



October 16, 2024

The Honorable Kamala Harris
Office of the Vice President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

The Honorable Donald J. Trump
Republican Nominee for President
P.O. Box 13570
Arlington, VA 22219

Dear Presidential Candidates Harris and Trump:

The Consumer Federation of America (CFA) is a national association of non-profit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education. Today, nearly 250 of these groups participate in the federation and govern it through their representatives on the organization's Board of Directors.

CFA wants to ensure that the interests of consumers are front and center as you plan for the transition to a new Administration. In this vein, CFA has compiled a list of pro-consumer policies that your Administration should prioritize as you take office. This list focuses on the following issue areas: consumer product safety, consumer protections, financial services, food safety, housing, investor protection, and insurance.

The implementation of these policies will provide appropriate safeguards on a range of products and services and allow people across the economy to participate in the marketplace fairly and safely.

We welcome further engagement on these issues and would be happy to meet with you to provide additional information. Please contact me at sweinstock@consumerfed.org or 202-407-3144.

Sincerely,

Susan Weinstock
President and CEO



CONSUMER PRODUCT SAFETY

The Administration should:

- 1. Strengthen the Consumer Product Safety Commission's (CPSC) ability to protect consumers and hold non-compliant businesses accountable.**
 - **Support efforts to increase statutory civil penalty caps to ensure consumer safety.** Current law caps the amount CPSC can impose on businesses that have committed violations, but the civil penalty maximums are insufficient to deter bad actors. The Administration should support legislation raising the statutory civil penalty cap.
 - **Empower CPSC to strengthen partnerships with foreign stakeholders through information sharing and collaboration.** Given the increasing complexity of the global marketplace, consumer product safety requires international collaboration between stakeholders, as well as information sharing with regulators in other jurisdictions. The Administration should empower the CPSC to strengthen international partnerships and support efforts to remove any barriers to information sharing.
 - **Support efforts to repeal section 6(b) of the Consumer Product Safety Act to ensure consumers have access to accurate safety information regarding the products in their homes.** Section 6(b) of the Consumer Product Safety Act restricts CPSC from providing consumers with timely, accurate information and requires CPSC to provide industry advance notice and opportunity to comment before public disclosure of critical safety information. The Administration should support legislation to repeal section 6(b) of the Consumer Product Safety Act.
 - **Support reforming and strengthening CPSC's ability to respond to hazardous consumer products.** There are many factors impacting the CPSC's ability to quickly respond to consumer product risks. CPSC's rulemaking procedures, as provided in the Consumer Product Safety Act, can extend the time in which CPSC can take action to respond to hazards. The Administration should support legislation that would enhance CPSC's authority to address risk to consumers more quickly.
- 2. Support online platform and third-party seller accountability.**
 - **Empower CPSC's Office of Import Surveillance through additional funding.** The CPSC needs additional funding to expand its presence at express courier and international mail facilities where many *de minimis* shipments arrive. Further, the Office of Import Surveillance needs reforms to what data is provided for imported goods to ensure that staff can adequately assess risk and interdict dangerous products.
 - **Enhance the legal and regulatory e-commerce framework.** All entities in the e-commerce supply chain that are importing non-compliant products must have legal responsibility, and CPSC must have the ability to hold such parties accountable. The Administration should support legislation that establishes liabilities and responsibilities of all parties involved in the transaction, requires online platforms to significantly enhance their third-party seller vetting, and obligates online platforms to monitor and restrict the sale of violative products.



- **Strengthen product liability by providing adequate legal recourse regardless of whether the product was purchased at a physical location or an online platform.** Generally, injured consumers who purchase a defective or violative product online from a foreign third-party seller should be able to seek damages through the U.S. court system.
3. **Support efforts to ensure CPSC staff can investigate and respond to emerging hazards.**
- **CPSC staff must have adequate funding, support, and authority to be a leader in the research of emerging hazards, including AI-enhanced consumer products, chronic health hazards, and chemicals.** To be a leader in identifying and solving potential hazards associated with emerging and future technologies, staff must have adequate funding and authority to research potential consumer product technologies. CPSC must build its expert staff, sponsor initiatives and collaborations, and leverage outside expertise to stay abreast of emerging and potential future harms.

