ceived and appropriately referred; and, without objection, the letter, statement of purpose, and comparative text, will be printed in the RECORD.

The bill (S. 2274) to amend section 510(a)(1) of the Merchant Marine Act, 1936, was received, read twice by its title, and referred to the Committee on Commerce.

The letter, statement of purpose, and comparative text, presented by Mr. MAGNUSON, are as follows:

THE SECRETARY OF COMMERCE,
Washington, D.C., June 24, 1965.

Hon. HUBERT H. HUMPHREY,
President of the Senate,
U.S. Senate, Washington, D.C.

DEAR MR. PRESIDENT: There are submitted herewith four copies of a draft bill "to amend section 510(a)(1) of the Merchant Marine Act, 1936." The purposes and provisions of the draft bill are explained in the accompanying statement.

The Bureau of the Budget advises there is no objection to the submission of this proposed legislation to the Congress from the standpoint of the administration's program.

Sincerely yours,

JOHN T. CONNOR,
Secretary of Commerce.

STATEMENT OF THE PURPOSES AND PROVISIONS OF THE DRAFT BILL TO AMEND SECTION 510(a)(1) OF THE MERCHANT MARINE ACT, 1936

When section 510 of the Merchant Marine Act, 1936, was enacted it defined an "obsolete vessel" for the purposes of the trade-in provisions of that section as a vessel which—

(a) Is not of less than 1,350 gross tons;

(b) Is not less than 17 years old and, in the judgment of the Commission (now the Secretary of Commerce) is obsolete or inadequate for successful operation in the domestic or foreign trade of the United States; and

(c) Is owned by a citizen or citizens of the United States and has been owned by such citizen or citizens for at least 3 years immediately prior to the date of acquisition under the section.

In 1952, however, a proviso was added to this definition which provided that until June 30, 1958, the term "obsolete vessel" shall mean a vessel which—

(a) Is of not less than 1,350 gross tons;

(b) Is not less than 12 years old; and

(c) Is owned by a citizen or citizens of the United States and has been owned by such citizen or citizens for at least 3 years immediately prior to the date of acquisition under this section.

This proviso was extended by subsequent legislation to June 30, 1964, at which time it expired.

The difference between the original definition and the proviso is in subdivision (b) of both of them. Subdivision (b) of the original definition requires that the vessel to be trade-in be not less than 17 years old and in the judgment of the Secretary obsolete or inadequate for sucessful operation in the domestic or foreign trade of the United States. Subdivision (b) of the proviso merely required that the vessel be not less than 12 years old.

The reason for enactment of the proviso was to permit an orderly replacement program for war-built ships all of which were built between 1941 and 1946 and would reach the end of their statuatory 20 year lives between 1961 and 1966. The purpose was to avoid such block obsolescence by permitting the trade-in of some of these vessels before they become 20 years of age and some after they reach that age.

For that reason the minimum age required for trade-in by the proviso was 12 years and there was no requirement for a finding that the trade-in ship is obsolete or inadequate for successful operation in the domestic or foreign trade of the United States.

Upon expiration of the proviso on June 30, 1964, the original definition again became applicable. The 17-year minimum age is not a problem, because all of the war-built ships were at least 17 years old on the date the proviso expired. The required finding, however, is not clearly consistent with other actions which the Maritime Administration must take in connection with its replacement program.

Under the replacement program for subsidized operators, some of the war-built ships may be operated with the aid of operating-differential subsidy until they are about 30 years of age. Section 605(b) of the act provides that operating-differential subsidy shall not be paid for the operation of vessels built before January 1, 1946, which are more than 20 years old (or for the operation of vessels built after that date which are more than 25 years old) unless the Secretary of Commerce finds that it is to the public interest to do so. A finding that a ship, say a C–3, is obsolete or inadequate for successful operation in the domestic or foreign trade of the United States at its age of 17 years is not clearly consistent with a finding that it is to the public interest to pay operating-differential subsidy for the operation of other ships of the same type until they are 30 years of age.

Under the Vessel Exchange Act (section 510(i) of the Merchant Marine Act, 1936) vessels traded-in by subsidized operators are eligible for trade-out to upgrade the unsubsidized fleet. On the basis of current market values, we have recently fixed the value of two C–3s, which are respectively 20 and 21 years old, under the Vessel Exchange Act for trade-in purposes at approximately $850,000 each, and we have five applicants for the trade-out of these ships under that act. These facts likewise are not clearly consistent with a finding that such vessels are obsolete or inadequate for successful operation in the domestic or foreign trade of the United States.

The draft bill would amend section 510 (a)(1) to eliminate this inconsistency by striking out the required finding and substituting therefor a finding that the vessel should be replaced in the public interest. This would relate the required finding to the requirements of the replacement program.

COMPARATIVE TEXT SHOWING THE CHANGES THE DRAFT BILL TO AMEND SECTION 510(a)(1) WOULD MAKE IN THAT SECTION

(Deletions are shown by brackets; new material is shown by italic.)

SEC. 510(a). When used in this section—

(1) The term "obsolete vessel" means a vessel or vessels, each of which (A) is of not less than one thousand three hundred and fifty gross tons, (B) is not less than seventeen years old and, [in the judgment of the Commission, is obsolete or inadequate for successful operation in the domestic or foreign trade of the United States] *in the judgment of the Secretary of Commerce, should be replaced in the public interest,* and (C) is owned by a citizen or citizens of the United States and has been owned by such citizen or citizens for at least three years immediately prior to the date of acquisition hereunder [: *Provided,* That until June 30, 1964, the term "obsolete vessel" shall mean a vessel or vessels, each of which (A) is of not less than one thousand three hundred and fifty gross tons, (B) is not less than twelve years old, and (C) is owned by a citizen or citizens of the United States and has been owned by such citizen or citizens for at least three years immediately prior to the date of acquisition hereunder].

TRUTH IN LENDING

Mr. DOUGLAS. Mr. President, once again I rise to introduce my bill requiring full disclosure of the costs of personal credit. This bill—the truth in lending bill—is being introduced for the fourth time. I introduced similar legislation in the 86th, 87th, and 88th Congresses. I must admit to some disappointment over the failure thus far of Congress to enact this much needed reform legislation. However, I learned long ago that any essential reform opposed by powerful segments of American industry requires years of intensive effort before it results in a victory for the public interest. And so I console myself with the thought that the original Food and Drug Act of 1907 was passed only after it had met with the most intense opposition from many of the food and drug companies. It was only after public indignation had been fully aroused that the Congress was able to enact even the most modest requirements to insure that foods and drugs marketed were safe and sanitary.

