

The present practices of making secret discounts and special rebates, together with the excessive extension of credit—6 months on purchases and substantial unsecured loans at low interest rates by the financially powerful may eventually cause our demise. The situation in Indiana is so bad, with the chain merchants and chain dairies presently operating in the State depressing the dairy industry, that the market value of existing independent dairies has been destroyed.

Other chain dairy operators are known to have refused to buy any business in Indiana because of the lack of profit potential under existing conditions. The success of your work is our only hope.

Very sincerely yours,

G. L. MCFARLAND,
Secretary.

TRUTH IN LENDING LEGISLATION

The SPEAKER pro tempore. Under previous order of the House, the gentleman from New York [Mr. HALPERN] is recognized for 20 minutes.

Mr. HALPERN. Mr. Speaker, I rise to call the attention of this House to an important measure now pending before the House Banking and Currency Committee of which I am privileged to be a member. I refer to the legislation commonly known as the truth in lending bill which affects the average American consumer and the economy of our Nation. It is my fervent wish that my colleagues on both sides of the aisle let their views be known on this issue to the distinguished chairman and to the committee.

The other body recently completed full-scale hearings on Senate bill 1740, bringing out invaluable, factual data and views which I feel give ample justification for favorable action on the legislation.

As sponsor of companion legislation to S. 1740, my bill being H.R. 7013, I was particularly pleased that the Subcommittee on Production and Stabilization of the Senate Banking and Currency Committee agreed to hold these hearings and thereby give every opportunity for all viewpoints to be heard on this important issue.

I want to express my commendation to the distinguished Senator from Illinois, PAUL H. DOUGLAS, for his tireless, determined efforts to correct one of the gravest consumer problems directly affecting a vast portion of our population and, in turn, the economy and stability of our Nation. I was privileged to have been associated with the distinguished Senator in the sponsorship of this legislation in the 86th Congress, and to have joined him in the present Congress by introducing H.R. 7013 which is identical with S. 1740.

Considerable strides forward have been made since the introduction of the bill last year. Ample opportunity has been given to all sides for a full study and evaluation of the legislation. The hearings to which I refer provided the opportunity for the presentation of the fullest views, reports, and conclusions of all concerned. I am certain that complete evaluation of the problem will be given by the committees in both bodies and I fervently hope that the committees

will act, without delay, in bringing the issue before the current session of Congress.

Mr. Speaker, since introducing H.R. 10340 in the 86th Congress, I have become even more convinced that this kind of legislation is necessary. I restudied the problem; I reviewed every aspect of the legislation—the pros, the cons—and have concluded that its enactment is essential. That is why I introduced H.R. 7013 this year. That is why I commend the committee for holding hearings on the subject and why I welcome this opportunity to contribute my own views to the testimony.

Mr. Speaker, a true interest and credit carrying charge disclosure law will protect the public against the credit deceptions that have brought misery to so many families. Installment purchasing abuses are the biggest consumer gyp of our times. With some \$52 billion in consumer credit, exclusive of mortgages, outstanding in this country, it's obvious this represents a tremendous portion of our economy and that regulatory legislation is needed to inform the borrower of the full extent of his commitment.

Too often the average person is unaware of the full amount of the total costs he must pay when he borrows or buys on time. The borrower, whether it be a direct loan, or for a home, a car, a television set, or any other appliance, or acquisition of property, is entitled to know how much his total cost is going to be. And this should be mandatory, in writing, and as simple as possible.

Few lenders or installment sellers tell the consumer the true and actual rate except on mortgages. Not a single State requires all lenders or sellers to tell the true rate except in specified instances. They may state the rate as a monthly percent on the unpaid balance. But, 3 percent per month charged by a small loan company is a true 36 percent per year. The 1½ percent monthly charge by department stores or mail-order houses is a true 18 percent.

They may state that the rate is a percent of the original debt but a bank that charges \$6 per \$100 annually charges a true rate close to 12 percent per annum. A finance company that charges 7 percent on the original balance for a car loan really charges you about 14 percent annually. When you pay back every month you owe an average of only about one-half the original debt. Say you buy a used car and have a balance of \$600. The dealer sets a finance charge of 15 percent, a typical rate on used cars, you agree to pay in 12 monthly installments and the finance charge should be \$90, but your average debt during those 12 months is \$325. The true per annum rate is 28 percent.