CONSUMER PROTECTION PRIORITIES

1. **Auto purchasing and financing.** The process of buying and paying for a car has become complex, burdensome, expensive, and inequitable.

The Administration should:

- **Ensure that the FTC's CARS Rule becomes effective as soon as possible following a favorable decision from the Fifth Circuit Court of Appeals.** The Federal Trade Commission has finalized its CARS rule, which is being challenged in the Fifth Circuit. This rule will bring sorely needed transparency and competition to auto sales, and it will save consumers billions of dollars.
- **Prioritize the CFPB's auto finance data collection projects and require other banking and financial regulators to also move forward with auto lending data collection initiatives.** Even though Americans owe over \$1.5 trillion in auto debt, we have no centralized data reporting about auto loans, unlike mortgages and student loans. The CFPB has initiated an auto lending data collection pilot project and proposed to expand it to an annual process.

2. **Protect and strengthen the FTC.** The FTC is under attack in the courts and in Congress. We continue to see efforts to cut the FTC's budget by over one-quarter and the addition of partisan policy riders which would prohibit FTC spending on certain rulemakings and issues. In addition, the FTC has still not regained its authority to get money back for harmed consumers in UDAP (unfair, deceptive acts and practices) cases.

The Administration should:

- **Act quickly to protect the FTC's budget from further reductions and approve its request for an increased budget.**



- **Support passage of legislation that returns the FTC’s statutory authority to return money to consumers in its UDAP cases.**
3. **Protect FTC rulemakings.** The FTC has proposed several consumer protection rules that would bring clarity and fairness to the marketplace, provide billions of dollars in benefits to consumers, and stimulate competition for small businesses. These rulemakings include the “Click to Cancel” updates to the Negative Option Rule, the Unfair or Deceptive Fees Rule, the Commercial Surveillance Rule and a Deceptive Earnings Claim rule.
- **The Administration should publicly support and protect the FTC’s “Click to Cancel” updates to the Negative Option Rule, the Unfair or Deceptive Fees Rule, and rulemakings that address deceptive earnings claims.**
4. **Prohibit pre-dispute arbitration clauses.** Consumers and workers are routinely forced to give up their constitutional right to a jury through pre-dispute forced arbitration clauses and class action bans. These fine print traps lead to worse outcomes for consumers and workers and prevent them from banding together to take on widespread misconduct.
- **The Administration should prioritize passing the Forced Arbitration Injustice Repeal Act (FAIR Act), which prohibits pre-dispute forced arbitration agreements in antitrust, civil rights, consumer, and employment disputes.**
5. **Air travel consumer protections and competition.** The Department of Transportation (DOT) has engaged in several initiatives that the Administration should protect. It has proposed rules to ban family seating fees, to require airlines to be transparent about ancillary fees, and to require airlines to provide automatic cash refunds when they are due.
- The Administration should:**
- **Publicly support and protect the DOT’s rules to ban family seating fees, require airlines to be transparent about ancillary fees, and to require airlines to provide automatic cash refunds when they are due.**
 - **Finalize rules to require compensation for passengers whose flights are delayed at the fault of the airlines, and to address minimum seat sizes and update emergency evacuation standards.**
 - **Protect the data privacy of air travel passengers.**
 - **Address unfair, deceptive, and anti-competitive practices related to rewards/frequent flyer programs.**
6. **Protecting Americans’ personal data from privacy intrusions.** The Administration should prioritize comprehensive legislation that sets a nationwide floor for consumer data privacy protections. The Administration should also ensure that federal law enforcement agencies like the FTC and CFPB are fully equipped to enforce existing laws that protect consumers’ data, and that agencies can continue to adopt effective rules that protect kids, teens, and adults across the marketplace.

