

The Language of Financial Reform

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Prepared by Dr. Frank Luntz



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The Financial Reform Climate

SETTING THE CONTEXT

This document is based on polling results and an Instant Response dial session conducted after the House of Representatives passed “*Financial Reform*” legislation and prior to the Senate’s consideration of the bill. The document helps capture not just how Americans feel about the “*financial crisis*” (they believe it still exists) and potential reform initiative (they’re against) – and how they want to address the issue (carefully).

When it comes to the financial crisis, there is one clear consensus -- the crisis is a stain on the fabric of America’s economy that will linger for years to come. The impact of the crisis is real and has reverberated throughout every part of our society. Rule #1:

When addressing the crisis, never forget its impact on your audience. Above all else, never EVER minimize the pain.

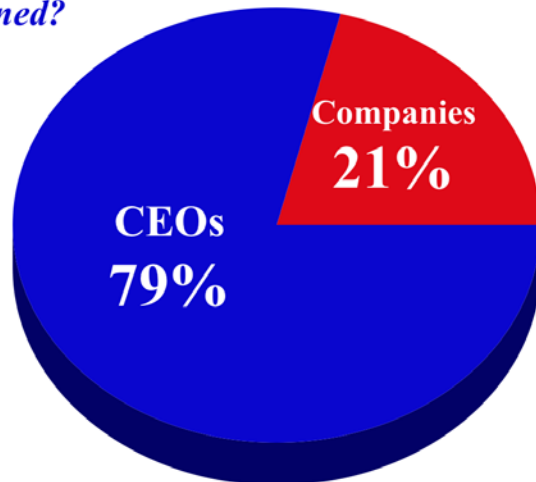
1. **Americans are divided on the cause of the crisis.** The consequences of the crisis may be undeniable, but its cause is debatable.
 - **To conservatives:** government policies caused the bubble and its ultimate crash. Fannie Mae, Freddie Mac, the Federal Reserve, and the Community Reinvestment Act all had a role in the catastrophe. The government inflated economic bubbles with easy credit policies. Interest rates were kept intentionally low. Low-income families were encouraged to become homeowners despite the knowledge that many would never be able to pay them back. Government bought and backed these subprime loans, essentially encouraging brokers to find more subprime clients – risk be damned.
 - **To liberals:** the roots of the crisis lie in Big Business and the marketplace. Mortgage companies peddled adjustable rate mortgages without ever explaining the future costs. Credit card companies flooded college campuses with high interest credit cards. Wall Street firms traded mortgage-backed securities and created credit default swaps that played key roles in the economic calamity. Contracts written in legalese, coupled with the risks of adjustable rate mortgages, were never explained to the average consumer – perhaps intentionally. Those that blame the market are passionate about the need for more reform.
 - **But to a majority of Americans** believe that individuals who ran up their credit cards and took out mortgages they couldn’t afford are also responsible for the calamity that ensued.

Let's talk for a minute about America's "Financial Crisis." Which statement do you most agree with?



What industries bear the brunt of the blame? Home mortgage companies (33%) and banks (31%) are seen as primarily responsible. But it is not the companies so much as the leadership of the companies that are to blame:

And do you blame the CEOs more or the companies for what happened?



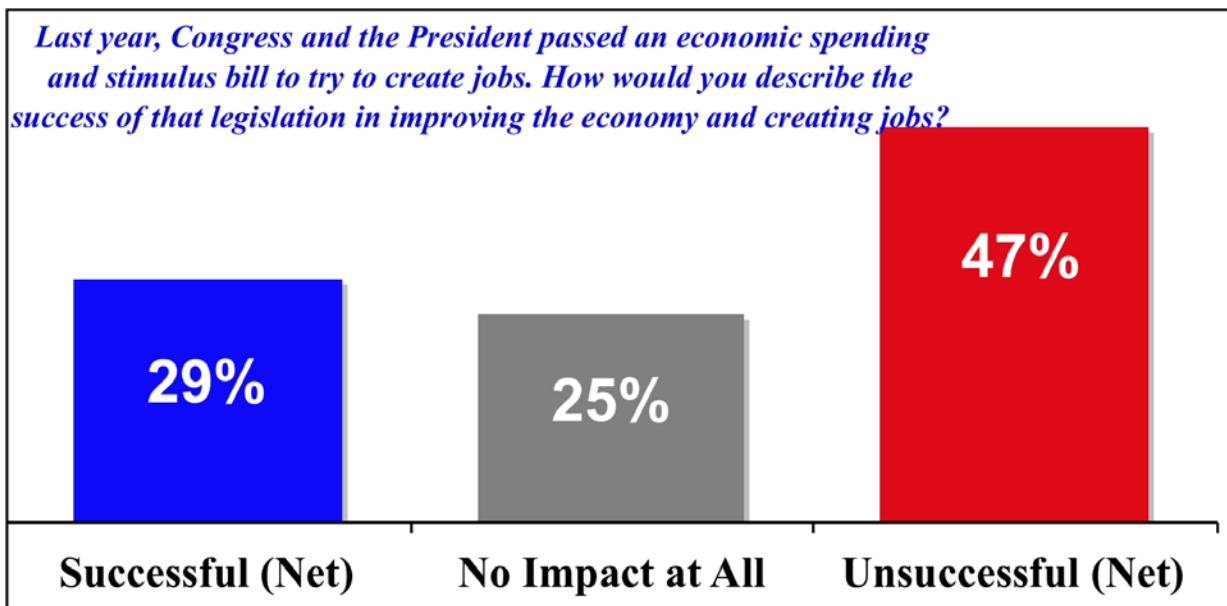
But the largest percentage of Americans believes “all of them” played a role in today’s economic conditions.

