if the conditions require it, and that before the passage of the enemy.

(d) Every force will move from the dispersal point to its position as seen on draught "A" which is attached.

(4) *Reorganization:*

(a) *The right position:* When the task is accomplished and when it receives the code word for the order to retire, will move by the route west of Sheih Abd El Aziz up to Beit Sorik Village and will then proceed to the assembly area, embarkation point with the rest of the battalion.

(b) *The Left position:* When the task is accomplished and when it receives the code word for the order to retire, will move by the route leading in the direction of Sheih Abd El Aziz from the East up to Hirbet Loza, Beit Sorik, assembly area and embarkation point.

E. *Mortar Platoon:*

(1) Will take up position at 16471356 North-West of Sheih Abd El Aziz.

(2) *The task:* According to annexed plan of fire (A).

(3) *Reorganization:* When the task is accomplished will retire from its position by way of Sheih Abd El Aziz Village to Beit Sorik—assembly area—and will move with the Battalion to the embarkation point.

F. *Pioneer platoon:* Will detach a reinforced section to the Blocking-off forces.

(1) *The task:* Will lay anti-vehicle and anti-personnel mines on the road leading to Motza Colony when ordered by the C.O. Blocking-off force.

(2) *Reorganization:* The section will retire with the Blocking-off force to the assembly area and to the embarkation point.

G. *Artillery:*

(1) *Task:* According to annexed plan of fire (A).

(2) A.A.O.s will be attached to the firm base and to the Blocking-off force.

H. *Engineer platoon:*

(1) *Task:*

(a) Breaching the wire fences on an average of one breach per platoon.

(b) Will completely destroy the colony with explosives, after the breaching through force finishes mopping-up the Houses.

(c) The platoon will attach elements to the Blocking-off force.

(2) *Reorganization:* The platoon will retire with the breaching force to the embarkation area and from there will travel in vehicles with the Battalion to Bitunya.

I. *Co-ordination:*

(1) "H" hour will be decided upon in due time by the Battalion Commander

(2) Disembarkation and embarkation points.

(3) Deployment area.

(4) Dispersal point.

(5) Route of advance.

(6) Dispersal of forces, breaching, firm base, cutting-off.

(7) Starting line.

(8) The target.

(9) Embarkation area.

(10) Rate of advance 100 yards every three minutes.

(See draught "A")

4. ADMINISTRATION

(A) *Transport:* Combat echelon vehicles will remain in assembly area North of BEIT SORIK (164137).

(B) *Food:* Supper will be served in the assembly area, and no rations will be carried.

(C) *Ammunition:* Ammunition and explosives as will be decided for this Operation.

(D) *Medical:* The casualties will be evacuated to the Battalion Advanced Dressing station by stretcher Bearers which are in the village (BEIT SORIK).

(E) *Clothing:* Full battle dress. Light clothing is recommended.

5. COMMUNICATION AND CONTROL

(A) *Brigade H.Q.:* At its present place.

(B) *Battalion H.Q.:* In all the phases of operation behind the Assault force.

(C) *Communications:*

(1) No change in wireless or telephone nets.

(2) Wireless silence will be observed up to discovery of the attack, when the artillery and mortar shelling will begin.

(D) *Codes: Word, Meaning, and Ordered by:*

"Hadhad," Reserve Battalion starts Operation, Brigadier.

"MA'AN", Destruction of target, Battalion C.O.

"SALMAN Leaving Assembly area, Battalion C.O.

"MOHAMED", Leaving Embarkation area, Battalion C.O.

"ARBED", Battalion back to reserve positions, Battalion C.O.

Zaim—Brigadier Imam Ali Ben Abi Taleb Brig. (Ahmed Shehada El Huarta).

Information:

Distribution List: Annexed.

"A' Annex—Plan of fire.

Annexes:

"A'" draught: disembarking area, assembly, division of forces, dispersal point, starting line, target.

PENSION PROTECTION PLAN IS NEEDED

Mr. HARTKE. Mr. President, on April 26 I introduced a slightly revised version of the Pension Protection Act, on which 1 day of hearings was held last year. The bill, S. 1635 (S. 1575 in the 89th Congress), is designed to deal with the problems which arise when private pension plans are discontinued due to discontinuance of the business through failure, merger, or similar causes. The result of such loss of expected retirement income, through no fault of their own, has often left workers with 20, 30, or more years of employment without the resources on which they had counted.

I have previously documented the need, and I shall from time to time bring before the Senate other instances to illustrate the necessity for action on this bill. The following cases illustrate the circumstances in which the need is clearly demonstrable.