Many years later the truth in securities legislation of the 1930's was passed over the vehement protest of the New York financial community. The president of the New York Stock Exchange, Mr. Whitney, opposed this reform in testimony before the Banking and Currency Committee—the same committee that has been considering the truth in lending bill. Mr. Whitney, as I remember it, predicted that if brokerage houses were required to tell the truth, that is, if they made a full disclosure of the salient facts about the stocks which they offered for sale to the public, the stock market would collapse. Mr. Whitney pleaded, in effect, that the stock market could continue to operate only so long as the gullible could be duped into buying stocks on the basis of misinformation and fraud.

The truth in securities legislation did not wreck the stock market. Instead, it became the salvation of reputable stock brokers and brokerage houses.

These same arguments against the full disclosure of essential information have again come to the surface as we have considered the truth-in-lending bill. Lenders have solemnly and self-righteously warned the Banking and Currency Committee that if we were to pass legislation to require the full disclosure of the costs of consumer credit, the consumer credit industry would be destroyed.

In recent years the Congress has enacted additional laws protecting the consumer, such as the Wool Products Labeling Act of 1939, the Fur Labeling Act of 1951, the Textile Fiber Products Identification Act of 1958, and the Automobile Information Disclosure Act of 1958. But again, most of these laws were passed only after the most bitter controversy and violent opposition of the industry affected. And so, although I am disappointed that the truth-in-lending bill has not yet been enacted, I think that it is appropriate to point out again that all reform measures which protect the public at large and which are opposed by powerful and well financed segments of industry require a number of years before they can be signed into law. I am delighted to say that there are substantial segments of the personal credit industry that do support the truth-in-lending bill. I simply wish that more of the reputable members of the industry, such as the commercial bankers, would join in supporting this kind of reform legislation.

It is unfortunate, however, that powerful segments of the consumer credit industry habitually oppose any legislation to establish ethical standards and protect the honest and efficient competitor in the industry. In spite of this opposition, the principle of truth in lending has been proposed in a number of States and foreign countries and I understand gradual progress is being made. For example, the Canadian Province of Nova Scotia has recently passed an act requiring the finance charge and simple annual rate of interest to be disclosed on all credit transactions. It is ironic that a reform measure first proposed in this country has now been copied and enacted into law in another country, while we here are struggling to gain a foothold here.

I. WHAT THE BILL DOES

Mr. President, the basic purpose of the truth-in-lending bill is to require that anyone who lends money or extends credit must supply the would-be borrower or credit user with two simple but vital facts:

First. A statement of the total finance charge in dollars and cents; and

Second. A statement of the finance charge expressed in terms of a true annual rate on the outstanding unpaid balance of the obligation.

The bill does not attempt to regulate or control the rate of interest or the cost of credit.

The bill would enable the typical consumer to compare the cost of credit from various sources and make an intelligent decision. It would also assist him in deciding whether or not to borrow, pay cash, or save toward the purchase instead.

Suppose, for example, a man wants to borrow $1,500 to finance the purcase of a car. Assume he goes to two lenders and the first states the payments will be $53.40 a month over 36 months while the second quotes payments of $60 over 30 months. Which credit plan is the cheapest? How can the buyer judge between these two lenders?

The truth-in-lending bill would require the lenders to provide the information the buyer needs. The first lender would be required to disclose that monthly payments of $53.40 over 36 months actually amount to a total finance charge of $422.40 at an annual rate of interest of 18.3 percent. The second lender would have to state that the payments he receives of $60 a month over 30 months amount to a total finance charge of $300 at an annual rate of interest of 15.5 percent. Thus the buyer has the information to make an intelligent choice.

We would apply the same conditions to those who sell the use of money as we require from those who sell goods. We expect the seller of breakfast food to at least state the quantity and the price on the package. We expect the butcher to list the price per pound for the meat he sells. We expect the gasoline dealer to disclose the price per gallon he charges for gasoline. We expect food stores to post the price for milk per quart at the retail level. Why should not we expect the lender or credit extender to post his price in a similar fashion?

The price of credit has traditionally been expressed as a true annual rate on the unpaid balance. Most loans on homes have always been expressed in this manner as have interest rates on business transactions. Interest rates on savings accounts in commercial banks are expressed in terms of true annual rates. So are short-term interest rates to businessmen to finance payrolls and the purchase of raw materials. It is only when we turn to the short-term consumer credit field, that we find a departure in the time-honored method of expressing the price of credit. Why should we permit the seller of credit to be less honest with the unwary public than he is with the experienced businessman? Why should not these lenders state the amount of interest they are charging and its price in the form of an annual rate of interest or charge? Who could possibly object to such an elementary prerequisite of fair dealing?

It was with this simple conviction that I introduced the original truth-in-lending bill over 5 years ago.

II

Since that time the Banking and Currency Committee has held extensive public hearings on truth in lending. In the last Congress alone, we heard from 135 witnesses and the record of their testimony runs to more than 1,600 pages. We heard from bankers and bus drivers—from mayors and crane operators. We have listened to numerous tales of interest gouging and shady practices, some of which were truly shocking, even to the most skeptical observers.

Throughout these long and detailed hearings, an endless series of technical objections were raised by those who opposed the bill. As these were disposed of, new ones arose to take their place. The opponents of truth in lending have an infinite capacity for conjuring up mythical situations where they claim the bill might be somewhat difficult to apply.

I am convinced, however, that the real objections to this bill are not technical but practical. First of all, by requiring a simple statement of true annual interest, the law would obviously work to the disadvantage of those who charge an excessively high rate of interest. If we pass this bill, these firms will either have to lower their rates or face a loss of business to their competitors. Up to now, these operators have been able to get by with charging exorbitant rates through confusion and subterfuge. Naturally, they would like to continue this unhappy state of affairs. But why should we continue to subsidize their subterfuge?

Second, many who charge high, but not excessive, rates fear a loss of good will when their customers first realize the interest rate on their debt is not as low as all these years they had been fondly led to believe In effect, these lending institutions are arguing that the Government should maintain their customers in the deceptive style of life to which they have become unwittingly accustomed. Aside from the ethical implications involved in such a proposition, there are economic arguments against continued deception. The overall efficiency of the economy requires that the consumer should know the true cost of credit if he is to make an intelligent decision in the marketplace. It may be that he would prefer to deal elsewhere, pay cash, or save toward the purchase if he realized the true rate of interest.

III. HISTORY OF INTEREST RATES

A study of the history of interest rates will reveal that truth in lending legislation is nothing new. For example, over 37 centuries ago in 1800 B.C., the king of ancient Babylonia decreed that all loans had to be accompanied by a written contract setting forth the terms of the loan. Moreover, if through subterfuge, a higher than legal rate of interest was actually collected, the principal of the loan was forfeited to the borrower.

Mr. President, at the risk of sounding like the archest of reactionaries, I merely want to observe that if the prevention of subterfuge on interest rates was good enough for ancient Babylonia, it is good enough for us.