2. **You must acknowledge the need for reform that ensures this NEVER happens again.** Despite the different perspectives on the causes of the crash, there is an agreement that the crisis must be addressed – that changes must be made so the mistakes that led to this point are never be repeated. **The status quo is not an option.** The system failed us – all of us – and the causes of the failure *must* be corrected.
3. **Now, more than ever, the American people question the government's ability to effectively address the issue.** Billions in handouts to Wall Street. A stimulus bill that isn't creating jobs. Cash for Clunkers. Health Care. A "Credit Card Bill of Rights" that increases fees and interest rates on consumers. The American people believe Washington has gone wrong, and these legislative initiatives have become symbols of Washington's inability to do anything right. A majority of both Republican and Democrats believe that:

WORDS THAT WORK

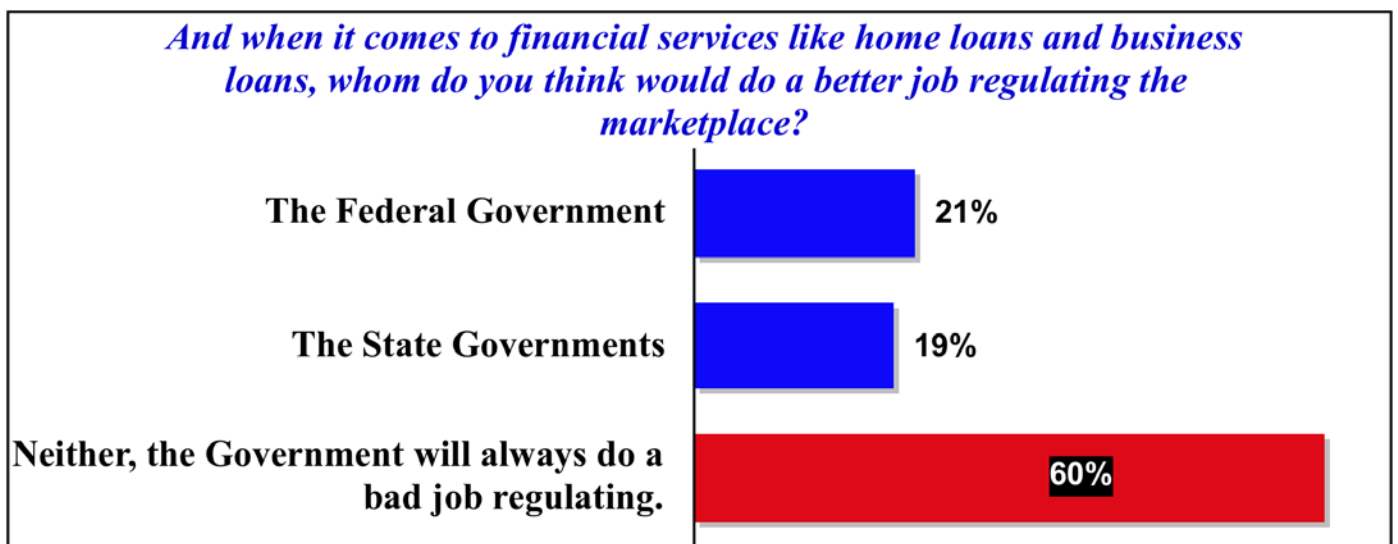
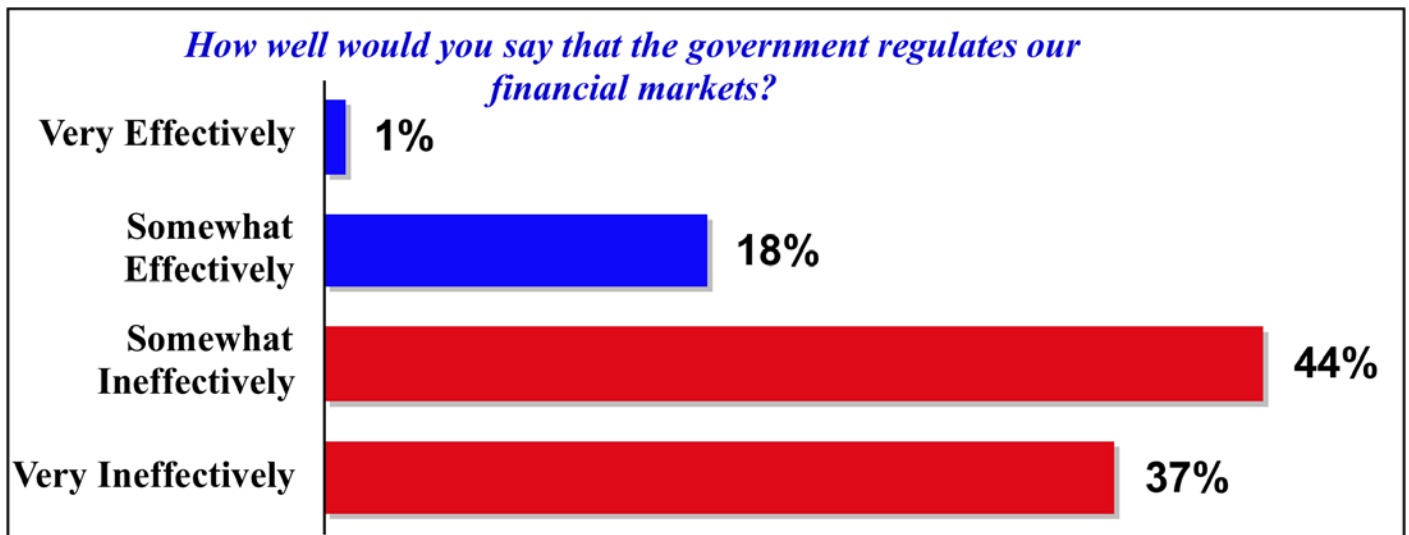
If there is one thing we can all agree on, it's that the bad decisions and harmful policies by Washington bureaucrats that in many ways led to the economic crash must never be repeated.