In 1961, the E. W. Bliss Co., of Cleveland, Ohio, ceased operations. Employed at that time by the company were 32 workers. The company was organized under the United Automobile Workers, and there was a pension plan in effect. Yet, of the 32 workers, only two collected any pension at all, and they were already retired. Typical of those who received no future benefits, but who were fortunately young enough to find new jobs, were George Kuzel and Tony Tomatz, with 16 and 12 years of service respectively. In their new employment there is no private pension fund available.

This is one instance. There are many more, some of which I have received specific information as to their cases. I shall call them to attention in the future, and continue to hope that we may have more hearings and serious consideration for S. 1635.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Is there further morning business? If not, morning business is concluded.

TRUTH-IN-LENDING ACT

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar Order No. 378, S. 5, the unfinished business.

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

The bill is open to amendment.

Mr. PROXMIRE. Mr. President, after 7 years of consideration, the Committee on Banking and Currency has recommended a truth-in-lending bill to the Senate. If any one person is responsible for the idea of truth in lending, it is our great former colleague, Senator Paul H. Douglas of Illinois. Paul Douglas introduced this issue in 1960 and kept it alive for 6 long years while support for the measure gradually developed.

I believe the committee has recommended a bill which retains the essential objectives for which Senator Douglas fought so long and hard. It requires creditors to disclose to consumers the full cost of credit. This would be expressed in terms of dollars and cents and, for most forms of credit, as an annual percentage rate.

The committee has also recommended a number of changes in the original bill, which I introduced last January 11, which I believe will go a long way toward making it more workable to the credit industry. In developing these changes, I believe the ranking Republican member of the committee, Senator BENNETT, deserves a considerable amount of credit. It is true that from the outset, all members of the committee agreed upon the central objective of truth in lending. No one seriously contested the fact that the consumer is entitled to as much information as possible regarding consumer credit. No one has argued that the facts should not be disclosed to the consumer.

The chief arguments within the committee dealt not with the objective of the legislation but with its workability. I believe we have recommended a bill today which will prove to be both fair to the consumer and workable to the credit industry. Certainly, the committee has learned much from Massachusetts, where truth in lending has been in effect over the last 6 months.

In addition, the Department of Defense has required for the last year that

creditors make full disclosure when extending credit to servicemen.

The credit industry was also helpful in suggesting technical changes which will improve the workability of the bill from the standpoint of the average creditor.

Finally, the leadership of the Senator from Alabama [Mr. SPARKMAN] was most influential in developing a bill which every member of the committee could support. There is no Senator who is more expert in this entire area than the distinguished Senator from Alabama, who is not only extraordinarily competent in the field of banking and currency, credit, and who is recognized as the congressional expert on housing, but a man also who has a wonderful knack for persuading people to iron out their differences and work out constructive compromises and effective legislation.

I believe this bill will represent a significant advance for the American consumer. It will provide the average person with the information he needs to use credit and to shop wisely for credit. It will end the present system of confusing credit practices and credit terminology which requires a trained mathematician to understand. It will disclose the cost of credit in clear and simple terms to the average consumer so that he can understand fully the extent of the credit and how it compares to rates being charged by other lenders. I believe this bill will save the American consumer millions of dollars a year in credit charges and will prevent millions of families from being saddled down with excessive debt.

WHAT THE BILL DOES

Mr. President, this is a most simple piece of legislation. It is a disclosure bill and not a regulation bill. It does not regulate the credit industry. It does not prescribe detailed credit practices. It does not dictate the terms of credit contract. It does not set ceilings on credit. It merely requires the full facts to be disclosed to the consumer.

The bill would permit the consumer to be the judge and let the effective forces of informed competition work their way out in the marketplace.

The facts to be disclosed are basically twofold. First of all creditors would disclose the cost of credit in dollars and cents. For example, it would require a creditor to indicate that a loan of $300 payable in 18 monthly installments of $22 each month involves a credit charge of $96.

Second, the bill would require that in most forms of credit the creditor would disclose the annual percentage rate. This is the universal common denominator by which the cost of money is measured. It permits a consumer to readily compare the cost of credit among different lenders regardless of the length of the contract or the amount of the downpayment. In effect, the annual percentage rate is a price tag for the use of money. Just as the grocer quotes the price of milk by the quart or one-half gallon, or the price of meat by the pound, so the creditor would quote the cost of money in terms of an annual rate.

When all creditors quote the cost of credit in the terms of an annual rate which is computed in the same fashion the consumer can quickly determine which form of credit is the best buy.

In computing the annual rate, creditors would be required to include all costs incident to the credit transaction regardless of whether it was termed to be interest, loan fees, credit investigations, or the like. This will end a present confusing practice of quoting deceivingly low rates while actually charging much higher rates by tacking on additional fees.

Under the legislation recommended by the committee, all lenders would compute their credit charges and rates in the same way. In this way the consumer would be receiving comparable information on which he can make wise and proper decisions. It will be a significant measure for increasing the effectiveness of the consumer's credit dollar.