It should also be pointed out that interest gouging has enjoyed an equally long, if not honorable tradition. In ancient Greece, loan sharks in Athens were known to have charged interest at the rate of 48 percent a month, or 576 percent a year. And in the 15th century, Italian bankers charged the King of France 100 percent interest on a war loan while local merchants were borrowing at only 5 percent. Apparently, the King of France was not considered to be a good credit risk.

During most of the Middle Ages, however, the "just price" doctrine was followed in regard to the loaning of money. An interest rate of more than 6 percent was regarded as usury and this judgment was backed up by the medieval church, which felt that ordinary citizens were at a disadvantage in dealing with sophisticated and worldly money lenders. The church, therefore, established and enforced the 6-percent "just price" doctrine to protect the public interest.

The historical and moral sanctity given to the magic figure of 6 percent survives to this very day and many lenders go to great pains to disguise the fact that they are charging more than 6 percent per year. Of course, the buy now pay later installment plan was unheard of in the Middle Ages, and it would be unrealistic to expect anyone to profitably loan money at 6 percent in many areas of today's consumer credit market. Nevertheless, the reverent attitude accorded the historic 6 percent still survives.

IV. THE GROWTH OF CONSUMER CREDIT

Mr. President, anyone who argues that we need not be concerned about interest rates should review the statistics on consumer credit. At the present time, long-term consumer debt, primarily in the form of home mortgages, amounts to $196 billion while short- and intermediate-term consumer debt is $79 billion, or a total of $275 billion. This is almost the size of the entire national debt.

What is even more startling is the dramatic rise in consumer debt in the last 20 years. Long-term consumer debt has increased 943 percent during that time; short- and intermediate-term consumer debt has increased 1,247 percent, while the national debt has increased by only 18 percent. I sometimes wonder what would happen if we ever actually adopted some of the simple pieties so ardently advanced by many of our conservative colleagues. We often hear, for example, that Government finance is no different from family finance and that the Government should manage its money like the typical American family. Consider the national debt today if the Government had increased its debt at the same rate the American consumer increased his. It would be nearly $3 trillion.

Perhaps the most striking figure of all, however, is the interest paid on consumer debt. The interest payments on long-term consumer debt are conservatively estimated at $10 billion a year, while short- and intermediate-term debts account for at least another $10 billion a year. Thus, the American consumer, with a total debt just under the national debt, is paying at least $20 billion a year in interest, or nearly double the annual interest charge on the national debt. I personally believe that the total is considerably more than this, but I am trying to err on the conservative side.

Thus, by any standard, consumer credit has become big business. In the short- and intermediate-term field alone, most of which includes installment debt, the American consumer is paying at least $10 billion a year in interest and, in my judgment, actually more. This is more than all the sales of the entire natural gas industry. Anything we can do to increase the competition in the growing field of consumer credit, in which there is almost no price competition, can save the American people millions or even billions of dollars a year.

Mr. President, I ask unanimous consent that several tables on the history of consumer, corporate, and Federal debt be included in the RECORD at the end of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

V. THE WONDERLAND OF CREDIT

Mr. DOUGLAS. Mr. President, independent studies as well as the hearings of the Banking and Currency Subcommittee reveal that most consumers do not know what rate of interest they are being charged on an installment purchase or small loan. Most of the blame for this state of affairs lies not in the inherent ignorance of the buyer but in the confusing practices of the seller.

Dr. Theodore O. Yntema, vice president in charge of finance for the Ford Motor Co., testifying once before another Senate committee, warned:

> The variety and complexity of finance and insurance arrangements and the charges for them are such as almost to defy comprehension. It is impossible for the average buyer to appraise the rates for finance and insurance services offered, as compared with alternatives available elsewhere.

A credit union manager with many years of experience in the lending field vividly described the dilemma of today's consumer. He said:

> The average borrower is caught in a wonderland of credit where percentages multiply and divide at will, where finance charges materialize on command and fees are collected on the way out; where sharp practices and rackets not only inflate the costs of credit, but also impose enormous financial hardships on the debtor, particularly those who can least afford it.

There are several widely used methods by which this confusion is created and perpetuated by lenders and credit extenders.

First, often no rate at all is quoted to the consumer: This is the simplest and most direct method of obscuring the cost of credit. The borrower is, for example, merely told that he will pay $10 down and $10 a month. Neither the total finance charge nor the interest rate is evident. And unless the borrower is a persistent questioner and skillful mathematician, he will not discover the true facts.

Second, the add-on rate: The borrower is told that the finance charge will be $6 on a 1-year, $100 loan, repayable in equal monthly installments. The lender represents this to be a 6-percent loan, but such a claim is merely a play on the number six. The actual rate is almost 12 percent, or nearly double the stated rate, because the borrower is constantly repaying the loan over the year and does not have the use of $100 for a full year. His average debt over the year is only about $50. In other words, the interest rate is quoted on the original amount of the debt and not on the declining or unpaid balance as is the custom in business credit, government loans, or mortgage transactions. In reality the borrower is asked to pay interest on amounts he has already repaid.

Third, the discount rate: This is a variation of the add-on rate. In the case of the add-on, the borrower receives $100 in cash or goods and must pay back $106. In the case of the discount technique, the consumer "borrows" $100 but only receives $94. The finance charge again is $6 and is often represented as being 6-percent interest. Again, the actual rate is almost 12 percent, or twice the quoted rate because the borrower is periodically repaying the loan.

Fourth, a simple monthly rate: This rate statement method is usually quoted by small loan companies and by retailers using revolving credit plans. The finance rate is represented as being 1, 2, 3, or 4 percent per month. The true annual rate in this case is 12 times the quoted figure, or 12, 24, 36, or 48 percent per year, if the interest is based upon the unpaid balance at the end of each month. If it is based upon the original amount of the loan, the simple annual rate is approximately 24 times the quoted figure, or in the illustrations cited 24, 48, 72, or 96 percent per year.

Fifth, "loading the camel": Sometimes lenders compound the camouflaging of credit by loading on all sorts of extraneous fees, such as exorbitant fees for credit life insurance and excessive fees for credit investigations, processing and handling. These charges are a cost of doing business, and should rightfully be figured in with the interest or finance charges. By excluding them in a separate list, the interest rate can be superficially reduced. However, a comparison with other rates would now become virtually meaningless. This, of course, would be the purpose of all this sleight of hand in the first place.

Some dealers are even unwilling to use the word "interest." They prefer to call it a "small monthly service charge." Indeed, the delicate semantics which accompany the consumer credit business remind me of the turtle in Alice in Wonderland who insisted that when he used a word, it meant exactly what he intended it to mean, no more and no less.

Transferring these practices into some typical examples, we find that—

The 3-percent-per-month plan of small loan companies is really 36 percent per year.

The 4½-percent new car financing plan of some commercial banks is really 9 percent per year.