This is your critical advantage. Washington's incompetence is the common ground on which you can build support.



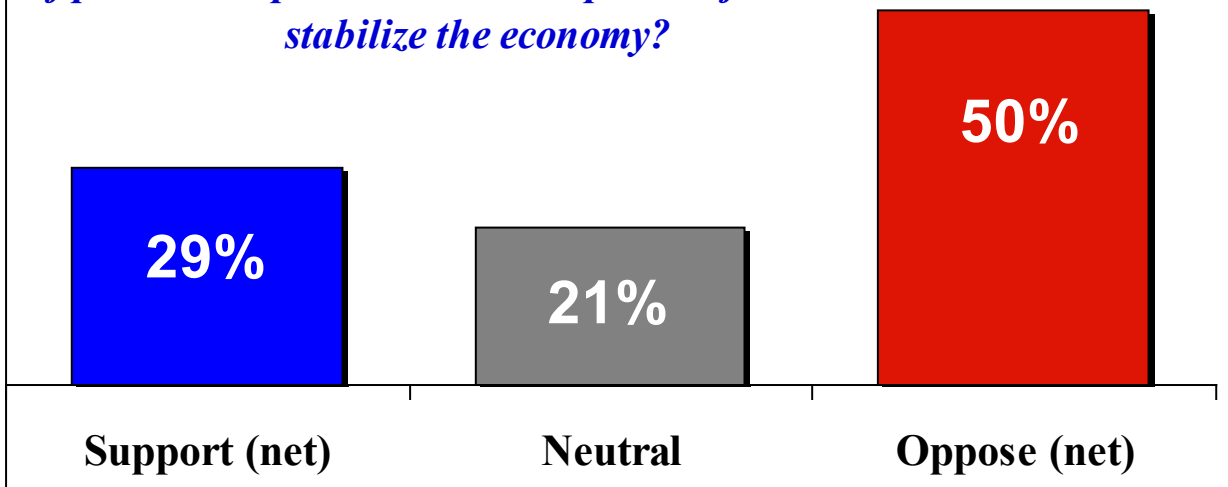
Ordinarily, calling for a new government program “to protect consumers” would be extraordinary popular. But these are not ordinary times. The American people are not just saying “no.” They are saying “hell no” to more government agencies, more bureaucrats, and more legislation crafted by special interests.

Incredibly, these results are **PRIOR** to efforts to educate voters about the inherent problems of the legislation. One reason why initial support for more government action is rooted in the simple belief the government cannot effectively regulate the financial markets at any level:



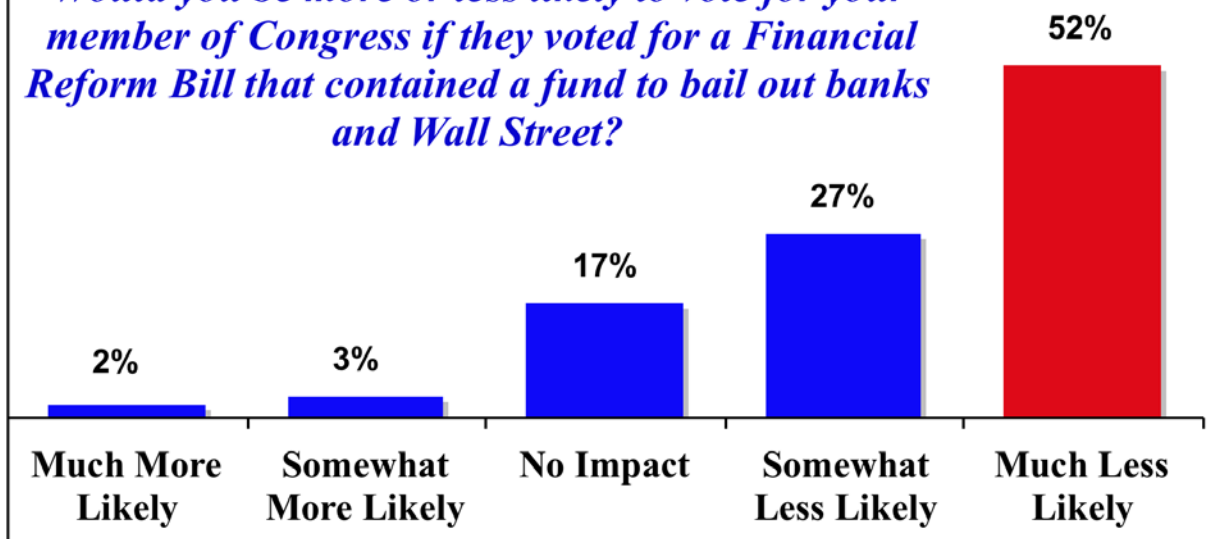
4. **Public outrage about the bailout of banks and Wall Street is a simmering time bomb set to go off on Election Day.** To put it mildly, the public dislikes taxpayer bailouts of private companies. Actually, they HATE it:

Do you _____ taxpayer-funded bailouts and takeovers of private companies in order to prevent job loss and stabilize the economy?



In fact, a vote in favor of creating a permanent bailout fund of private companies is like committing political hari-kari. Frankly, the single best way to kill any legislation is to link it to the Big Bank Bailout:

Would you be more or less likely to vote for your member of Congress if they voted for a Financial Reform Bill that contained a fund to bail out banks and Wall Street?



WORDS THAT WORK

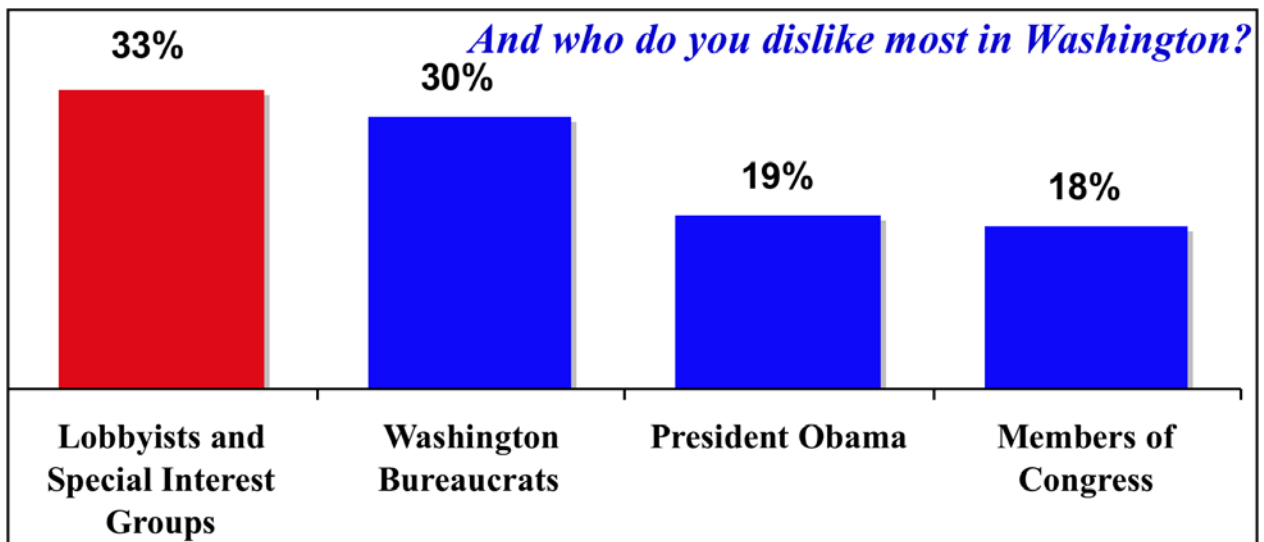
Taxpayer-funded bailouts reward bad behavior. Taxpayers should not be held responsible for the failure of big business any longer. If a business is going to fail, not matter how big, let it fail.