NEED FOR LEGISLATION

Mr. President, over 6,000 pages of testimony have been taken before the Banking and Currency Committee over the period of time that this bill has been in committee, which is more than 7 years, and they have amply demonstrated the need for this important legislation. Today the average consumer is faced with a bewildering variety of credit rates and terms. Even the Chairman of the Federal Reserve Board, William McChesney Martin—and I think all of us would recognize that he is the national expert on credit—admitted he had trouble understanding rates charged on consumer credit. If the top financial expert in the country has difficulty, it is no wonder the average consumer is completely at a loss when confronted with a typical credit transaction.

What is so confusing about consumer credit? In large measure it is the variety and inconsistency in the way the cost of credit is revealed.

For example, some creditors quote only a monthly rate, tending to minimize the cost of credit. How many customers realize, for example, that a small loan at the rate of 3 percent per month amounts to an annual rate of 36 percent.

Other creditors employ an add-on or discount rate which measures the credit on the original balance rather than the declining balance. Of course, it is only the declining balance that is being loaned throughout the period. This has the effect of understanding the true annual rate by approximately 50 percent. For example, if a consumer borrows $100 and repays it in 12 equal monthly installments, and if the finance charge is $6, some creditors will represent this to be 6 percent. However, the true annual rate is nearly 12 percent since the consumer has gradually been repaying the full debt and has not had the full use of the $100 for a full year. In fact, on the average he has had only $50 or close to it.

Other creditors employ a system of additional fees and charges designed to increase the effective rate. For example, it is possible to increase the rate from 12 percent to 18 percent by adding additional charges for credit investigation, loan processing, or other similar charges. This is somewhat analogous to a grocer advertising the cost of a loaf of bread for 3 cents while in the fine print indicating the wrapper will cost 2 cents, distribution 5 cents, processing 7 cents, and handling charges 4 cents.

Other creditors will merely disclose the amount of the weekly or monthly payments without indicating the total finance charge or any rate whatsoever.

A creditor might indicate, for example, $2 down and $2 a week for a hi-fi set. Unless the consumer gets out pencil and paper and figures it out for himself, he has absolutely no idea of the cost of the credit either in dollars or as an annual rate.

As a result of these confusing practices, some segments of the credit industry have been able to charge truly exorbitant rates with relative impunity. Recent cases from the files of the Cook County Bankruptcy Court indicated, for example, that finance charges ran as high as 283.9 percent for used cars, 235 percent for TV and hi-fi sets, 199.6 for clothing, and 105.2 percent for furniture. Numerous cases filed with the committee indicate that this is by no means a unique or rare occurrence.

I recall a hearing we had a couple of years ago in New York where case after case was documented by witnesses who came in and testified. We computed the amount they were paying and the rates in virtually all cases exceeded 100 percent and often exceeded 200 percent.

Frequently, these high rates are levied upon the low-income groups who can least afford to pay the exorbitant sums. I hasten to add that these high rates are not a respecter of high income or education. College graduates, college students, professors, and others are as frequently the victims of this kind of overcharge and these very high rates as people who are in the low-income brackets. However, in some cases people with higher education can afford it better than those people who are tragically exploited in the very low income area.

But it is not the low-income groups who are victimized by the hidden cost of credit. The well educated and wealthy are also taken in. For example, one of the most popular education loans sponsored by consumer finance companies involve rates of interest as high as 54 percent. This is for higher education. In fact, most people seriously underestimate the true cost of their credit. A recent survey asked a sample of 800 families to estimate the rate they were paying on their debts. The average estimate was 8 percent. The actual rate turned out to be three times higher, or 23 percent. I believe this indicates that most people truly do not know the cost of credit and the need for disclosure legislation is abundantly evident. In many cases it would be 6, 7, 8, or 9 percent because in these cases there is a free ride involved for everyone who purchases on revolving credit under almost any of the plans which we had an opportunity to review.

SIZE OF CONSUMER CREDIT

The growth of consumer credit since 1945 has been at a rate of 4½ times greater than the growth rate of our economy as a whole. At the end of 1945 consumer credit amounted to $5.6 billion,

whereas in March of 1967 the total amount had climbed to $92.5 billion. Thus, the size of total consumer debt is nearly 17 times as great as it was in 1945.

Of this $92.5 billion, $73.6 billion is represented by installment credit. The largest single element consists of over $30 billion in automobile paper, which accounts for over 30 percent of consumer credit.

Another rapidly growing form of credit consists of open-end or revolving credit. Approximately $3.5 billion in revolving credit was outstanding in March of 1967. The great bulk of this is represented by department store revolving credit charge accounts, although recently a number of commercial banks have moved into the revolving credit field.