The Administration should:



- **Pass a federal data privacy law which sets a nationwide floor for consumer data privacy protections;**
- **Prioritize federal agency law enforcement of existing data privacy laws; and**
- **Support agency rulemakings to protect kids, teens, and adults across the marketplace.**

- 7. Protecting people from the creation and sharing of non-consensual intimate imagery (NCII) and other deepfakes of child sexual abuse material (CSAM) or to commit fraud.** The Administration should prioritize legislative and regulatory efforts that address the growing issue of widespread Generative AI tools that can create nude “images” of non-consenting people and children. These images, videos, and sounds can then be used as if they were real to harass, embarrass, or blackmail an individual, or to commit fraud.

The Administration should:

- **Encourage companies to restrict prompts as well as outputs related to the creation of NCII or CSAM.**
- **Require watermarking or other tracking of the source of created images in order to facilitate accountability**
- **Designate allowing the creation of an image, video, or voice for purpose of impersonation, intimidation, and fraud as an unfair or deceptive trade practice**
- **Support legislation that increases funding to the FTC, FCC, and CFPB in order to properly target fraudsters**

- 8. Address the environmental impact of Artificial Intelligence and data centers.** While there are use cases for AI to assist efforts to address climate change, the development and deployment of AI systems requires substantial water, energy, and other infrastructure use.

The Administration should:

- **Explicitly acknowledge and direct studies regarding the environmental impact of AI.**
- **Support legislation like the Artificial Intelligence Environmental Impacts Act of 2024, which would direct NIST to develop standards for reporting on the environmental impact of the full lifecycle of development and use of large AI models, as well as bills that go further to require this type of reporting for particularly large models.**
- **Require federal agencies to assess environmental impact in their own acquisition and use of AI, through revision of OMB guidance and AI.**

FINANCIAL SERVICES PRIORITIES

The Administration should:

- 1. Protect consumers from high-cost credit and evasive fintech loan products.**



The new Administration should complete the CFPB's current slate of regulatory actions to protect consumers from dangerous credit products.

- The Consumer Financial Protection Bureau (CFPB) is completing a slate of formal and interpretive rulemakings that will apply essential consumer protections. The new Administration should ensure they are finalized. These projects include the interpretive rule on paycheck advances, the final rule on buy-now-pay-later loans, and the proposed overdraft rulemaking.
- Congress should pass legislation to apply the Military Lending Act protections to all borrowers who utilize consumer credit.
- The CFPB should continue its work to protect everyone's pocketbook from insidious junk fees.

2. Defend the CFPB. Since its inception, the CFPB has fulfilled its singular mission to protect consumers when they use financial services. On several occasions, it has been subject to attacks by those who would seek to weaken its independence. Most recently, the CFPB won an appeal of a case that would have conditioned its funding on the appropriations process, but this will likely not be the final attempt. We call on the Administration to forcefully defend the agency's independence.

3. Protect consumers from fraud and scams. Last year, consumers reported approximately \$10 billion in losses due to scams. These crimes are disproportionately harmful to seniors, but they affect everyone.

- The CFPB should hold banks liable for losses suffered by consumers due to frauds and scams where they were induced to send funds under false pretenses.
- The CFPB should supervise larger participants in payment apps and digital wallet markets.
- The FCC and FTC should publish information about the impact of widespread Generative AI tools on the prevalence and effectiveness of scam texts and calls.
- Congress should pass legislation to protect consumers from fraud and scams.

4. Protect consumers from discriminatory practices.

- The CFPB should provide guidance on how lenders should search for less discriminatory algorithmic models when using artificial intelligence to underwrite credit applicants.
- To protect small business owners from discrimination, Congress should defend the CFPB's recently finalized small business lending data rule from future attacks.
- The CFPB should reiterate that discrimination is an unfair practice in all financial services.