Unfortunately, it is not always that simple to figure the true rate. Many contracts run for 12 months—relatively easy to figure—but many may be for 6, 9, 18, or 36 months. Surveys have shown that buyers rarely can tell the true rate when the payments are more or less than 12 months. Or, sellers may merely tell you the amount of credit fee in dollars. An auto insurance company says you can pay one-third of this premium now

and the balance after 60 days for a small extra charge. The small charge actually amounts to a true annual rate of 15 percent.

The latest device is not to disclose the monthly interest or discount rates, tricky enough as they are. Sellers say, "You can buy this refrigerator for as little as \$10 a month." There is no mention of how much finance charge this includes or even the price of the article itself. When you put your money in a bank it states interest it pays you as a true rate, for example, 3½ or 4 percent a year. But when you borrow, the amount of interest you pay the same bank is stated as a discount rate—about one-half the true rate.

All the varied ways of stating finance charges and interest rates due to the lack of disclosure requirements pave the way for tragic deceptions. The case of a Memphis, Mich., family which has come to my attention tragically illustrates this example. A wife recently wrote to her husband's union as follows:

A couple of months ago my husband brought home two cards for a free drawing of a freezer and a turkey. I sent them in. A Mr. A. came to the house and said he was sorry I didn't win the freezer. Some old couple won it. He said he would like to explain the company's food plan to us. He had a wonderful gift of gab. Now we're in trouble and wonder where all this will lead.

He explained how we would save on our food if we bought their freezer and the food from them. We signed a blank contract which he filled out later. Here's the contract:

First contract	
Upright freezer, 20 cubic feet.....	\$699.50
Sales tax.....	20.99
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Total selling price.....	720.49
Less downpayment.....	25.00
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Amount unpaid on cash price.....	695.49
Plus time-price differential.....	186.93
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Total contract time balance..	882.42
We would be paying \$907.42 for a freezer only, in 130 weekly installments of \$6.79.	

Second contract	
Food.....	\$300.00
Sales tax.....	9.00
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Total selling price.....	309.50
Plus time differential.....	13.50
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Total contract time balance..	322.50

The food is to be paid for in 21 weeks' installments of \$15.36. This man never told us we would have to pay all that interest. He said we could pay \$22.15 for 21 weeks, could reorder again for 21 weeks and at the end of 2½ years we could say the freezer didn't cost us a cent because we saved on food. The food is only meat and some canned goods and doesn't take care of all the staples one uses.

This poor family is being charged a true rate of 21 percent on the freezer and is even paying interest on the sales tax and its food.

Another example brought out by the Credit Union National Association concerns a San Francisco workingman who wrote:

I am married with four children and another expected. My wife and I went to buy a station wagon. We walked into the lion's

mouth. We told the salesman we could pay only \$60 a month. With my trade-in and cash I had a total of \$750 to put down. The salesman came up with this deal: "You pay \$60 a month for 10 months, and then refinance and pay \$60 for another 36 months. I am going to keep \$100 of your downpayment in reserve for when you refinance. You pay us on the side \$60 in 30 days and in the following 10 months, another \$110."

This was in addition to the \$60 to the bank. I didn't realize it but he was tricking me into an \$87-a-month payment.

The next day I saw it more clearly and told them I didn't want the car. I was threatened that they would make me borrow the money from a finance company. I went through with the deal, figuring that I would pay \$87 for only 10 months. But the dealer didn't tell me that it would cost me \$250 in interest for the 10-month period. The whole incident has put a terrific burden on me. The balance on the contract at time of purchase was \$3,132.

Thus, Mr. Speaker, you can see how this man was tricked into buying a car for \$3,882 that he could not afford. The deal was so involved it's virtually impossible to figure out how much true interest he is paying. I know I need not elaborate any further. The committees of both bodies, I am sure, have been presented with ample facts and figures to prove how borrowers are duped or misled by interest rates and finance charges when signing consumer credit contracts.

The proposed new law under consideration would go a long way toward correcting these abuses by requiring credit branches to tell the truth about the cost of credit. It would make lenders and dealers tell you both the true annual interest rates and the total finance charges, including fees, service costs and discounts and other charges when you borrow or buy on time. It would require before the transaction is consummated a clear, written statement setting forth the total amount of each charge to be borne by the borrower and the percentage that such amount bears to the outstanding principal obligation or unpaid balance expressed in simple terms of interest.

No longer, then, could the credit grantor merely say that the loan costs you "only 3 percent a month" or "you pay only 7 percent" or "you can buy this car for just \$60 a month."

If lenders and dealers are required to tell the simple truth the public will know how much interest and charges it pays and can compare these rates with those charged by others. In other words, when the consumer goes into a transaction, he will do so with his eyes wide open. It is important to note that the proposed law does not tell any creditor that he cannot levy the charges in question. All it does is simply require that the consumer be fully informed how much he is paying and what for.