Currently, American families are paying approximately $12.5 billion a year in interest and service charges for consumer credit. That is about as great as the Federal Government pays itself for interest on the national debt.

From these figures it can be seen that the potential savings which can arise from more effective price competition in the consumer credit industry are truly enormous. If, as a result of full disclosure, price competition in the consumer credit field were to reduce the rate consumers pay by 1 percentage point, the American consumer would save over $1 billion a year. Thus, the potential for increased consumer purchasing power is truly substantial. Consumers would have more to spend on goods and merchandise and, far from having a harmful effect on the economy, the bill should be helpful to business.

PROVISIONS OF THE BILL

Mr. President, I ask unanimous consent to have printed in the RECORD at the end of my remarks a complete section by section analysis of the bill.

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

(See exhibit 1.)

Mr. PROXMIRE. Mr. President, I should now like to outline briefly the most important elements of the bill:

Section 3 of the bill provides for definitions. The definition of credit would apply to all forms of consumer credit including loans, retail installment contracts, retail revolving charge accounts, second mortgages, and other forms of credit. The bill would cover credit extended to consumers but would not cover credit extended to organizations or credit extended primarily for business or commercial purposes. In addition to consumer credit, the bill would also cover agricultural credit when the credit was extended to a person as opposed to a corporation or other organization.

By limiting the bill to the field of consumer credit, the committee believes it is providing disclosure requirements in the area where it is most essential. Most businesses or corporations are in a good position to judge the relative worth of alternative credit plans and by and large do not require the special disclosure protections provided by the bill.

Section 4 contains the principal elements of the bill and sets forth the various disclosure requirements on consumer credit transactions. The disclosure would have to be made before the credit is extended. In most cases it would amount to providing the required information on the installment contract or other evidence of indebtedness which the consumer would sign in order to complete the transaction. A creditor could also furnish the information on a separate document, providing the information was given before the consumer actually agreed to the credit transaction.

All installment creditors would be required to disclose the total cost of the credit in terms of dollars and cents and in terms of an annual percentage rate. In addition, all other charges incident to the transaction would be required to be set forth, such as taxes, official fees, or insurance.

The annual percentage rate would be determined on the declining balance of the obligation. For example, assume a person borrowed $100 with a finance charge of $6, and repaid the total indebtedness of $106 in 12 equal monthly installments. Since the debt would have been gradually repaid over a 12-month period, the consumer would actually have had the use, on the average, of approximately one-half of the original amount of credit. Therefore, the annual percentage rate would be measured not against the original amount of credit but against the amount of credit actually in use over the period. The example given would come to approximately 11 percent per year. The bill provides the rate be computed in accordance with the actuarial method, or such other comparable methods as the administering agency may prescribe.

Under section 5, the administering agency, which is the Federal Reserve Board, would be given the authority to provide for rate tables, charts, or other methods to assist creditors in compliance with this provision. Many creditors already use rate charts in the ordinary course of business in order to compute the amount of the finance charge and the size of the periodic payments for a given credit transaction. In such cases, the additional requirements to disclose the annual percentage rate can be complied with by merely adding one additional column to the rate charts now in use.

Under section 5, the Federal Reserve Board would also be given the authority to prescribe a built-in tolerance for such rate charts. The bill would provide for tolerances of about 1 percentage point if the cost of credit was at the rate of 12 percent a year. Correspondingly greater and lesser tolerances would be provided if the rate were higher or lower. This provision should simplify compliance with the bill and avoid the necessity of using cumbersome and extensive rate charts.

Section 6 of the bill clarifies the relationship between Federal law and State law. The committee has made a considerable effort to indicate its intent is not to preempt the entire field of consumer credit, but rather to encourage as much State legislation in this area as is possible so that the Federal law will no longer be necessary.

Section 6(a) would establish the basic congressional policy that the bill does not preempt State consumer credit legislation unless the State provision was inconsistent with the Federal law, and then only to the extent of the inconsistency. Language has also been included to make it clear that the annual percentage rate required to be disclosed under section 4 is not an interest rate within the meaning of the various State usury laws. The definition of finance charge includes all costs incident to credit including interest and other charges incident to the extension of credit.

In many States the legal definition of interest may be substantially less extensive than the definition of finance charge under section 3 of the bill. The committee, therefore, wishes to make it abundantly clear that the annual percentage rate is not equivalent to the legal definition of an interest rate, but is instead a composite rate which includes all charges incident to credit including interest.

The committee also wishes to make it clear that nothing in the act shall be construed to alter the judicial interpretation of the time-price doctrine upon which most consumer retail credit is based. Once again, the disclosure of the annual percentage rate on retail credit transactions should not be construed to be the disclosure of a rate of interest.

