POLICY POSITION

7. FINANCIAL INSTITUTIONS REFORM: CONSUMER IMPACT

There is no doubt that the entire financial services industry is finally moving in new directions. People have responded to the national need to increase savings and capital formation, and competition in the industry has resulted in major innovations to the benefit of the financial services consumer. State governments have played a key role in allowing these new innovations to occur.

Many respected and sound financial services institutions and companies now offer consumers a vast array of investment and savings opportunities. Some of these innovators offer the convenience of consumer banking, securities brokerage, real estate acquisition, insurance coverage, and retail sales all in a single location. Most importantly, in addition to convenience and a wider selection of investment options, the consumer has benefited from the lower costs of these services due to the increased competition in the marketplace.

Surveys of these consolidated financial centers have shown that:

- 75 percent of savings customers and 60 percent of brokerage clients were first time accounts;
- 50 percent of the new brokerage accounts were opened by women;
- 68 percent of first-time brokerage investors had incomes under $35,000; and
- first-time account customers tended to be younger with the majority holding less than a college degree and 45 percent employed in clerical, blue collar or sales jobs.

In short, people who have never participated in our nation's economic marketplace, especially those from moderate and lower income brackets, are now active, informed investors and savers.

Legislation now pending before Congress would prohibit the continuation of this healthy trend and turn the clock back to the days when vast distances, total separation of services, confusion, and highly formal atmospheres were the impediments one had to overcome to become a player in the financial marketplace.

At least one of the bills under consideration calls for a study of how the financial services industry has changed and how consumers are responding to it. That study, however, would be completed <u>after</u> the changes currently under consideration are already in effect, which to us seems to be putting the cart before the horse.

Recommendations

The states and consumers affected by the proposed legislation should be offered more adequate opportunity to express their views to the appropriate committees of Congress through such a study. Given a more calm, deliberative atmosphere, we are confident that Congress can then fashion legislation which will continue to foster state-led innovation and encourage a broad array of savings and investment opportunities for consumers in a convenient way, while preserving the soundness of the Nation's financial system.

Until such studies and assessments can be thoroughly undertaken, we urge Congress to delay consideration of this legislation.

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