The advertised 5-percent rate on home improvement loans is not less than a 6-percent first mortgage, but nearly twice as much, or almost 10 percent per year.

The so-called 6-percent rate for financing used cars offered by some dealers is at least 12 percent per year and sometimes very much higher—18 to 25 percent per year or more.

The cost of teenage credit now being promoted by some retailers as only "pennies per week" is sometimes as high as 80 percent per year.

VI. CREDIT ABUSES

The inevitable and tragic outcome of this policy of deception was made abundantly clear during the hearings before the Banking and Currency Subcommittee in the last session of Congress. A few examples will suffice to illustrate the point:

A man in Jersey City bought a TV set for $123.88. He was given a coupon book which called for 24 monthly payments of $17.50. We were shocked when we computed the interest rate. It was 229 percent per year. What is even more tragic, he had to keep up the payments or lose his job.

A housewife on the lower East Side of Manhattan purchased a couch from a door-to-door salesman for $300. The payments were set at $12 every 2 weeks for 2 years. The total interest charge was thus $324 and the annual rate was 107 percent, although not a word of this was mentioned at the time of the sale.

A New Jersey busdriver borrowed $1,000 from a small loan company. He was told the interest rate was 4.5 percent. The actual rate turned out to be 29.5 percent, or more than six and a half times the claimed rate. Had the borrower known this at the start, he said he would have dealt with a lower cost lender.

A similar case occurred in Pittsburgh when a witness testified that he borrowed $900 from a small loan company and was told that his monthly payments would be $58.10 for 24 months. We computed the interest rate in this case and were amazed to discover it was 52 percent per year.

Another New York witness bought a television set on credit for 30 months. We figured out the interest rate on this transaction, and it turned out to be 143 percent. We asked the witness whether she would have signed the contract if she had known the interest rate. The witness replied, "Never in my life."

Testimony before the committee also revealed that Negroes and Puerto Ricans in New York were systematically and automatically charged a higher rate of interest, regardless of their individual credit standing.

VII. FLIMFLAMMING THE EDUCATED

But it is not only the poor, the uneducated, or the members of a minority group who are victimized by the hidden cost of credit. The educated middle classes are also being duped. Last year the distinguished senior Senator from Indiana performed a public service by publishing a table in the CONGRESSIONAL RECORD which revealed the true rates of annual interest charged for college education loans. While Federal loans are available for 3 percent and various State plans run from 3 to 6 percent, I was shocked to learn that some of the private loans plans which are offered to students and parents by our leading colleges and universities involved an interest rate as high as 60 percent per year. Invariably, the lending institutions with the highest rates establish subsidiaries with high sounding names such as the Tuition Plan, Inc., or Education Funds, Inc. The latter is a subsidiary of the Household Finance Co., which saturates television with advertisements telling us to borrow confidently. Unfortunately, they do not tell us this confidence is going to cost anywhere from 26 to 54 percent per year in interest and other charges on their college education loans.

No doubt these small loan companies would self-righteously argue that the cost of these incessant television advertisements are responsible for the high interest rates that they charge on their loans, which they are peddling through the auspices of hundreds of colleges and universities.

To my knowledge, the colleges and universities unwittingly continue to collaborate with these high-cost lenders of educational loans. Even college presidents and their administrative staffs have been duped by the prolific techniques now used by these high-cost lenders to camouflage the costs of their credit plans. My truth-in-lending bill would at least educate the educators about the costs of credit.

Perhaps the most discouraging fact of all, as I understand it, is that many church schools and colleges are now unknowingly sponsoring these high-cost education loan plans offered by small loan companies and automobile finance corporations. It is tragic that the church groups, with their long tradition against usury, have been misled by the deceptive trade practices that now pervade the consumer lending field. I am sure that these groups do not know what is being done. I hope they wake up.

Equally shocking is the invasion of the underworld into the consumer credit field. Joe Valachi, when he testified before the Senate Permanent Investigations Subcommittee, exposed the extent to which the Cosa Nostra was involved in the loan sharking or "juice" racket. A recent investigation in New York State also revealed that the underworld was moving into the loan-sharking business and was using the income derived from exorbitant rates as a major source of revenue for its other nefarious activities.

Apparently, local and State laws have proved to be inadequate to deal with this nationwide loan-sharking scandal. My truth-in-lending bill would require all credit extenders to disclose the essential facts in connection with a credit transaction. Either the underworld would have to comply with this truth-in-lending bill and disclose the fact that they are charging 200, 300, or 400 percent per annum in interest rates or they would run the risk of being imprisoned for willfully violating a Federal law. In this way the truth-in-lending bill would help stamp out what is regarded today as the underworld's primary source of income, the growing loan-shark racket.

VIII. BILKING SERVICEMEN

For a number of years I have been hearing more and more complaints about the exorbitant rates of interest servicemen are forced to pay on all types of credit transactions.

Recent hearings before the House Banking and Currency Committee have also revealed the shocking operations of a small loan finance company which has systematically bilked our American servicemen. According to the hearings, this company specializes in auto loans and masquerades under an official sounding name as though it were a Government agency. It has charged interest rates as high as 100 percent over a 2-year period. The firm also adds an excessive charge for insurance which frequently turns out to be nonexistent or with a defunct company. All too often, those victimized are low-paid enlisted men who can ill afford such a drain upon their meager budgets.

IX. OBJECTIONS TO THE BILL

Now Mr. President, what are some of the technical objections that have been raised against this bill?

First of all, it has been charged that an interest rate is too difficult to compute. It is said that it would impose an intolerable burden upon the poor sales clerks who would have to make complicated computations with each sale. I think the most effective answer to this charge was given by former Under Secretary of Commerce Edward Gudeman, who had years of experience in retailing with Sears, Roebuck. In answer to this point, Mr. Gudeman said:

> We must realize that consumer credit extenders begin by setting all their charges individually and in total on an annual rate basis. This means that the businessman in setting his charges works backward from an annual rate determined in light of his own financing costs and the behavior of his competitors. This being so it is difficult to understand why the average businessman cannot easily state the annual rate implicit in his total rate charges.

In addition, there are several pocket size slide rules that are simple to operate. These devices can rapidly compute the true annual rate of interest on any installment purchase and I am exhibiting two of them. One is primarily for the lender and costs 4 cents to manufacture. It is primarily for the borrower. The other is a circular slide rule accurate to one-tenth of 1 percent and is primarily for lenders and the extenders of credit. It is issued by the Credit Union Supply Cooperative.

Second, it is charged that dealers will bury the finance charge by hiking the cost of the merchandise if they are required to state the true rate of interest. This, is an ingenious but obviously unsound tactic. The dealer who attempts to do this will soon price his goods out of the market. His more ethical competitors would advertise and offer a lower price for merchandise and they would get the business.

