 21. As many know, when the airlines were grounded for days, check processing procedures were halted, and payments stalled. This slowed transactions, and resulted in many losses for consumers and businesses. Thus alternative mechanisms are important in order to maintain stability in our financial system. Check 21 provides an efficient and less costly alternative.^v

Together these pieces of legislation add another layer of protection for consumers. Here at the Fed, we are also very concerned about consumer protection

and business efficiency, as both are important to the vitality of our economy. Last year we developed an Identity Theft brochure, and it has become one of our most popular publications. To date we have distributed over 48,000 copies all across the country. You should have a free copy in your folders. Please share it with your colleagues and others.

CONCLUSION

I am pleased about today's conference. I know the discussion will be exciting, as you further explore key areas of the changes in federal consumer and banking laws, and the new technological developments related to consumer financial privacy. Enjoy the program.

ⁱ Federal Trade Commission: <http://www.ftc.gov/os/2003/09/synovatereport.pdf>. Page 7.

ⁱⁱ Fair Reporting Act Bill Summary:

<http://thomas.loc.gov/cgi-bin/bdquery/z?d108:HR02622:@@D&summ2=m&>

ⁱⁱⁱ National Telecommunication and Information Administration

<http://www.ntia.doc.gov/ntiahome/dn/index.html>

^{iv} CAN Spam: Controlling the Assault of Non-Solicited Pornography and Marketing Act

^v American Bankers Association: <http://www.aba.com/NR/rdonlyres/CBDC1A5C-43E3-43CC-B733-BE417C638618/33584/112103check21SUMCECMeeting.pdf>