Section 6(b) of the act would give the Federal Reserve Board the authority to exempt creditors from complying with all or parts of the bill if substantially similar disclosure provisions were contained in State law. The committee is hopeful that with the passage of a Federal truth in lending law the States will be prompted to pass substantially similar legislation so that after a period of years the need for any Federal legislation will have been reduced to a minimum. Several States have already enacted somewhat comparable truth in lending laws. In addition, the National Conference of Commissioners on Uniform State Laws has been working quite diligently on a proposed consumer credit code to recommend to the various State legislatures beginning in 1969. The committee applauds and endorses the worthwhile efforts of the National Conference of Commissioners on Uniform State Laws and urges that the States act favorably in adopting a uniform consumer credit code. Although this bill would be limited to the disclosure aspects of consumer credit, the proposed consumer credit code goes considerably beyond disclosure and, in fact, proposes a variety of beneficial changes in the entire consumer credit area. The committee is hopeful that these worthwhile efforts will not be hampered by the passage of the Federal truth in lending law. The committee is also hopeful that the provision under section 6(b), whereby creditors will be exempt from compliance with the Federal law if their State enacts substantially similar legislation, will serve as an incentive to the States to act favorably upon the proposed consumer credit code. In this respect the committee believes the Federal truth in lending law and the proposed consumer credit code are supplementary rather than competing alternatives.

The enforcement of the bill would be

accomplished largely through the institution of civil actions authorized under section 7 of the bill. Any creditor who fails to disclose the required information would be subject to a civil action with a penalty of twice the finance charge. However, the minimum penalty would be $100 and the maximum penalty would be $1,000. The committee has not recommended investigative or enforcement machinery at the Federal level, largely on the assumption that the civil penalty section will secure substantial compliance with the act. If, in the course of the administration of the act, it becomes evident that additional steps need to be taken to bring about enforcement, the committee will consider additional legislation. In the meantime, the Federal Reserve Board would be required to report to the Congress annually as to the extent to which the disclosure provisions are being complied with.

Although the provision for civil penalties under section 7(a) would authorize a penalty of twice the finance charge, a successful civil action against the creditor would not relieve the consumer from complying with the terms of the contract as required by State law. In other words, if a creditor failed to disclose the annual percentage rate on a loan where the finance charge was $400, the creditor would be liable to an $800 penalty. However, the consumer would still be required to repay the indebtedness including the $400 finance charge, in accordance with the original agreement and applicable State law.

The committee provided in the section on civil penalties that a creditor could defend against a civil action by proving that the failure to comply was the result of a bona fide error. However, the burden of proof would be on the creditor to prove that the error was in fact unintentional. Section 7(a) on civil penalties also provides that a creditor would be liable for reasonable attorney fees and court costs in the event the suit were decided in favor of the plaintiff.

Section 8 of the bill deals with several exceptions to the provisions which the committee has recommended:

First, the bill excludes credit transactions for business or commercial purposes or credit to organizations.

Second, stockbroker margin loans to investors would be exempt from the disclosure requirements of the bill. The committee has been informed by the Securities and Exchange Commission that the Commission has adequate regulatory authority under the Securities Exchange Act of 1934 to require adequate disclosure of the cost of such credit. The committee has also been informed in a letter from the SEC that "the Commission is prepared to adopt its own rules to whatever extent may be necessary."

In recommending an exemption for stockbroker margin loans in the bill, the committee intends for the SEC to require substantially similar disclosure by regulation as soon as it is possible to issue such regulations.

Third, the bill would exempt credit transactions when the amount to be financed exceeds $25,000. In such cases the committee felt the transaction would be considerably above the average consumer credit transaction and that the protection afforded by the disclosure requirements would no longer be necessary. The $25,000 cutoff also provides an objective test between consumer credit and business credit which can be used to facilitate compliance with the act.

Fourth, the bill would exempt real estate first mortgage credit. The committee felt that adequate disclosure was already being made in this area of credit, however, second or third mortgages would still be subject to the disclosure provisions of the bill. Most of the abuses encountered by the committee with respect to real estate transactions were in the second mortgage area rather than in first mortgages.

The committee also intends that the disclosure provisions would not apply to life insurance policy loans which are merely component features of an overall contractual arrangement.

REVOLVING CREDIT

The most widely discussed subject under consideration by the committee was revolving credit. I believe it is safe to say that no one on the committee is entirely happy with the compromise upon which we eventually agreed. From my own standpoint, I think that the revolving credit provisions could be strengthened. Nonetheless, I think we have recommended a reasonable compromise, which I am hopeful will prove to be workable.