5. Protect consumers from errors and biases in credit reporting and give them more control over their financial information. Each year, credit reporting agencies receive the highest share of consumer complaints. Credit reports may have errors, often lack adequate information, and can contribute to discrimination. Credit data is frequently compromised.



- The new Administration should finalize the rulemaking to modify the Fair Credit Reporting Act (Regulation V) to prohibit the placement of medical debt on credit reports.
- The CFPB should complete its data broker rule. The rule will strictly prohibit selling and using consumer report data outside one of the few authorized “permissible purposes.”
- Issue a final rule to increase consumer control over their financial information. The rule should allow consumers to condition access to their account information, define the purposes for when it can be used, and suspend access at will. The rule should support competition by making it easier for consumers to port their financial data to a new bank.
- Extend the prohibition on the use of medical debt in credit reports to include its use in rental screening.

6. Strengthen consumer protections for transaction accounts.

- The CFPB should review CARD Act protections and ensure all types of revolving credit card debts are fully protected, including medical and store credit cards.
- Prudential regulators should address loopholes in fintech-bank partnerships to ensure consumer deposits are fully insured.

FOOD POLICY PRIORITIES

The Administration should:

- 1. Reverse the nation’s epidemic of chronic diet-related diseases.** The Administration should prioritize policies that improve U.S. consumers’ diets. Currently, 41.9% of U.S. adults aged 20 and over suffer from obesity, with medical treatment for diet-related disease estimated to cost hundreds of billions if not more than a trillion dollars annually. Federal policy must help to foster healthier food environments and level the playing field for food companies that want to help consumers make better choices. Priorities for doing so should include the following policies:
 - Articulate a national food strategy to assure a sufficient and accessible supply of safe and nutritious food to the entire population, while supporting sustainable agriculture practices, foreign assistance commitments, and encouraging worldwide indigenous food production.
 - Enact policies that increase transparency and enable consumers to make choices that are healthier, more sustainable, and that support a competitive marketplace, including front-of-package (FOP) labeling requirements to identify foods “high in” salt, sugar and saturated fat, a warning label for foods that contain artificial dyes, revising misleading regulatory terms such as “natural flavors” that put a health halo over ultra-processed foods, and mandatory country-of-origin labeling (COOL) on beef and pork.
 - Work with Congress to fully fund the newly created Office of Food Chemical Safety at the U.S. Food and Drug Administration, close the “generally recognized as safe” (GRAS) loophole that allows food companies to secretly self-determine the safety of novel ingredients, and



conduct an independent, rigorous review of food chemicals on the market, with a transparent methodology for prioritizing the ingredients that pose the greatest risk.

- Leverage the \$160 billion spent on federal food assistance to require retailers to stock more healthy foods and eliminate manipulative marketing practices designed to sell unhealthy foods, and work with Congress to restore the Federal Trade Commission’s authority to regulate junk food marketing to children.

2. Reduce the burden of foodborne illness on U.S. consumers. Progress on reducing foodborne illness has stalled in recent years. The most recent Centers for Disease Control and Prevention (CDC) data show a flat or even upward trend in reported foodborne illnesses in 2023 compared with pre-pandemic baseline (2016-2018). The Administration should implement policies related to CDC, FDA, and the USDA’s Food Safety and Inspection Service (FSIS) to better protect consumers from foodborne illness, including:

- Finish implementing the 2010 Food Safety Modernization Act, particularly FDA’s final rule on traceability in high-risk foods, and work with Congress to defeat legislative proposals that would delay implementation of the traceability rule, and pass bills giving FDA the authority it needs to conduct remote inspections, better protect consumers from contaminated infant formula, and share information with state regulatory partners.
- Finalize the proposed FSIS rule that protects consumers from raw poultry with dangerous *Salmonella* contamination, taking care to ensure that the final rule is comprehensive and rigorous. FSIS should also update the safe handling instructions label for meat and poultry products, unchanged since 1994, consistent with the Safe Food Coalition’s 2016 citizen petition. Work with Congress to comprehensively reform meat and poultry inspection laws to give FSIS authority to issue recalls, enforce pathogen reduction standards, and address the root causes of foodborne illness, which often originate prior to animals coming through the slaughterhouse door.
- Work with Congress to ensure adequate funding for foodborne illness surveillance at CDC and at state and local public health agencies. Foodborne illness surveillance, aided by technologies like whole-genome sequencing as well as traditional tools like interviewing foodborne illness victims, are key to holding food producers accountable for food safety. But according to one recent estimate, state and local health departments face an annual shortfall of \$4.5 billion to be able to provide comprehensive services in their jurisdictions. The Administration must not allow the expiration of pandemic-related funding streams and programs to cripple the nation’s public health infrastructure.
- **Ensure consumers have accurate information about alcoholic beverages.** Alcohol manufacturers spend nearly \$2 billion annually on advertising. This has led to increasing sales, and some 30 million Americans 12 and older with an alcohol use disorder in 2022. Excessive alcohol use now causes nearly 200,000 annual deaths, more than any other drug. Public policy must balance the onslaught of marketing messaging from the industry with labeling rules that require objective product information, and accurate, up-to-date warning statements about alcohol-related harms. Specifically, the Administration should prioritize the need to:



- Propose and finalize rules requiring ingredient, allergen, and alcohol and nutrition content labeling on alcoholic beverages. For decades, consumer advocates have demonstrated broad popular support for these disclosures, which appear on every other food and beverage product sold in the United States. Recently, the Department of Treasury’s Alcohol and Tobacco Tax and Trade Bureau (TTB) sent three proposed rules to the White House’s Office of Information and Regulatory Affairs (OIRA) for review. Those rules should be proposed for public comment.
- Work with TTB and Congress to update the health warning statement on alcoholic beverages, which has not changed since 1988, and in particular, to require more visible, rotating warning statements that include a cancer warning. Alcohol is the third most important modifiable risk factor—behind obesity and smoking but ahead of UV radiation—for deadly cancers.

HOUSING PRIORITIES

The Administration should:

- 1. Expand Our Nation’s Affordable Housing Supply.** The Administration should prioritize building more housing. Since the 2008 Great Recession, we have not built enough housing. As a result, rents and home prices have hit historical highs. The United States needs to build anywhere from four million to seven million new homes and rental units, especially in the most affordable segment. CFA endorses several solutions:
 - **Support reforms of the Federal Home Loan Banks,** a \$1 trillion government-sponsored banking system that has become too focused on profits rather than its housing mission. CFA leads the Coalition of Federal Home Loan Bank Reform and has advocated for reforms that would redirect more of the System’s billions in profits to the nation’s housing needs, including to help finance affordable housing construction.
 - **Determine the long-term future of Fannie Mae and Freddie Mac after over fifteen years in conservatorship.** Given the inherent private-public tension in the government-sponsored enterprise (GSE) model between maximizing the interests of stockholders and those of the wider public, CFA endorses solutions that ensure that the GSEs remain mission-focused on affordable housing goals and serving underserved markets. Ultimately, the GSEs should be reformed in ways that ensure the widest possible access to sustainable mortgage finance in the least costly way.
 - **Support Congressional passage of the Neighborhood Home Investment Act,** a bipartisan bill that would direct tax credits for single-family home renovation and new construction to the nation’s most underserved urban and rural communities.
- 2. Protect Fair Access to Housing.** More than fifty years after the Fair Housing Act was passed, sharp disparities in access to rental housing, mortgage finance, and homebuying persist.