5. **The public is angriest about lobbyist loopholes.** Part of public perception that Washington cannot do anything right is the belief that lobbyists write most of the bills. The American people are tired of add-ons, earmarks, and backroom deals – but they are mad as hell at **“lobbyist loopholes.”** This bill is riddled with such loopholes. You must put proponents of the legislation on the defense, forcing them to attempt to justify the *“lobbyist loopholes”* and exemptions placed in the bill:

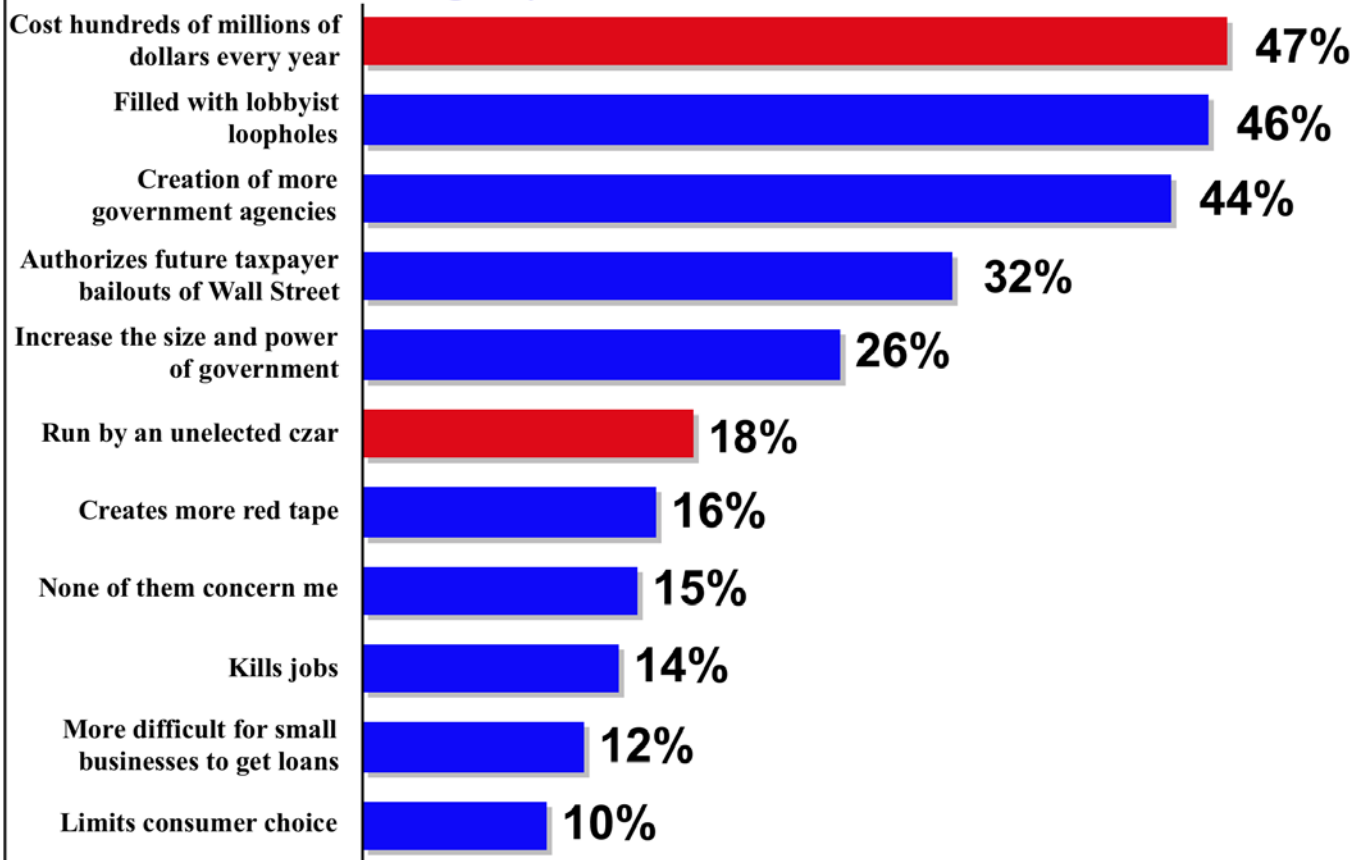
- Why were pawnbrokers exempted?
- What about car dealers?
- Vegas casinos and their credit lines?

The power of this argument cannot be underestimated. When participants in our dial sessions heard that the casinos and pawnbrokers were exempted from the legislation, someone remarked, *“We have become the Roman Senate.”*

Highlight the exemptions. Broadcast them. Remind them, ***“The legislation is filled with lobbyist loopholes that exclude certain wealthy, powerful industries from regulations.”*** As Churchill would say, that statement is the “soft white underbelly.” When the participants were presented a list of nearly a dozen objections to the bill, the **lobbyist loopholes** blew away virtually every other argument against the legislation.



Which of the following, if true, would concern you most about the creation of a Consumer Financial Protection Agency? (Choose 3, Combined Answers)



6. **You must be an agent of change.** We have spent so much time in this analysis on general economic perceptions because that's what you need to address. You have to be on the side of change. Always. The financial crisis is not a theoretical economic textbook concern. The pain felt by the crisis is real and omnipresent. Retirement funds were depleted. Homes were foreclosed. Jobs were eliminated. The status quo is unacceptable. However, it's wrong to assume government can correct the problem without addressing its role in the crisis, yet that is what Congress is trying to do. What to say? **"It addresses market excesses but keeps government excesses in place."** The American consumer wants more easily understood contract language so that consumers have all the information they need.