The original version of S. 5, which I introduced on January 11, would have required all revolving credit plans to disclose, among other things, the annual percentage rate. This disclosure would have been made when the account was opened and on each periodic monthly statement. The annual percentage rate would have been determined by multiplying the monthly rate by 12. For example, if the monthly rate were 1½ percent, a creditor would have cited the annual rate to be 18 percent. This provision of the bill drew the most criticism from retailers. The industry argued that if the actual credit in use is measured from the time of each transaction to the time of each payment, the rate would vary considerably from 18 percent, and in most cases would be substantially less than 18 percent.

To my way of thinking, this argument missed the essential point of disclosure. From the standpoint of the consumer, it is not really relevant to measure the rate from the time of the purchase but rather from the time the credit charge actually begins. The customer does not really have to make up his mind to use revolving credit when he buys the goods from the store. He generally has, as I say, a "free ride" from 30 to 60 days before the credit charge will begin. From the consumers' standpoint, the relevant decision point is just before the credit charge is to begin. At this time he must make up his mind as to whether he wants to incur the service charge, or borrow from another lender to pay off the store. If the credit is measured from this point, it would work out to be exactly 18 percent, or 12 times the monthly rate, and such a rate would be the more meaningful rate to the consumer.

Nevertheless, there were serious and, I should say, very competent and sincere objections in the committee to this line of reasoning. Highly competent Members of the Senate serve on this committee and they felt strongly that it would be a miscarriage of justice if this were imposed on the industry because it would not be accurate and often flagrantly inaccurate. While I disagree with that new point, it is a sincere and competently held viewpoint. Although we could not come to a unanimous conclusion on this point, the committee was convinced that if revolving credit were to be exempt from disclosing an annual rate, safeguards should be included to insure that existing forms of installment credit would not be induced to convert to revolving credit in order to escape an annual rate disclosure. The committee also felt that in cases where revolving credit was commonly used to finance large purchases, this form of credit should not be given a competitive advantage over creditors who finance similar items on an installment contract basis. For example, some department stores have an extended payment revolving credit plan which they commonly use to finance large ticket items such as furniture, TV sets, and larger appliances.

It would be unfair to permit these stores to quote a monthly rate of 1½ percent while the small independent furniture store down the street, who financed his sales through installment contracts, would be required to disclose 18 percent. In such a case, the cost of credit would be identical. However, the credit offered by the furniture dealer would sound much higher.

For these reasons, the committee adopted a compromise which would exempt ordinary revolving credit plans from disclosing the annual rate but which would require installment-type revolving credit plans to disclose the annual rate. The installment-type revolving plan would be defined on the basis of whether the creditor maintained a security interest title or whether the terms of the payment were extended. An extended payment plan would be defined as one in which less than 60 percent of the obligation was payable in 1 year. This would cover credit transactions which could be paid out over a period of 19 months or longer.

I believe that this committee compromise will provide some deterrent to a creditor switching from installment credit to revolving credit in order to escape annual rate disclosure. It does, however, still permit the sale of many large ticket items under ordinary revolving credit plans which would not disclose the annual percentage rate.

Despite these imperfections, I believe that the bill recommended by the committee is the best possible bill we could report. It will provide the American consumer with substantially more information on all forms of consumer credit. Even on revolving credit which would not disclose the annual percentage rate, substantially more information would be included. For example, many department stores do not indicate on their monthly statement that a service charge of 1½ percent will be levied if the bill is not paid

in 30 days. Under the bill, this information would have to be disclosed. Department stores would also have to disclose their system by which the service charge is determined. Some stores give credit for partial payments during the month while others do not. At the present time the consumer has no way of knowing the actual method followed by the store. Under the bill, department stores would be required to disclose their method of billing.

For all other forms of credit, including small loans, bank installment loans, installment contracts, and second mortgages, the consumer would be provided with a complete disclosure of credit in terms of dollars and annual rates.

I believe this bill will help the American consumer, but it will also help business. Although the Massachusetts truth-in-lending law was originally opposed by the business community, testimony before our committee has revealed that it has been not only accepted by the industry but is enthusiastically supported by industry. Massachusetts automobile dealers, for example, believe the disclosure provisions will protect the average businessman from unethical competition based upon deceptive credit practices. I believe that this bill will also restore confidence in the consumer credit industry and take the mystery out of credit. Just as the Securities Act of 1933 led to a strengthened securities industry, so the Truth-in-Lending Act of 1967 will lead to a strengthened consumer credit industry.

Part of our free enterprise system is to disclose the facts to the consumer. When the consumers have the facts they can best make up their minds on whether to buy or not. This is the heart of our free enterprise system. It insures that in the final analysis business is responsive to the needs of the consumer. Thus, disclosure is in the mainstream of our economic system. I recommend this bill to every Senator as a reasonable bill, a sound bill, a bill which protects both business and consumers, and a bill which is in accord with our free enterprise system. I recommend its adoption to the Senate, and I am hopeful that every Member of the Senate can support this measure. Every member of the committee did, and a bill was reported from the full committee without objection. The victory for truth in lending is not only a victory for the consumer, it will also be a tribute to our great former colleague, Paul H. Douglas, who was and 's the principal architect of this important measure. I know of no more fitting tribute we can pay to a Member of the Senate whose absence today I am sure will be sorely missed by all.