Discrimination is capricious and often pops up in new guises: including discrimination against buyers seeking to use an FHA or VA mortgage. The Administration needs to focus on removing hidden barriers facing homebuyers and renters, as well as consumers seeking housing in underserved urban and rural markets. CFA endorses several solutions:

The Administration should:

- **Support FHA and VA reforms** that modernize and simplify the inspection requirements, so that home sales are not tied up because of small issues and FHA and VA mortgages can be more competitive even in tight markets. Additional resources should be devoted to Fair Housing Centers to investigate “source of financing” discrimination in homebuying and help prosecute the worst, repeat offenders by using local “source of income” anti-discrimination legislation.
 - **Release the final rule on Affirmatively Furthering Fair Housing (AFFH)**, an element of the 1968 Fair Housing Act that remains unrealized after being repealed in 2020, and which requires each community to write and publish plans on how they intend to ensure fair housing so that they remain eligible for federal housing funding. AFFH can also help expand our nation’s housing supply, as municipalities can use it to justify removing restrictive single-family zoning, which has held up the construction of more affordable multifamily units, duplexes, Accessory Dwelling Units and more.
- 3. Support the Most Vulnerable Homeowners and Homebuyers.** The 2010 Dodd-Frank Act helped make mortgages much safer for consumers, including through consumer protections and safeguards against exploitative and subprime products. Moreover, since the COVID pandemic, when millions of consumers suddenly lost their income, we have seen much-improved forbearance options for homeowners in distress. However, **the Administration needs to prioritize supporting the most vulnerable homeowners and homebuyers.** This includes consumers living in underserved rural and urban communities as well as consumers facing new threats to sustainable homeownership, such as escalated climate disasters. Many homeowners also face rising costs of homeownership, including through sharply risen homeowners’ insurance premiums and rising property taxes and repair and maintenance costs. CFA endorses several priorities:

The Administration should:

- **Expand mortgage finance access for the nation’s most affordable housing stock, notably rural communities and disinvested urban communities.** Mortgage finance access continues to be piecemeal for homes valued under \$150,000 – as a result, consumers get snared up in exploitative alternative financing such as land contracts or homes get snatched up by investors. One solution is to expand financing access for CDFIs and mission-focused credit unions originating these types of small mortgages and to support innovative Special Purpose Credit Programs focused on this low-valued segment. We also support passage of the above-mentioned Neighborhood Home Investment Act and



expanded regulation of exploitative alternative-mortgage products, such as contracts-for-deeds.

- **Support solutions for the growing crisis of rising homeowners insurance costs.** The Administration should create a federal reinsurance backstop, which would help insure against catastrophic risk and lower costs for consumers, while stabilizing home insurance markets.

INVESTOR PROTECTION PRIORITIES

In the new Administration, the Department of Labor should:

- 1. Ensure retirement savers receive high-quality advice that is not tainted by conflicts of interest.**

The Department of Labor (DOL) should continue to defend in court its Retirement Security Rule. Currently, the rule is stayed by the Northern and Eastern Districts of Texas. If the DOL is unsuccessful in defending the rule, the DOL should eliminate the 1975 5-part test defining who is an investment advice fiduciary. That framework is inconsistent with the statutory text of ERISA (Employee Retirement Income Security Act) and unreasonably constricts the circumstances where financial services firms and professionals are deemed to be acting as fiduciaries. Firms' and financial professionals' evasion of their fiduciary duty defeats retirement savers' reasonable expectations about the relationships they are in and the services they are receiving. If there is no regulation defining what constitutes fiduciary investment advice, courts can determine for themselves, based on the facts and circumstances, when someone is acting as a fiduciary. Such an approach is likely to be more consistent with what Congress intended when it passed ERISA in 1974.

- 2. Modernize reporting requirements for workplace retirement plans to provide more useful information.**

The DOL should modernize reporting requirements on the Form 5500 so that the DOL and the public have better insight into employers' workplace retirement plans. A modernized Form 5500 should elicit higher-quality information, in structured format, about workplace retirement plans' investments and expenses. These requirements should apply to small plans, which in general pay much higher costs than large plans. Often these costs are obscured and paid for by employees, and high costs can erode employees' retirement savings over time. Transparency would enable better analysis of plan costs and promote accountability for employers who foist higher-cost, lower-quality investments onto their employees.