7. **Demand accountability – government accountability.** Despite creating economic conditions comparative to the Great Depression, it is important to ask some basic questions -- What government regulator lost their job for their hand in the crisis? What government policies were changed? What laws were repealed? The obvious answer is ***none.***

WORDS THAT WORK

We don't need another Federal government agency. We don't need bigger government. What we need is a better approach that promotes accountability, responsibility and effective oversight.

Yet, Congress is poised to add another Washington agency with more Washington bureaucrats on top of existing laws and regulations. In fact, the proponents of the new government agency and regulations are the same members of Congress who created and supported the housing bubble.

WORDS THAT WORK

The architects of failure are now designing the rescue. Many of the same members of Congress responsible for the legislation that helped create the housing bubble and the Wall Street financial crisis are now attempting to create another new government agency with an unlimited budget and almost unlimited regulatory powers.

I'm sorry to say this but they don't know what they're doing. They have gotten it wrong time and time again and not they want to do it yet again.

The perceived incompetence of Washington extends to its leadership. Barney Frank, the Chairman of the House Financial Services Committee, is an example. **Frank's favorable rating is 13%. His unfavorable rating is 30%** (though a majority don't give him any rating at all – so don't make him the enemy. Washington is the enemy.)

8. **More bloated government bureaucracy is not the solution.** We're witnessing out-of-control federal spending. The Government takeover of health care and other industries has Americans questioning the competence of government. They want smarter solutions, not more of the same. **"A new agency with new bureaucrats is not change we can believe in."** It's not change at all. As our dial session participants agreed, *"It's another agency to clean up a mess from a different agency."*

WORDS THAT WORK

The financial crisis hurt all of us. Homes were lost. Jobs were destroyed. Businesses closed. There is enough blame to go around. We need a solution to the problem, not more of the same. Creating another costly government bureaucracy on top of existing bureaucracy isn't a solution – it helped caused the problem. This time, let's get it right.

9. **Devil is in the details.** Every bill passed by Congress is larded up with pork, handouts, and earmarks. The American people have lost faith in Congress, and no matter how good a bill sounds, they want to know “*what is in the fine print?*”
10. **Caution: Unintended consequences ahead.** The government caused the Savings and Loan crisis by changing the rules. Congress jacked up fees and interest rates on consumers after enacting the “Credit Card Bill of Rights.” What will be the effects and impact of the CFPA? How will small business be affected? Will choices be limited? Will consumer fees be impacted? Evidence suggests the answer is definitely “yes”.

Language Findings

11. **Enforcement of current law trumps creation of new laws.** Despite the need for reform, the public believes real reform means ensuring current laws are enforced rather than adding another layer of agencies, laws, regulations, and red tape on top of the existing agencies, laws, regulations, and red tape.

WORDS THAT WORK

We don't need more laws. We need better enforcement of current laws. We don't need more bureaucrats. We need the people in charge to do their jobs as they were meant to be done. We don't need layers and layers of additional federal bureaucracy. What we need is to instill accountability, responsibility and effective oversight to what is being done already.

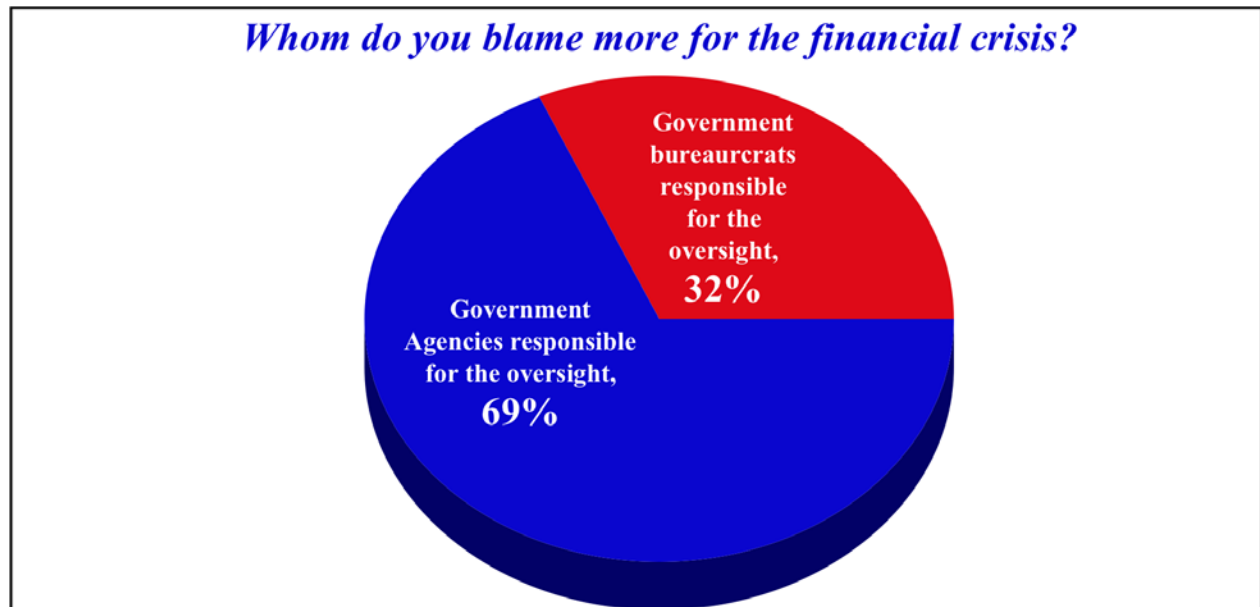
<i>Which Statement more accurately reflects your views?</i>	Total
There are thousands of laws and dozens of government agencies designed to protect consumers from fraud. We need better enforcement of current law rather than yet another layer of red tape, regulations and bureaucracy.	70%
Consumers need more protection from fraud, sham investments and deceptive schemes. We need a new consumer financial protection government agency in order to adequately protect us.	30%