The present system works in just the opposite way—it gives the edge to the unethical. Such operators have been known to advertise ridiculously low prices while recouping their losses in the hidden finance charges. In effect, they give it away in the big print and take it back in the fine print. The truth in lending bill would make it difficult to continue this racket.

Third, it is claimed that most consumers do not care about interest rates. This claim is directly contrary to the statements of many witnesses who related their sad experiences before our committee. Many of these people said they never would have agreed to a particular transaction if the had known the interest rate was as high as it was. I think the notion that consumers do not care about interest rates is probably due to the confusing manner in which credit is dispensed. The average person usually gives up when confronted with the problem of computing a rate of interest from the meager information supplied by a fast talking salesman, and accepts instead, his bland assurance that the rate is the lowest in town.

However, if every dealer and lender were required to compute and state the rate of interest in a uniform manner, the consumer would soon become educated to the mysteries of credit and would be able to hold his own.

Fourth, it is claimed that a disclosure of true interest rates will retard sales. No real evidence has been presented to support this view. I feel it is more logical to assume the opposite. Consumers will shift their borrowing from high-cost to low-cost lenders, and thus have added purchasing power at their disposal with which to buy more than they otherwise could. The bill should also stimulate a greater use of consumer credit by those who have been fearful of its mysteries.

Fifth, it has been argued that the bill would not work in the case of revolving charge accounts because the length of time the money is borrowed cannot be known in advance. I have carefully listened to the arguments on this point, and I have amended the bill to take these objections into account. This objection now is somewhat difficult to understand since most revolving charge accounts state a monthly rate of 1 or 1½ percent. All this bill does is require that such monthly rate be multipled by 12 to indicate the true annual rate of 12 or 18 percent.

X. REASONS FOR THE BILL

There are at least five reasons why the truth in lending bill ought to be enacted.

First, it protects consumer rights: The American consumer is entitled to know the truth about credit rates and charges—to be informed about credit costs so that he can exercise his right to make intelligent choices among various credit plans.

President Johnson aptly summed it up in his 1964 consumer message in which he endorsed the truth in lending bill. The President said:

> The cost of such credit must be made as clear and unambiguous as possible, eliminating all possibility of abuse. The antiquated legal doctrine, "let the buyer beware," should be superseded by the doctrine, "let the seller make full disclosure."

And I would further argue that we cannot fully win the war on poverty unless we also put a stop to the activities of those who prey upon the poor and profit from their unfortunate circumstances. We must also win the war against the loan shark and the fast-buck artist. We must provide the poor and uneducated with some defense against the smooth talking salesmen who often have saddled families with years of debt at exhorbitant rates of interest. I believe the truth-in-lending bill will tip the scale of justice a little way back toward the consumer. It will give all consumers, and especially the poor, a better chance in today's complex marketplace.

Second, protecting businessmen: In addition to protecting consumers, the truth-in-lending bill will protect the ethical lender from losing business to his unscrupulous competitors. In a field as complicated as credit, it is perhaps inevitable that a few sharp operators will try to steal a march on their honest colleagues by making exaggerated and misleading claims with respect to credit. Soon all are forced to follow suit.

However, if we require every lender to compute and state the true rate of interest in a uniform manner, we will break the endless chain of misleading claims and shabby deceptions. A lender can confidently and freely state the true interest on his loan, secure from the fear that a higher cost competitor will lure his customers away with phony statistics.

Third, invigorating competition: Every businessman pays lipservice to competitive free enterprise, but when we get down to actual cases, it often turns out that competition is desirable only for the other fellow. Nevertheless, from the standpoint of the public interest, it is generally sound policy to insist upon vigorous price competition within a given industry. Unfortunately, this is not the case in the credit industry. Since the cost is usually hidden or misstated, those who provide credit do not really compete in terms of price. Rather, high-pressure salesmanship, advertising gimmickry or other nonrational factors become decisive. Such a system permits many inefficient, high-cost lending institutions to survive and flourish.

If consumers had an effective yardstick with which to measure the cost of credit, we would restore price competition within the credit industry. High-cost firms would have to become more efficient to stay in business. High-profit firms would have to be satisfied with reasonable profits. And in the end, all consumers would benefit in the form of cheaper credit.

Fourth, stabilizing the economy: The cost of credit that is the interest rate, functions as a built-in economic stabilizer. When inflation or overexpansion threatens a rise in the rate of interest can discourage investment and force the economy back upon an even keel. Conversely, when recession or underinvestment becomes a threat, a lowering of interest rates can encourage investment and help check a downward spiral.

This mechanism does function in the business world since business loans disclose the true rate of interest and businessmen can therefore react to changes in interest rates. However, the mechanism breaks down in the field of consumer credit where interest rates are generally obscured. As a result, a rise in the interest rate on consumer installment purchases will not curb an excessive level of demand because most consumers simply do not realize the rate is being raised. By the same token, a lowering of the rate will have little effect in stimulating consumer willingness to buy on credit when recession threatens.

The truth-in-lending bill will correct this situation by disclosing the interest rate on consumer debt. Changes in the rate could then have their proper effect of stimulating or discouraging purchases and thus helping to stabilize the economy.

Fifth, encouraging economic growth: No one can accurately measure the extent of economic waste when consumers pay too much for credit because they are unaware of what it really costs or are unable to shop around for lower credit prices. However, to the extent that with full information about the cost of credit, consumers will use it more efficiently, it will contribute to the growth of the economy. This point has been fully recognized by experts in the field of credit.

For instance, the Federal Reserve Bank of Philadelphia in the April 1960 issue of its Business Review pointed out that a real burden for the economy "occurs because consumers often buy on time in an uninformed way without knowing the cost of the money they are borrowing. When they do this, they not only hurt themselves, but they reduce the efficiency with which the economy provides goods and services in accordance with consumer taste."

In short, Federal Reserve officials believe that the economic growth of the Nation is jeopardized when consumers are misled about the price of credit.

XI. CONCLUSION

Basically, the question is whether we want truth to prevail in the marketplace. Men often fear truth, but ultimately it is beneficial and healing. It rewards the ethical and deters the careless and less ethical. In the end it benefits all but the determined and conscious wrongdoers.

My bill gives to everyone the chance to conform to the standards which the vast majority know in their hearts to be right.

Truth, like sunlight, is a powerful disinfectant. This bill would throw light into dark places and, by that very fact, help to clear up many of the abuses that plague the consumer credit marketplace.

Our last two Presidents have given their strong endorsements to the truth-in-lending bill. President Kennedy, in his 1962 consumer message, said:

> Excessive and untimely use of credit arising out of ignorance of its true cost is harmful both to the stability of the economy and to the welfare of the public. Legislation should therefore be enacted requiring lenders and vendors to disclose to borrowers in advance the actual amounts and rates which they will be paying for credit.