Mr. President, I yield the floor.

EXHIBIT 1

SECTION-BY-SECTION SUMMARY AND COMPARISON WITH ORIGINAL S. 5 AS INTRODUCED ON JANUARY 11

SECTION 2. DECLARATION OF PURPOSE

Declares that the enhancement of economic stabilization and the strengthening of competition are the primary objectives to be achieved through greater awareness of credit costs. The term "consumer credit" was substituted for "credit" and "consumer" was substituted for "user" of credit to make the intent clear that the bill applies to consumer credit and not all forms of credit.

SECTION 3. DEFINITIONS

Section 3(a)—Definition of "Board".—Refers to the Board of Governors of the Federal Reserve System. No change from original S. 5.

Section 3(b)—Definition of "credit".—Credit is defined as "the right granted by a creditor to defer payment of debt or to incur debt and defer its payment." This definition was taken from the proposed Consumer Credit Code sponsored by the National Conference of Commissioners on Uniform State Laws. The original S. 5 language was deleted because it was somewhat cumbersome and sweeping and referred to various types of lease situations which might not be true extensions of credit. This original S. 5 language was based on the Federal Reserve's old regulation W, which was designed for a different purpose.

The definition also makes clear that consumer credit means debt contracted by persons for personal, family, household, or agricultural purposes. The original S. 5 would have applied only to debt contracted by persons and not by "businesses as such." It thus was not clear whether this definition applied to agricultural credit.

The definition also makes it clear that credit means those bailment lease situations described further in section 3(c).

Section 3(c)—Definition of "consumer credit sale".—This is a new definition made necessary by the revised structure of section 4 which treats lender credit and retail credit separately. The new definition defines credit sales whose disclosure provisions come under section 4(b) as opposed to direct loans which come under section 4(c). The definition makes it clear that the act covers only those creditors who regularly extend credit in accordance with Senator McIntyre's comments during the hearings.

The definition of credit sale is also limited only to those leases which are, in essence, disguised sale arrangements. The definition has been so limited because there is no way to disclose a finance charge or rate in connection with a conventional lease as Governor Robertson pointed out on page 8 of his testimony. The language covering disguised leases is nearly identical to the language used in the Uniform Conditional Sales Act and in many State retail installment sales acts to distinguish between "true" leases and other leases.

Section 3(d)—Definition of "finance charge."—Defines a finance charge as all charges imposed by a creditor and payable by an obligor as an incident to the extension of credit. This definition has been expanded from the original S. 5 to make its meaning clearer.

The original bill was ambiguous on the treatment of official fees, taxes, and property and casualty insurance. The bill reported by the committee makes it clear these charges would not be considered part of the finance charge to be calculated in the annual rate. In addition, the definition lists those typical real estate closing costs which would be excluded. These changes meet a number of criticisms raised during the hearing and should simplify compliance with the bill.

The original bill was silent on whether credit life insurance should be counted in the finance charge or not. The bill reported by the committee would exclude such insurance from the definition of the finance charge and would not require premiums for such insurance to be included in the computation of the annual percentage rate.

Section 3(e)—Definition of "creditor."—Essentially the same language is used, but Senator McIntyre's suggestion is reemphasized by restricting the definition only to those who regularly engage in credit transactions. Thus a small retailer who extended credit and charged for it in an isolated instance to accommodate a particular customer would not be covered.

Section 3(f)(1)—Definition of "annual percentage rate."—This definition has been rewritten to achieve greater clarity. The old definition described what was essentially the actuarial method for determining an annual rate, but it did not use the term actuarial method. Many had difficulty in determining the intent. The new definition rather than describing the actuarial method, merely indicates it is the method to be followed. This is a well recognized term in the mathematics of finance and has also a long judicial history under the U.S. rule (*Story* v. *Livingston* (38 U.S. 359) 1839).

There are at least seven methods for computing the "simple" annual rate on the declining balance and though they all produce nearly similar results, the actuarial method is considered to be the most accurate. This method assumes that a uniform periodic rate is applied to a schedule of installment payments such that the principal is reduced to zero upon completion of the payments. The actuarial rate is such periodic rate multiplied by the number of periods in a year.

The definition also permits a creditor to simplify the computation by ignoring slight irregularities in the payment schedule, such as a deferred first payment, or one odd-sized payment. This will greatly simplify compliance while maintaining reasonable accuracy.

