to the modernization and growth of the United States-flag merchant marine and should be supported and enacted. It will generate significant commercial vessel construction in United States shipyards and help American flag vessel operators compete more equally with their foreign flag vessel counterparts.

HONORING CHRISTINA WRIGHT, LeGRAND SMITH SCHOLARSHIP WINNER OF MARSHALL, MI

HON. NICK SMITH

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 10, 1999

Mr. SMITH of Michigan. Mr. Speaker, let it be known, that it is with great respect for the outstanding record of excellence she has compiled in academics, leadership and community service, that I am proud to salute Christina Wright, winner of the 1999 LeGrand Smith Scholarship. This award is made to young adults who have demonstrated that they are truly committed to playing important roles in our Nation's future.

As a winner of the LeGrand Smith Scholarship, Christina is being honored for demonstrating that same generosity of spirit, intelligence, responsible citizenship, and capacity for human service that distinguished the late LeGrand Smith of Somerset, Michigan.

Christina Wright is an exceptional student at Marshall High School and possesses an impressive high school record. Christina has received numerous awards for her involvement in Debate and the Performing Arts. Outside of school, she has served the community through many church activities and the United Way.

Therefore, I am proud to join with her many admirers in extending my highest praise and congratulations to Christina Wright for her selection as a winner of a LeGrand Smith Scholarship. This honor is also a testament to the parents, teachers, and others whose personal interest, strong support and active participation contributed to her success. To this remarkable young woman, I extend my most heartfelt good wishes for all her future endeavors.

CONSUMER TELEMARKETING FINANCIAL PRIVACY PROTECTION ACT OF 1999

HON. JOHN J. LaFALCE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 10, 1999

Mr. LAFALCE. Mr. Speaker, I am today introducing legislation to restrict the sharing of credit card account numbers and other confidential information for purposes of telemarketing to consumers. My legislation responds to widespread negative-option telemarketing schemes that were brought dramatically to the public's attention this week in a speech by the Comptroller of the Currency and in a major lawsuit announced yesterday by the Minnesota Attorney General. I am pleased to join in sponsoring this legislation with my colleague from Minnesota, BRUCE VENTO, the Ranking Member of the Financial Services Subcommittee, and my Banking Committee colleagues BARNEY FRANK, PAUL KANJORSKI, KEN BENTSEN and JAY INSLEE.

While negative option telemarketing schemes appear to have been in operation for several years, their significance and breadth only recently came to light in news stories and state Attorneys General investigations. They remained hidden largely because most consumers don't realize they have been victimized and, for those who do, many assume the problem is a random mistake. Most consumers find it hard to believe that their bank or credit card company would systematically sell their private account numbers to questionable marketing operations. This is not the way banking has traditionally been conducted.

Consumers should have confidence that their credit card and bank account numbers will not be sold to the highest bidder. They should not feel they have to scrutinize their credit card statements for unauthorized charges. And they should not have to fear that every sign of interest or request for information in a telemarketing call will lead to automatic charges on their credit cards. This is unfair to consumers and potentially damaging to our banking system.

These telemarketing schemes operate in the following manner. A bank will enter into an agreement with an unaffiliated firm that provides telemarketing services to companies offering a variety of discount, subscription, service or product sampling memberships. The bank provides extensive confidential personal and financial information about its customers in return for a fee and commissions on sales made by the telemarketing firm. The information goes far beyond the names and addresses of customers, including specific account numbers, account balances, credit card purchases and credit scoring information. This information enables the marketer to profile the bank's customers and offer ''trial memberships'' that are targeted to each customer's interests, income and buying habits.

What makes the whole thing work is the fact that the telemarketer already has access to the consumer's credit card account. If the consumer indicates any interest in a ''trial'' membership, or even in receiving additional materials, their credit card account is automatically charged for the membership without the customer ever disclosing their account number or even knowing that they have authorized the charge. In many instances, the customer never notices the charge, or only sees it when it automatically converts into a continuing series of monthly membership or product charges. The consumer then has to take actions to stop the charges (hence the term ''negative option'') and attempts to have the charges refunded to their account.

According to state officials, consumers typically have considerable difficulty obtaining refunds for these charges, or even getting their bank to remove continuing charges from their account. Many have had to contact their State Attorney General before the bank or telemarketer would refund the charges.

While the Comptroller of the Currency this week identified this practice as an example of banking practices ''that are seamy, if not downright unfair and deceptive'', they do not appear to violate any federal law or regulation. The Fair Credit Reporting Act (FCRA) currently exempts from regulation any information that a bank derives from its routine transactions and experience with customers. This permits a bank to provide credit related information to credit bureaus without itself being regulated as a credit bureau. Until recently, banks did not routinely share confidential customers information out of concern for maintaining customer confidence. Clearly, this has changed. The other applicable federal statute, the federal Telemarketing Act and the FTC's Telemarketing Rule, also provide only limited protection since telemarketers are required only to show some taped expression of interest or consent before charging a consumer for a membership or service. However, few consumers understand that agreeing to a ''trial'' offer will lead to automatic and repeated charges to their credit card account.

Banking regulators also have been limited in their ability to respond to this problem as a result of amendments made to the Fair Credit Reporting Act in 1996 that restrict regulatory agencies from conducting bank examinations for FCRA compliance except in response to specific complaints. Even then, the statute limits the regulator's ability to monitor compliance only to regularly scheduled bank examinations. Authority to interpret FCRA to address such practices also is limited to the Federal Reserve Board, which often does not have direct regulatory contact with most of the institutions involved.

The absence of federal regulation has permitted bank involvement in negative option telemarketing to become far more widespread than first assumed. The action brought yesterday by the Minnesota Attorney General cited several bank subsidiaries of US Bancorp. Newspaper articles have described identical operations involving other national telemarketing firms and a number of major national banks and retailers. Documents filed with the SEC last year by the telemarketing company cited in the Minnesota action claimed that the company had ''over 50 credit card issuers'' as clients, ''including 17 of the top 25 issuers of bank credit cards, three of the top five issuers of oil company credit cards and three of the top five issuers of retail company credit cards.''

Comptroller Hawke was entirely correct in citing this as a widespread problem that raises potential safety and soundness concerns for the banking system and also as an example of ''practices that cry out for government scrutiny.''

The bill I am introducing today would address this problem from several perspectives. First, it amends the Fair Credit Reporting Act to limit the current exemption for sharing of confidential transaction and experience information about customers. Under the bill, information can be shared for purposes of telemarketing only if (1) the information to be shared does not include any account numbers for credit cards or other deposit or transaction accounts and (2) the bank provides clear and conspicuous disclosure to the consumer of the type of information it seeks to share with a telemarketer and provides the consumer with an opportunity to direct that the information not be shared.

Second, the bill addresses the limitations on current regulatory enforcement by removing the 1996 limitations on the ability of bank regulators to undertake examinations and enforcement actions to assure FCRA compliance. It broadens FCRA rulemaking authority to provide for joint rulemaking by the OCC, OTS and FDIC as well as the Federal Reserve. And it extends rulemaking authority for the National Credit Union Administration for