And President Johnson, in his 1964 consumer message to the Congress stated:

> I recommend enactment of legislation requiring all lenders and extenders of credit to disclose to borrowers in advance the actual amount of their commitment and the annual rate of interest they will be required to pay.

And so, Mr. President, let us keep our commitment to the American consumer and pass a law which will give him an even break in today's complex marketplace—let us reaffirm our faith in the free enterprise system and the beneficial effects of honest competition—let us restore to the field of consumer credit the elementary prerequisites of fair dealing—let us pass the truth-in-lending bill.

Mr. President, in previous years when introducing the truth-in-lending bill I have encouraged other Members of the Senate to cosponsor the measure. I wish to express my deep gratitude to all Members of the Senate who have supported this legislation in the past.

However, this year I have not circulated this bill in advance seeking cosponsors. Frankly, the cosponsors of the previous truth-in-lending bills have been subjected to extreme pressure by the opponents of this legislation. Of course, this is the classic problem with legislation such as this which benefits the public at large and which is opposed by a few powerful, organized, and well financed lobbies, richly filled with Washington lawyers, public relations experts, and last but not least, campaign war chests. I do not wish to subject my colleagues to these risks.

Of course, I appreciate the interest of all of those Members of the Senate who feel that this legislation is desirable and in the national interest and I will be glad to welcome their support. However, I did wish to make clear to the friends of this legislation outside the Congress the reasons why I have not distributed this bill to other Members to invite cosponsorship.

Mr. President, I request that the text of the bill be printed in the RECORD immediately following my remarks.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and, without objection, the bill will be printed in the RECORD.

The bill (S. 2275) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extensions of credit, was received, read twice by its title, referred to the Committee on Banking and Currency, and ordered to be printed in the RECORD, as follows:

S. 2275

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Truth in Lending Act".

DECLARATION OF PURPOSE

SEC. 2. The Congress finds and declares that economic stabilization is threatened by the untimely use of credit for the acquisition of property and services. The untimely use of credit results frequently from a lack of awareness of the cost thereof to the user. It is the purpose of this Act to assure a full disclosure of such cost with a view to preventing the uninformed use of credit to the detriment of the national economy.

DEFINITIONS

SEC. 3. As used in this Act, the term—

(1) "Board" means the Board of Governors of the Federal Reserve System.

(2) "Credit" means any loan, mortgage, deed of trust, advance, or discount; any conditional sales contract; any contract to sell, or sale, or contract of sale of property or services, either for present or future delivery, under which part or all of the price is payable subsequent to the making of such sale or contract; any rental-purchase contract; any contract or arrangement for the hire, bailment, or leasing of property; any option, demand, lien, pledge, or other claim against, or for the delivery of, property or money; any purchase, or other acquisition of, or any credit upon the security of, any obligation or claim arising out of any of the foregoing; and any transaction or series of transactions having a similar purpose or effect.

(3) "Finance charge" means the sum of all the charges (including but not limited to interest, fees, service charges, and discounts) which any person to whom credit is extended incurs in connection with, and as an incident to, the extension of such credit.

(4) "Creditor" means any person engaged in the business of extending credit (including any person who as a regular business practice makes loans or sells or rents property or services on a time, credit, or installment basis, either as principal or as agent) who requires, as an incident to the extension of credit, the payment of a finance charge.

(5) "Person" means any individual, corporation, partnership, association, or other organized group of persons, or the legal successor or representative of the foregoing, and includes the United States or any agency thereof, or any other government, or any of its political subdivisions, or any agency of the foregoing.

DISCLOSURE OF FINANCE CHARGES

SEC. 4. (a) Except as provided in subsection (b), any creditor shall furnish to each person to whom credit is extended, prior to the consummation of the transaction, a clear statement in writing setting forth, to the extent applicable and ascertainable and in accordance with rules and regulations prescribed by the Board, the following information—

(1) the cash price or delivered price of the property or service to be acquired;

(2) the amounts, if any, to be credited as downpayment and/or trade-in;

(3) the difference between the amounts set forth under clauses (1) and (2);

(4) the charges, individually itemized, which are paid or to be paid by such person in connection with the transaction but which are not incident to the extension of credit;

(5) the total amount to be financed;

(6) the finance charge expressed in terms of dollars and cents; and

(7) the percentage that the finance charge bears to the total amount to be financed expressed as a simple annual rate on the periodic unpaid balance of the obligation.

(b) Any creditor agreeing to extend credit to any person pursuant to a revolving or open-end credit plan shall, in accordance with rules and regulations prescribed by the Board and in lieu of the information described in subsection (a)—

(1) furnish to such person, prior to agreeing to extend credit under such plan, a clear statement in writing setting forth the simple annual percentage rate or rates at which a finance charge will be imposed on the monthly unpaid balance; and

(2) furnish to such person, at the end of each monthly period (which need not be a calendar month) following the entering into of any such agreement, a clear statement in writing setting forth to the extent applicable and ascertainable—

(A) the outstanding balance in the account of such person as of the beginning of such monthly period;

(B) the amount of each extension of credit to such person (including the cash price or delivered price of any property or service acquired by such person) during such period and, unless previously furnished, the date thereof and a brief identification of any property or services so acquired;

(C) the total amount received from, or credited to the account of, such person during such period;

(D) the finance charge (in dollars and cents) required for such period;

(E) the outstanding balance in the account of such person as of the end of such monthly period; and

(F) the simple annual percentage rate or rates at which a finance charge has been imposed on the monthly unpaid balance.

As used in this subsection, the term "revolving or open-end credit plan" means a credit plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

(c) If information disclosed in accordance with this section and any regulations prescribed by the Board is subsequently rendered inaccurate as the result of a prepayment, late payment, or other adjustment in the credit agreement through mutual consent of the parties, the inaccuracy resulting therefrom shall not constitute a violation of this section.

REGULATIONS

SEC. 5. (a) The Board shall prescribe such rules and regulations as may be necessary or proper in carrying out the provisions of this Act. Such rules and regulations shall (1) include a description of (A) the methods which may be used in determining the "simple annual rate" or "simple annual percentage rate or rates" for the purpose of section 4, and (B) the size of type or lettering which shall be used in setting forth information required by such section, (2) prescribe reasonable tolerances of accuracy with respect to disclosing information under such section, and (3) require that such information be set forth in bold type and with sufficient prominence to insure that it will not be overlooked by the person to whom credit is extended. Any rule or regulation prescribed hereunder may contain such classifications and differentiations, and may provide for such adjustments and exceptions as in the judgment of the Board are necessary or proper to effectuate the purposes of this Act or to prevent circumvention or evasion, or to facilitate the enforcement of this Act, or any rule or regulation issued thereunder. In prescribing any exceptions hereunder with respect to any particular type of credit transaction, the Board shall consider whether in such transactions compliance with the disclosure requirements of this Act is being achieved under any other Act of Congress.