The SEC and FINRA should:

- 3. Ensure that investors receive high-quality investment advice that is not tainted by conflicts of interest:**



The Securities and Exchange Commission (SEC) and Financial Industry Regulatory Authority (FINRA) should vigorously examine and enforce the Investment Advisers Act Fiduciary Duty and Broker Dealers' Regulation Best Interest Obligation to ensure that securities firms and their financial professionals serve the best interest of their clients and customers and do not place their own interests ahead of the interests of their clients and customers. In particular, the SEC and FINRA should ensure that:

- firms and financial professionals are properly evaluating costs and risks and comparing reasonably available alternatives;
- firms and financial professionals are exercising reasonable diligence, care, and skill in providing advice and recommendations;
- firms and financial professionals are identifying and addressing conflicts of interest to ensure that the quality of advice or recommendations is not tainted by conflicts of interest. This includes ensuring that economic incentives to recommend certain products, services, or account types over others are mitigated or eliminated;
- they focus their examinations and enforcement on the sale of products, strategies, and account types that are complex, high-cost, illiquid, proprietary, and unconventional;
- they focus their examinations and enforcement on investors who are more vulnerable to the harmful effects of bad advice, including older investors and those saving for retirement.

4. Protect retail investors from the risks of complex products and strategies:

The SEC and FINRA should ensure that broker-dealers engage in due diligence when approving retail investors for options trading and extending these protections for other complex products and strategies—those that have features that may be difficult for a retail investor to understand the product's essential characteristics and risks.

5. Provide more decision-useful disclosure of fund fees and expenses to enable investors to assess the costs they are paying and compare those costs to reasonably available alternatives:

The SEC should require investment companies to provide enhanced cost disclosures to investors to enable more informed decision making. First, this disclosure should include the real dollar costs investors are paying. Currently, funds are only required to disclose the costs investors are paying as a percentage of their investment and the hypothetical costs investors would pay if they invested a certain amount in the product. It should also include the costs investors are paying in a fund relative to other funds in the same product category. This information should be displayed in an easily digestible format, such as a fee barometer, which allows investors to compare the relative costs of funds. Further, to ensure the information is displayed in an easily digestible format that helps investors with their decision making, the SEC's Office of the Investor Advocate should engage in usability testing of the disclosures with retail investors. Finally, funds should be required to disclose any implicit costs that they pay (i.e., those that are not in the fund expense ratio), to enable investors to better understand the total costs (explicit and implicit) that reduce overall fund performance. These costs include transaction costs and the costs of financing derivatives, for example.



6. Restore the health and vitality of public securities markets:

The SEC should use its authority to restore the proper balance between public and private securities markets. For too long, Congress and the SEC have encouraged the excessive growth of private securities markets, at the expense of the health and vitality of our public securities markets. This has resulted in less information for investors and less accountability for corporate wrongdoing, which has been to the detriment of investors and our economy. Accordingly, the SEC should update rules to:

- **Ensure that the largest companies, with widely dispersed shareholder bases and large economic footprints, provide investors with the information they need to make informed investment decisions and are held accountable for providing accurate, reliable information to the investing public.** To do this, the SEC should narrow private companies' ability to evade the Securities Exchange Act's Section 12(g) registration requirements, which allows companies to remain private and unaccountable indefinitely.
- **Update the accredited investor definition to ensure that retail investors get the information they need to make informed investment decisions.** Currently, many retail investors are steered into private markets, where they do not get that critical information, cannot make informed decisions, and suffer harm as a result. In updating the definition, the SEC should:
 - consider the impact that inflation has had and continues to have on a definition that relies on financial thresholds that are not indexed to inflation;
 - consider potential harms to Americans' retirement security resulting from the growing encroachment of private securities into retirement accounts, thereby increasing risk exposure for investors who qualify as accredited investors based on savings they must rely on for income throughout several decades of retirement; and
 - aim to ensure that the definition effectively identifies a pool of investors who are able to fend for themselves by virtue of their ability to gain access to information that is essential to value the investment, their financial sophistication, or their ability to withstand risks associated with private offerings.
- **Constrain the unlimited capital raising capacity of private companies under Regulation D of the Securities Act.** Specifically, Rule 506(b) under Reg. D is the main driver of the growth of private markets. This private offering exemption allows private companies to raise unlimited amounts of capital from an unlimited number of investors. Allowing the unlimited and perpetual use of Reg. D ensures that companies can effectively stay private forever. Therefore, the SEC should meaningfully constrain the use of this exemption by, for example, limiting the size of an offering during a 12-month period, limiting the number of investors that can participate in an offering (both accredited or non-accredited), capping the size of a company permitted to engage in such an offering, or by other means.
- **Enhance Form D filing requirements.** In 2013, the Commission adopted a proposal to update Form D, but never issued a final rule – that unfinished effort should form the starting point of a new proposal. At minimum, this effort should aim to fill information gaps about the Reg. D market, including information about the amount of capital that is raised in Reg. D