If the consumer buys a car on time, the monthly payments would have to be broken down to show what part is for the auto, what part is for the service fees, what part is for interest, what the rate of interest is, and so forth. This certainly seems reasonable enough.

Mr. Speaker, I said the bill would promote economic stability. I believe this point requires further explanation. The

cost of credit, as we realize, normally rises in boom times and drops in periods of recession or depression. Under classic economic rules, these fluctuations in credit costs should help to stabilize the economy. High credit costs in boom times would restrain credit purchases while low costs in a recession would encourage credit buying. But, because of the confusing array of credit charges which confront them, consumers, unfortunately, are seldom aware of the actual costs. Thus, most of the stabilizing effect of changes in credit costs now is lost.

I repeat, Mr. Speaker, the provisions of this bill are vital. With the kind indulgence of the House I would like to sum up by stating my full conviction that the legislation would (a) promote economic stability and thus help to prevent depressions; (b) protect consumers against fraud, deception, and gouging on credit transactions; (c) stimulate competition among merchants and vendors; (d) have little or no effect on the average use of consumer credit; and (e) not be burdensome to business nor interfere with normal business activities.

THE MULTIBILLION-DOLLAR GIVE-AWAY OF SPACE PROGRESS TO PRIVATE MONOPOLY

Mr. HAGAN of Georgia. Mr. Speaker, I ask unanimous consent that the gentleman from Massachusetts [Mr. LANE] may extend his remarks at this point in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. LANE. Mr. Speaker, communications satellites, orbiting the earth, will be phones in space. Later on they will provide worldwide TV relays that will enable the viewer at home to see events as they happen anywhere on this planet.

It is estimated that this service will be doing billions of dollars worth of business within 10 to 15 years. The race is on to see who will corner this market.

The Federal Communications Commission is under pressure from every segment of the communications industry, singly or in groups, all battling for the prize which is ownership and control of the communications satellite system with the power and the profit that will flow from it.

The average American cannot understand why his Government, which has invested billions in the research and development of satellites, and will continue to do so until the satellite system is effective, is thinking of turning it over to a group of American international communications companies, under the domination of one.

This field of progress, developed by the U.S. Government and financed out of taxes paid by the American people, should not be given to the ownership, operation, and control of private corporations.

Little thought has been given to its impact on foreign relations. At a time when the policy of our Government is to discourage the formation of, or to break

up industrial combinations that kill off competition, it is contradicting itself by sanctioning the development of a super-monopoly. This giant control is bound to clash with the legitimate interests of other nations.

The tremendous lobbying effort that is going on behind the scenes to put this grab across before the public awakens to its dangerous implications, is the reason why Congress should air this situation, thoroughly.

Dr. Dallas W. Smythe, who was chief economist of the Federal Communications Commission from 1943 to 1948, has proposed Government rule in his recent testimony at hearings conducted by the Antimonopoly Subcommittee of the Senate Small Business Committee.

He recommended a communications satellite authority, owned by the Government. It would be a carrier's carrier for all domestic and foreign communications companies. Private companies would lease radio space from this authority, competing in the usual way for the available business.

Eventually this authority would be superseded by an authority of the United Nations before communications satellites become another battleground in the cold war, with the United States and Russian systems vying with each other in ways which would be damaging to all nations.

The spatial network belongs to all the people of this planet. For the sake of peace, it cannot be entrusted to an all-powerful private monopoly or consortium, that, by its very nature, places the profit motive above all other considerations.

Space communication satellites require Government launching and tracking facilities. They inevitably involve other nations and other forms of government.

In the public interest of all, they should be under the authority and control of the U.S. Government at the beginning, and eventually under the authority of the United Nations.

Shall the corporations own outer space?

They have been most vocal in opposition to every program of Government designed to promote some measure of economic justice within the framework of our free enterprise system. They ridicule such progress as giveaways.

But when they see the opportunity to get for themselves the multibillion-dollar giveaway of the fortune invested by Americans through their Government in the development of space satellites their hunger becomes insatiable.

Shall private monopoly again become more powerful than representative government as it was in times past?

Not if the American people and the Congress wake up to the multibillion-dollar giveaway that is in the works.

EDUCATION FOR AMERICAN FREEDOM, INC.

Mr. HAGAN of Georgia. Mr. Speaker, I ask unanimous consent that the gentleman from Michigan [Mr. LESINSKI] may extend his remarks at this point in the RECORD.