(b) In the exercise of its powers under this section, the Board shall request the views of other Federal agencies exercising regulatory functions with respect to creditors, or any class of creditors, which are subject to the provisions of this Act, and such agencies shall furnish such views upon request of the Board.

(c) The Board shall establish an advisory committee, consisting of not more than nine members, to advise and consult with it in the exercise of its powers under this section. In appointing members to such committee the Board shall seek to achieve a fair representation of the interest of sellers of merchandise on credit, lenders, and the public Such committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation expenses and not to exceed $25 per diem in lieu of subsistence, as authorized by section 5 of the Act of August 2, 1946 (5 U.S.C. 73b-2).

EFFECT ON STATE LAWS

SEC. 6. (a) This Act shall not be construed to annul, or to exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that such laws are directly in-consistent with the provisions of this Act or regulations issued thereunder.

(b) The Board shall by regulation except from the requirements of this Act any credit transactions or class of transactions which it determines are effectively regulated under the laws of any State so as to require the disclosure by the creditor of the same information as is required under section 4 of this Act.

CIVIL AND CRIMINAL PENALTIES

SEC. 7. (a) Civil penalties: Any creditor who in connection with any credit transaction fails to disclose to any person any information in violation of this Act or any regulation issued thereunder shall be liable to such person in the amount of $100, or in an amount equal to twice the total finance charge required by such creditor in connection with such transaction, whichever is greater, except that such liability shall not exceed $2,000 on any credit transaction. Action to recover such penalty may be brought by such person within one year from the date of the occurrence of the violation, in any court of competent jurisdiction. In any such action, no person shall be entitled to recover such penalty solely as the result of the erroneous computation of any percentage required by section 4(a)(7), 4(b)(1), or 4(b)(2)(F) of this Act to be disclosed to such person, if the percentage disclosed to such person pursuant to this Act was in fact greater than the percentage required by such section, or by the regulations prescribed by the Board, to be disclosed. In any action under this subsection in which any person is entitled to a recovery, the creditor shall be liable for reasonable attorneys' fees and court costs as determined by the court. As used in this subsection, the term "court of competent jurisdiction" means either any Federal court of competent jurisdiction regardless of the amount in controversy or any State court of competent jurisdiction.

(b) Criminal penalties: Any person who willfully violates any provision of this Act or any regulation issued thereunder shall be fined not more than $5,000 or imprisoned not more than one year, or both.

(c) Except as specified in subsection (a) of this section, nothing contained in this Act or any regulation thereunder shall affect the validity or enforcibility of any contract or transaction.

(d) No punishment or penalty provided by this Act shall apply to the United States, or any agency thereof, or to any State, any political subdivision thereof, or any agency of any State or political subdivision.

EXCEPTIONS

SEC. 8. The provisions of this Act shall not apply to—

(1) credit transactions involving extensions of credit or business firms, governments, or governmental agencies or instrumentalities; or

(2) transactions in securities or commodities in accounts by a broker-dealer registered with the Securities and Exchange Commission.

EFFECTIVE DATE

SEC. 9. The provisions of this Act shall take effect upon the expiration of one hundred and eighty days after the date of its enactment; except that section 5 shall take effect immediately.

EXHIBIT NO. 1

Short- and intermediate-term consumer credit outstanding, 1945–64

[Millions of dollars]

End of year or month	Total	Installment credit: Total	Installment credit: Automobile paper [1]	Installment credit: Other consumer goods paper [1]	Installment credit: Repair and modernization loans [2]	Installment credit: Personal loans	Noninstallment credit: Total	Noninstallment credit: Charge accounts	Noninstallment credit: Other [3]
1945	5,665	2,462	455	816	182	1,009	3,203	1,612	1,591
1946	8,384	4,172	981	1,290	405	1,496	4,212	2,076	2,136
1947	11,598	6,695	1,924	2,143	718	1,910	4,903	2,381	2,522
1948	14,447	8,996	3,018	2,901	853	2,224	5,451	2,722	2,729
1949	17,364	11,590	4,555	3,706	898	2,431	5,774	2,854	2,920
1950	21,471	14,703	6,074	4,799	1,016	2,814	6,768	3,367	3,401
1951	22,712	15,294	5,972	4,880	1,085	3,357	7,418	3,700	3,718
1952	27,520	19,403	7,733	6,174	1,385	4,111	8,117	4,130	3,987
1953	31,393	23,005	9,835	6,779	1,610	4,781	8,388	4,274	4,114
1954	32,464	23,568	9,809	6,751	1,616	5,392	8,896	4,485	4,411
1955	38,830	28,906	13,460	7,641	1,693	6,112	9,924	4,795	5,129
1956	42,334	31,720	14,420	8,606	1,905	6,789	10,614	4,995	5,619
1957	44,970	33,867	15,340	8,844	2,101	7,582	11,103	5,146	5,957
1958	45,129	33,642	14,152	9,028	2,346	8,116	11,487	5,060	6,427
1959	51,542	39,245	16,420	10,630	2,809	9,386	12,297	5,104	7,193
1960	56,028	42,832	17,688	11,525	3,139	10,480	13,196	5,329	7,867
1961	57,678	43,527	17,223	11,857	3,191	11,256	14,151	5,324	8,827
1962	63,164	48,034	19,540	12,605	3,246	12,043	15,130	5,684	9,446
1963	69,890	53,745	22,199	13,766	3,389	14,391	16,145	5,871	10,274
1964 [4]	76,700	59,300	24,550	15,200	3,500	16,050	17,400	6,300	11,100

[1] Includes all consumer credit extended for the purpose of purchasing automobiles and other consumer goods.
[2] Includes only such loans held by financial institutions; those held by retail outlets are included in "other consumer goods paper."
[3] Single-payment loans and service credit.
[4] Preliminary; December by Council of Economic Advisers.

NOTE.—Data for Alaska and Hawaii included beginning January and August 1959, respectively.

Source: Board of Governors of the Federal Reserve System (except as noted).

Mortgage debt outstanding, by type of property and of financing, 1939–64

[Billions of dollars]

End of year or quarter	1- to 4-family houses, nonfarm properties. Government underwritten	End of year or quarter	1- to 4-family houses, nonfarm properties. Government underwritten
1939	16.3	1952	58.5
1940	17.4	1953	66.1
1941	18.4	1954	75.7
1942	18.2	1955	88.2
1943	17.8	1956	99.0
1944	17.9	1957	107.6
1945	18.6	1958	117.7
1946	23.0	1959	130.9
1947	28.2	1960	141.3
1948	33.3	1961	153.1
1949	37.6	1962 [1]	166.5
1950	45.2	1963 [1]	182.2
1951	51.7	1964 [1]	197.9

[1] Preliminary.

