

Fund Democracy  
Consumer Federation of America  
Consumer Action

February 28, 2008

BY EMAIL AND US MAIL

Nancy M. Morris  
Secretary  
Securities and Exchange Commission  
100 F Street, N. E.  
Washington, D.C. 20549-1090

RE: File No. S7-28-07

Dear Secretary Morris:

On behalf of Fund Democracy and the Consumer Federation of America, we are writing to comment on the Commission's proposal to require mutual funds to create a summary prospectus ("Summary") that could be used to satisfy a fund's prospectus delivery requirement under the Securities Act of 1933. We strongly agree that a short form alternative to a lengthy statutory prospectus can both improve the quality and usefulness of fund disclosure and reduce fund expenses. The Summary would provide a standardized document that generally included the most important information that investors should consider when evaluating different funds. We support the Commission's proposal, although we believe that it could be improved in certain respects.

One general concern that we have is that the summary prospectus proposal will not draw investors' attention to factors that should be considered before the decision to invest in a type of mutual fund has been made. For example, the summary prospectus will be very helpful to the investor who has already decided to invest in a large cap stock fund, but it will not be particularly helpful at deciding on the right type of fund in the first place. Choosing the right large cap stock fund is an important decision, but choosing to invest in a stock fund at all is a more important one. Cash that is intended to be available in the short-term for a downpayment on a house purchase should not be placed in a stock fund – even the best stock fund. The investor would be better off with a low-yielding money market fund than a top-performing stock fund, yet the summary prospectus will provide no information that directly addresses this crucial aspect of investing.

The Summary's risk discussion and its annual performance bar chart will provide raw information that is relevant to this issue, but it will not be provided in a context that will help typical investors think about whether they are looking at the right type of fund. We therefore recommend that the Commission consider requiring standardized disclosure in the summary prospectus that addresses this issue, such as a timeline that shows the

