12. **The bailout provisions get the most visceral reaction.** It is not often you come across an issue where people of all political stripes come together so stridently on an issue. Taxpayer bailouts of CEOs and companies are such an issue.

WORDS THAT WORK

Bailouts for Wall Street. Government takeovers of insurance companies. Trillions of taxpayer dollars to bailout CEOs and their risky investment schemes. And now Congress is preparing to enact legislation to pass a law with \$4 trillion more for more bailouts. Should people who write the financial reform laws be the same ones who helped cause the crisis? Should taxpayers be punished and the big banks and credit card companies be rewarded? The time has come to take a stand. Oppose the big bank bailout bill.

13. **“Bureaucrats” are worse than “bureaucracies.”** While Americans don’t like bureaucracy, they loathe bureaucrats even more. In fact, America’s disdain of bureaucrats is almost as high as Americans’ dislike and mistrust of lobbyists.



14. **Americans want to end the legalese and confusion in contracts.** The strongest argument in favor of the CFPA is the claim the agency would somehow end confusing contracts written by lawyers in language only lawyers can understand. When was the last time a government agency made things easier to comprehend?

WORDS THAT WORK

We must require greater transparency and more easily understood contract language so that consumers have all the information they need.

15. **Just the facts, ma’am.** In the testing of the ads and other communications, it is clear that Americans want more than just red meat rhetoric. You have to give them two concrete facts to prove your case – or you be just another special interest group playing politics with their lives. Two facts. Two statistics. Two clear-cut statements of evidence.

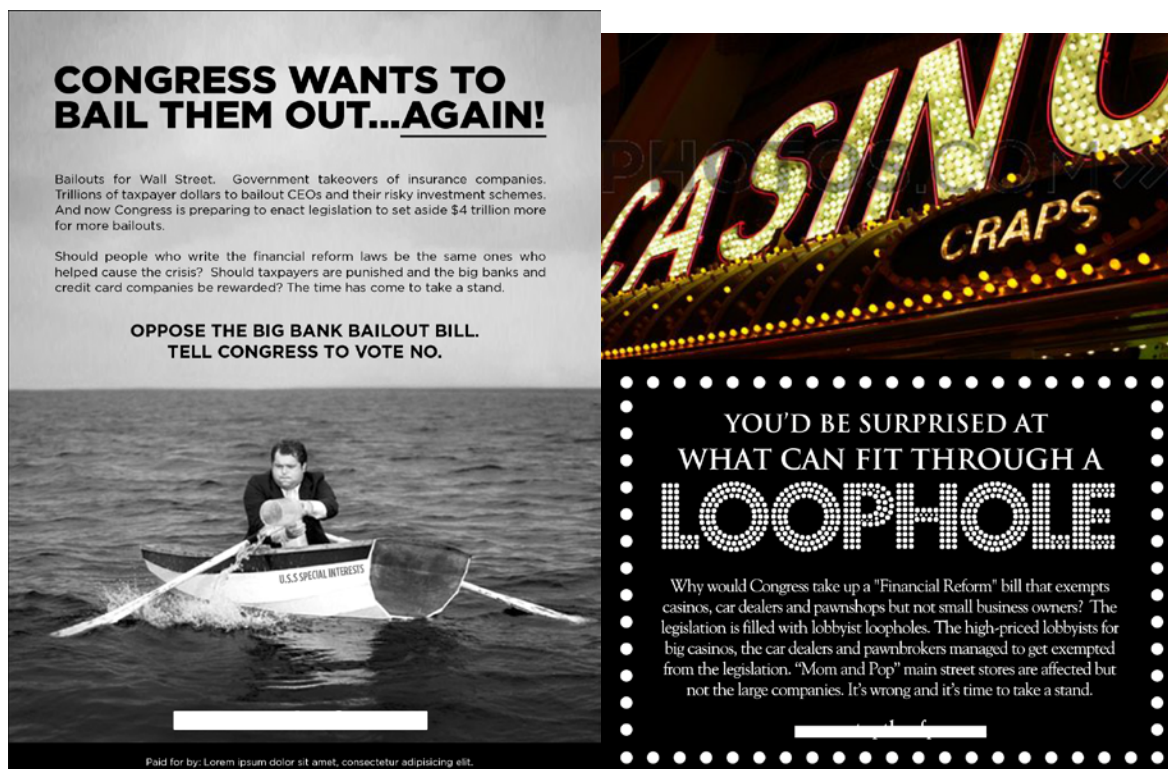
16. **Personalize the impact.** It's small business **owners**, and not small businesses, that will be harmed by this legislation. Yes, they recognize small business as a key component of the economy, but stronger arguments against creation of the CFPA lie elsewhere. Americans want to support small businesses, but are more willing to support a person who owns a small business. Make it personal.
17. **It's not "reform."** – This is not a reform bill. It is the **"Stop the Big Bank Bailout bill."** This is important.
18. **Small business ownership is about the American Dream.** The most popular images of small business owners both projected optimism with signs saying "grand opening" or "open."



