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MEMORANDUM

December 8, 2004

To Our Clients and Friends

Re: Federal Reserve Study on Prescreened Offers of Credit and Insurance

The Federal Reserve Board has issued a report to Congress which studies prescreened solicitations of credit and insurance. The study was required by the Fair and Accurate Credit Transactions Act (“FACT Act”).

MAJOR CONCLUSIONS

The Fed study concludes that prescreened offers can be useful to senders and consumers. Prescreening enables creditors and insurers to identify consumers who are likely prospects for their products in a cost-effective manner. Consumers benefit from prescreened offers because they reduce search costs associated with finding credit and insurance products that fit their particular situations. The study also concludes that prescreened offers promote competition and enhance consumer welfare in the markets for credit and insurance. Actions that may restrict the ability of lenders and insurers to make prescreened offers would, according to the Federal Reserve, result in a less competitive market, higher prices and reduced availability of financial products.

The study also addresses contentions that prescreened offers that are lost or stolen may lead to fraudulent activity that may harm a consumer’s credit rating and result in losses to consumers. It also discusses concerns about the possibility that prescreened offers compromise individuals’ privacy and encourage consumers to take on additional debt that they may not be able to handle. The study found no evidence that prescreened offers have had a significant impact on these issues. The study also states that approximately 6 percent of consumers has opted out of receiving prescreened offers. This, according to the Federal Reserve, indicates that it is not especially difficult for individuals to opt out if they desire to do so.

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The Federal Reserve notes that the FACT Act includes provisions that enhance the ability of consumers to opt out of prescreened offers. The study suggests that no additional legislative or regulatory changes should be considered until the effects of these provisions are evaluated.

The Federal Reserve study can be found at http://www.schwartzandballen.com/whats_new.html.

If you have any questions, please call Gilbert Schwartz, Robert Ballen or Tom Fox at (202) 776-0700.