markets, who invests in Reg. D offerings, what the characteristics of Reg. D issuers are, how issuers use proceeds of Reg. D offerings, and how investors fare with these investments.

- **Increase the holding period for private securities from one year to two years so that holders assume the full economic risks of their investment and are not merely acting as a conduit to sell unregistered securities to the public.** The current one year holding period, which allows holders to count other holding periods—either of prior owners of the securities or of different securities owned by the holders—to satisfy their holding period requirement, is excessively short and makes staying private more appealing for companies, especially those looking to evade a more appropriate level of scrutiny found in public markets.

7. Address the risks associated with investment firms’ use of artificial intelligence:

The SEC and FINRA should require investment advisers, broker-dealers, and investment companies to have reasonably designed policies and procedures regarding development and deployment of artificial intelligence. These policies and procedures should ensure that the models firms use work as intended, the data that the models rely on is accurate, reliable, complete, free of bias, and that there is human oversight and accountability for if their models break down. Securities regulators should use their examination authority to assess whether firms are complying with reasonably designed policies and procedures to deploy AI responsibly; where firms are not doing so, securities regulators should bring enforcement actions.

INSURANCE PRIORITIES

The Administration should:

1. Update Report on Auto Insurance Costs and Availability

The Treasury Department, through the Federal Insurance Office (FIO), should issue an updated report on auto insurance availability and affordability. In early 2017 FIO [released a study on auto insurance costs](#) in the United States and found that auto insurance was unaffordable in 845 ZIP codes, which had an aggregate population of almost 19 million. FIO defined personal auto insurance as unaffordable if premiums were above 2% of the median household income. Since the release of this report, auto insurance premiums have greatly increased. FIO has apparently been working on an updated report, but it has been subject to numerous delays, and when consumer advocates have asked for updates, they have received little or no concrete information. FIO should complete and release this auto insurance report as soon as possible.

2. Host Annual Data Calls on Rising Homeowners Insurance Costs and Climate Change Together with the National Association of Insurance Commissioners (NAIC), FIO should organize annual data calls on rising homeowners insurance costs and climate change,



with the full participation of all states and territories. FIO and NAIC should collect comprehensive data and include the following information: Property coverage purchased by affordable housing developers, master policies purchased by condo/co-op associations, force-placed insurance and insurance for manufactured housing, renters (HO-4) and condo/co-op (HO-6) insurance policies; and residual market policies. **FIO and NAIC should make the data publicly available so policymakers, academics, consumer advocates, and consumers can analyze and propose reforms for the current insurance crisis.**

- 3. Create a Federal Reinsurance Program to Help Reduce Costs for Consumers**
Support the creation of a federal reinsurance backstop to lower costs for consumers, stabilize the homeowners insurance market, and ensure that vulnerable communities are not deprived of coverage. Reinsurance is insurance for insurance companies, and its costs are skyrocketing because it is largely unregulated. The Administration should establish a federal catastrophic reinsurance program that offers insurers a transparent, fairly priced public reinsurance alternative for the worst climate-driven catastrophes.