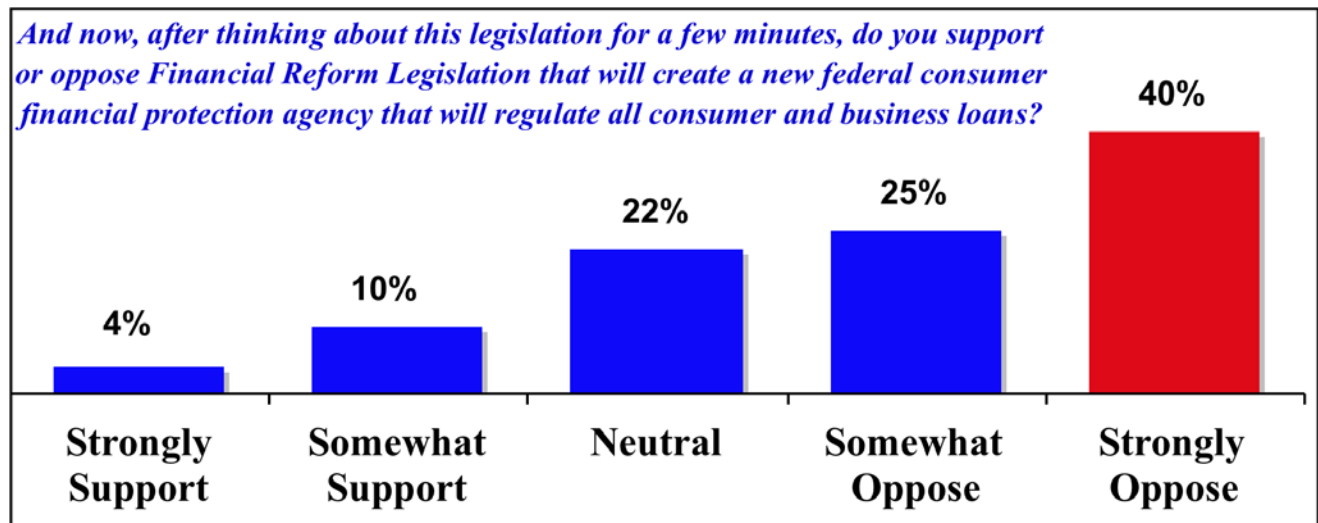
WORDS THAT WORK

Owning a small business is part of the American Dream and Congress should make it easier to be an entrepreneur. But the Financial Reform bill and the creation of the CFPB makes it harder to be a small business owner because it will choke off credit options to small business owners. That will make it harder to start a new company and harder to expand an existing one.

19. **No surprise here.** The strongest image ad we tested pertained to the bailout provisions and the “lobbyist loopholes” for the casino industry.



20. **The Final Word.** The department store Syms used the slogan “*an educated consumer is our best customer.*” We could easily say an educated citizen is the biggest opponent or, your biggest ally against the creation of the Financial Reform bill and the CFPA.



Words to Use

ACCOUNTABILITY

TRANSPARENCY & OVERSIGHT

LOBBYIST LOOPHOLES

ENFORCEMENT OF CURRENT LAWS

BUREAUCRATS

WASTEFUL WASHINGTON SPENDING

NEVER AGAIN

GOVERNMENT FAILURES AND
INCOMPETENCE

LET'S HELP SMALL BUSINESSES

BIG BANK BAILOUT BILL

BLOATED BUREACRACY

FINE PRINT

UNINTENDED CONSEQUENCES

SPECIAL INTERESTS

HARD WORKING TAXPAYERS

ANOTHER WASHINGTON AGENCY

UNLIMITED REGUATORY POWERS

DEVIL IS IN THE DETAILS

RED TAPE