Source: Board of Governors of the Federal Reserve System, estimated and compiled from data supplied by various Government and private organizations.

TABLE B-54.—*Net public and private debt, 1945–64* [1]

[Billions of dollars]

End of year [5]	Total	Federal Government and agency	State and local government [2]	Private							
				Total	Corporate	Individual and noncorporate					
						Total	Farm [3]	Nonfarm			
								Total	Mortgage	Commercial and financial [4]	Consumer
1945	406.3	252.7	13.7	139.9	85.3	54.6	7.3	47.4	27.0	14.7	5.7
1946	397.4	229.7	13.6	154.1	93.5	60.6	7.6	53.0	32.5	12.1	8.4
1947	417.4	223.3	14.4	179.7	108.9	70.8	8.6	62.3	38.8	11.9	11.6
1948	433.6	216.5	16.2	200.9	117.8	83.1	10.8	72.4	45.1	12.9	14.4
1949	448.4	218.6	18.1	211.7	118.0	93.7	12.0	81.8	50.6	13.9	17.3
1950	490.3	218.7	20.7	250.9	142.1	108.8	12.3	96.6	59.4	15.8	21.4
1951	524.0	218.5	23.3	282.2	162.5	119.7	13.6	106.2	67.4	16.2	22.6
1952	555.2	222.9	25.8	306.5	171.0	135.5	15.2	120.4	75.2	17.8	27.4
1953	586.5	228.1	28.6	329.8	179.5	150.3	16.9	133.6	83.8	18.4	31.4
1954	612.0	230.2	33.4	348.4	182.8	165.6	17.6	147.9	94.6	20.8	32.5
1955	672.3	231.5	38.4	402.5	212.1	190.4	18.8	171.6	108.7	24.0	39.8
1956	707.5	225.4	42.7	439.4	231.7	207.7	19.5	188.2	121.3	24.4	42.5
1957	738.9	224.4	46.7	467.8	246.7	221.1	20.3	200.8	131.6	24.3	44.8
1958	782.6	232.7	50.9	499.1	259.5	239.5	23.3	216.2	144.6	26.5	45.1
1959	846.2	243.2	55.6	547.4	283.3	264.1	23.0	241.1	160.8	28.7	51.5
1960	890.2	241.0	60.0	589.2	302.8	286.4	25.1	261.4	174.5	30.8	56.0
1961	946.4	248.1	65.0	633.3	323.0	310.3	27.5	228.8	190.4	34.8	57.7
1962	1,018.7	255.9	73.7	689.0	347.4	341.6	30.2	311.4	210.6	37.6	63.2
1963	1,093.5	261.2	79.5	752.8	374.6	378.2	33.2	345.0	234.2	40.9	69.9
1964 [5]	1,163.6	267.0	85.7	810.9	395.3	415.6	36.8	378.8	257.6	44.5	76.7

[1] Net public and private debt outstanding is a comprehensive aggregate of the indebtedness of borrowers after elimination of certain types of duplicating governmental and corporate debt. For a further explanation of the concept, see Survey of Current Business, October 1950.

[2] Data for State and local government debt are for June 30.

[3] Farm mortgages and farm production loans. Farmers' financial and consumer debt is included in the nonfarm categories.

[4] Financial debt is debt owed to banks for purchasing or carrying securities, customers' debt to brokers, and debt owed to life insurance companies by policyholders.

[5] Preliminary estimates by Council of Economic Advisers.

NOTE.—Revisions for 1929–39 and 1955–57 in the consumer credit data of the Board of Governors of the Federal Reserve System have not yet been fully incorporated into this series.

Sources: Department of Commerce (Office of Business Economics), Treasury Department, Board of Governors of the Federal Reserve System, and Federal Home Loan Bank Board (except as noted).

VELJKO STANISIC AND VESELIN VUCINIC

Mr. MORSE. Mr. President, I introduce, for appropriate reference, two private bills, and I ask unanimous consent that they be printed at this point in the RECORD.

The PRESIDING OFFICER. The bills will be received and appropriately referred; and, without objection, they will be printed in the RECORD.

The bills, introduced by Mr. MORSE, were received, read twice by their titles, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

S. 2276

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for the purposes of the Immigration and Nationality Act, Veljko Stanisic shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.

S. 2277

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for the purposes of the Immigration and Nationality Act, Veselin Vucinic shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.

Mr. MORSE. Mr. President, the first bill is for the relief of Veljko Stanisic; the second is for the relief of Veselin Vucinic.

The bills seek to come to the relief of two Yugoslavs, each of whom has close relatives in my State; each of whom jumped ship in Portland, Oreg.; each of whom is completely out of sympathy with the form of communism in Yugoslavia; and each of whom lives in the fear that if the policies of the immigration authorities are followed, they will be returned to Yugoslavia, to their great physical detriment.

These are hard cases. I have asked for a detailed report on each of them, which I shall supply to the committee after the bills have been referred.

I am satisfied that a strong prima facie case exists for giving these men asylum in the United States. When we think of the asylum that is given to others, including some having diplomatic status, we ought also to consider the humanitarian interests that are involved in the common people who, nevertheless, seek to flee from the type of persecution they are headed for if they are returned to Yugoslavia.

STUDY OF HEALTH RESEARCH

Mr. ROBERTSON. Mr. President, I send to the desk, for appropriate reference a resolution to establish an Advisory Commission on Health Research Activities, and ask unanimous consent to have printed in the RECORD a brief statement concerning the purposes and scope of this investigating Commission.

The PRESIDING OFFICER. The joint resolution will be received and appropriately referred; and, without objection, the statement will be printed in the RECORD.

The joint resolution (S.J. Res. 96) to establish an Advisory Commission on Health Research Activities, introduced by Mr. ROBERTSON, was received, read twice by its title, and referred to the Committee on Government Operations.

The statement presented by Mr. ROBERTSON is as follows:

The passage of the Medicare bill makes it more imperative than ever that the Federal Government get the best results possible from the money it is spending on medical research.

My attention was first drawn to the need for such a resolution by recent Senate hearings on the Independent Offices Appropriation bill, at which a group of doctors urged additional funds for the Veterans' Administration, both for the hospital treatment of ex-servicemen and for research.

Since that time it has become apparent that the so-called medicare plan, which is bound to create a need for more hospital space for the public generally, will become law soon. When it takes effect on July 1, 1966, more than 19 million persons 65 and over will be eligible for the basic benefit of up to 60 days in a hospital, with the patient paying a deductible amount of $40.

To the extent that laboratory research improves the general health of the community, it will help in the years ahead to hold down this growing patient load on the hospitals. Therefore, I believe it is timely that we have a high-level commission to examine the entire range of health research activities of the Government with a view to determining: (1) whether there has occurred an unnecessary proliferation of such