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**PRESIDENT WILLIAM J. CLINTON
REMARKS ON FINANCIAL PRIVACY AND CONSUMER PROTECTION
THE WHITE HOUSE
May 4, 1999**

Acknowledge: introducer Mari Frank; Mrs. Clinton; Sec. Rubin; SEC Chairman Arthur Levitt; FTC Chairman Robert Pitofsky and Commissioner Mozelle Thompson; I also want to thank Sen. Sarbanes, who could not be with us today, and Rep. LaFalce for their outstanding leadership on this issue.

For 223 years, America has continued to gather strength and gain momentum even as we have navigated through periods of enormous economic change. Each time, in both large ways and small, we have addressed our newest challenges with our oldest values.

Like today, the dawn of the 20th Century was a time of great prosperity and ingenuity. Powered by remarkable new technologies, our industries could barely meet the demand for quality products made in the USA. But the transition from an agrarian economy to an industrial one also created a great need for new laws and new protections. In the words of Supreme Court Justice Louis Brandeis, the laws "built up under simpler conditions of living," could not handle "the complex relations of the modern" industrial world.

That is why Justice Brandeis and the leaders of the Progressive Movement fought to adapt institutions to new markets ... to update vital protections for America's citizens ... to uphold the right to privacy, which Brandeis called "the right most valued by civilized men." In the new industrial age, when men and women feared becoming small cogs in a giant machine, these leaders realized that America's oldest values were, if anything, more relevant than ever before.

A century later, we are in the midst of a new era of vast economic transformation. Most of the challenges we face today are nowhere near as daunting as those our nation faced a century ago. But once again, the laws that govern our dynamic markets are out of date. Once again, in the spirit of progressive government, we must apply our oldest values to the challenge of change.

Over the past few years, new technology and increased competition have truly revolutionized the financial services industry. By and large, these changes have been very good for consumers. But, as you have just heard, many people don't have the knowledge to properly evaluate the dizzying array of financial options. Some are falling victim to new abusive practices or outright fraud. Others are being left out of the new financial marketplace altogether.

So today, I am proud to announce our new Financial Privacy and Consumer Protection Initiative -- to give all Americans the tools and confidence they need to participate in our thriving but highly complex 21st Century economy. This initiative is based on five key principles. And it draws on several important proposals developed by the Members of Congress who are here today.

The first principle is that we must do more to protect every American's financial privacy.

The Vice President has led this Administration's efforts to identify areas where privacy is at risk -- and financial transactions are one area of great concern. The technological revolution is now making it easier than ever before for people to mine your private financial data for profit. While some of your private financial information is protected under existing federal law, your bank or broker or insurance company could still share with affiliated firms information on what you buy with checks and credit cards -- or sell this information to the highest bidder. This law is outdated. We must change it ... to give you the right to control your financial information ... to let you decide whether you want to share your private information with anyone else. I look forward to working with members in the House and Senate on this critical issue.

To enhance your financial privacy, we must also protect the sanctity of medical records. With the growing number of mergers between insurance companies and banks, lenders potentially can gain access to the private medical information contained in your insurance forms. So we propose to severely restrict the sharing of medical information within financial services conglomerates. You should not have to worry that the results of your latest physical exam will be used to deny you a home mortgage or a credit card. There are many other important protections for medical records that must be put in place. Because Congress has given me the authority to act if it does not do so by August, one way or another, we will protect the privacy of medical records and we will do it this year.

Second, we must require greater public disclosure and enhance every consumer's right to know. As the First Lady just pointed out, consumers received nearly 4 billion credit card solicitations last year. Some of these offers contain new traps for the unwary. For example, sometimes credit card companies advertise low interest rates -- known as "teaser rates" -- to reel in consumers, who are then surprised with unexpected interest rate hikes. We believe that any marketing of "teaser" rates for credit cards include equally prominent notice of their expiration date, their eventual annual percentage rate, and any penalties that apply.

Millions of consumers also have found out the hard way that making only "minimum payments" rarely helps retire a debt and almost always results in very large interest payments. So we will require clear notice of how long and how costly repayment would be if the consumer makes only the minimum payment.

Third, we must do more to combat consumer fraud. As Mari Frank discovered the hard way, it is now remarkably easy for a thief to take out huge loans in someone else's name, run up enormous credit card debts, and tap into bank accounts. Last October, Congress passed and I signed the Identity Theft and Assumption Deterrence Act. This is a good law, but now we need to give it sharp teeth. So today, I am instructing the Treasury and Justice Departments to give higher priority to cases involving identity theft, particularly those involving organized crime groups, with the goal of increasing the number of prosecutions both at the state and federal level. And Treasury will convene a national summit on identity theft and work with the private sector to make it harder to steal someone else's identity in the first place.

We will also crack down on fraud committed over the Internet. If we want to seize the Internet's full potential, we must stay ahead of those who would use this open medium to manipulate stock prices, commit fraud in online auctions, or perpetuate any other type of financial

scam. That is why I have asked the Justice Department to step up prosecutions ... to develop a national center for tracking Internet fraud schemes ... and to train state, local, and federal law enforcement officers how to recognize and root out these schemes. SEC Chairman Levitt is also launching an expanded effort to arm investors with the information they need to protect themselves against online securities fraud. And given that complaints of Internet fraud have tripled over the past six months alone, I will work with Congress and Chairman Levitt to provide additional resources for the SEC for enforcement, beyond what I requested in my balanced budget.

Fourth, we must provide financial services for those who have been denied access to credit and basic banking services for far too long. Today, I am proud to announce that the Treasury Department will soon make available, through private banks, low-fee bank accounts for those who receive federal benefits like Social Security.

Unfortunately, some in Congress would have us effectively limit -- rather than expand -- access to financial services in underserved communities. As the Senate debates this issue this week, I want to reiterate what I said in my veto letter to Congress: We will oppose any effort to weaken or undermine the continued relevance of the Community Reinvestment Act. Leaders of the Civil Rights community spoke earlier today on this subject, and I applaud them for their efforts on behalf of this successful law.

Finally, we must increase Americans' financial literacy. Today, it's no longer enough to know how to balance a checkbook. Even those who are fortunate enough to have the help of accountants sometimes have a hard time understanding all the ins and outs of investing in an IRA, paying off credit card debt, or refinancing a mortgage.

So today, I am directing my National Economic Council to work with our agencies and develop a plan to help all Americans improve their financial literacy. School is the best place to start learning about personal finance. The Department of Education will help all interested schools find effective lesson plans and other tools to integrate financial literacy into their basic curriculum.

Protecting privacy. Enhancing disclosure. Combating fraud. Increasing access. Expanding education. These principles are the same ones we used to harness the power and benefits of the Industrial Revolution. And they are just as vital today as they were a century ago. Let's use them once again to seize the enormous potential of the Information Revolution. If we work together, we can use these principles to help all families lock in the benefits of new choices and new technologies. We can help all our people thrive in our 21st Century economy.

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