Section 3(f)(2)—"Other methods".—The Board is also given the power to prescribe other methods for determining the annual percentage rate. For example, the constant-ratio method, which is in the Massachusetts law, could be used for highly irregular contracts. It is possible to develop formulas or other shortcut procedures based on the constant-ratio method which would be much simpler than the actuarial method.

Section 3(f)(3)—"Annual rate on open-end credit".—The annual percentage rate on open-end or revolving credit is defined as the periodic rate times the number of periods in a year. This is exactly equivalent to the actuarial rate.

Section 3(f)(4)—"Bracket rates".—The definition makes it clear that creditors who determine their finance charges on the basis of a bracketed amount of credit can compute the annual percentage rate on the basis of the midpoint of the bracket. For example, assume a mail-order house charges a flat $20 for purchases ranging between $140 and $150. Under the new language, a creditor could compute the rate of $145 and disclose it for all transactions within the bracket, whether they were $140.01 or $149.99.

Section 3(g)—Definition of "open-end credit".—This definition of open-end credit is identical to the original S. 5 and is similar to the language used in many State retail installment sales acts. The essential characteristics of open-end credit are that credit transactions are entered into from time to time, payments are made from time to time, and finance charges are computed on the unpaid balances from time to time. The definition is intended to include all plans permitting credit transactions from time to time, such as charge accounts and credit card accounts, even though the creditor does not normally compute a finance charge on the outstanding unpaid balance.

Section 3(h)—Definition of "installment open-end credit".—This is a new definition made necessary by the committee's treatment of disclosing an annual rate on open-end credit plans under section 4(d).

Open-end or revolving credit plans would be exempt from the annual rate requirement except for "installment open-end credit plans." Such plans are ordinarily used to finance large purchases and are distinguished from ordinary revolving credit by the extended length of time permitted for repayment and the maintenance of a security

interest in the merchandise. Such plans would be covered if 60 percent or less of any amount of credit was payable in 1 year, or if the seller maintained a security interest, or if accelerated payments are applied to future payments.

Section 3(i)—Definition of "first mortgage credit".—This is also a new definition made necessary by the committee's recommendation that first mortgage credit be exempted from the bill. Such exemption is included under section 8. The committee felt that consumers were already receiving adequate information. In this area, second or higher mortgages would be covered under the bill.

Section 3(j)—Definition of "organization".—Defines an organization as a corporation, government or governmental subdivision or agency, business or other trust, estate, partnership, or association. Credit to such entities would be excluded from the provisions of the bill.

SECTION 4. DISCLOSURE OF FINANCE CHARGES

Section 4(a)—Requirement to disclose.—This is a prefatory section setting forth the basic requirement to disclose. It is similar to the original S. 5, except that it is made clear that disclosure need only be made to persons "upon whom a finance charge is or may be imposed." Thus, the disclosure requirement would not apply to transactions which are not commonly thought of as credit transactions, including trade credit, open account credit, 30-, 60-, or 90-day credit, etc., for which a charge is not made.

Section 4(b)—Disclosure on retail credit.—The original S. 5 covered retail and lender credit under subsection 4(a). The committee bill splits retail and lender credit into two subsections—4(b) and 4(c). The reason for this change is to emphasize the fact that Congress recognizes the difference between these two forms of credit and does not deny the validity of the time-price doctrine upon which most retail credit is legally justified. This should prevent the act from being used as ammunition in any litigation challenging the time-price doctrine. Many retailers had expressed concern over this possibility.

Section 4(b)(1)-4(b)(3)—Disclosure of cash price and trade-in allowances.—These subsections are similar to the original S. 5 and are also common to most retail installment sales acts.

Section 4(b)(4)—Disclosure of other charges.—The new version clarifies S. 5 by restricting disclosure to those charges "which are included in the amount of the credit extended." The original S. 5 was ambiguous on this point and could have been interpreted as requiring charges not included in the credit to be listed in the total amount to be financed, which is a logical contradiction.

Section 4(b)(5)—Disclosure of amount to be financed.—This is the total amount of credit, after adding in all other charges other than finance charges. The language is similar to the original S. 5.

Section 4(b)(6)—Disclosure of finance charge.—This section sets forth the requirement to disclose the finance charge in dollars and cents. The committee bill adds a new reference to labeling the finance charge as a "time-price differential" to reinforce the distinction between lender credit and retail credit.

Section 4(b)(7)—Disclosure of annual percentage rate.—The committee bill exempts retail creditors from disclosing an annual percentage rate if the finance charge is less than $10. The original S. 5 did not provide for such an exemption. The purpose of this amendment by the committee was to simplify compliance, particularly for small retail businesses. Many retailers impose a fixed minimum charge on installment contracts, regardless of the amount of credit. It will be easier to develop rate tables if these transactions are exempted.

Section 4(b)(8)—Disclosure of repayment schedule.—The original S. 5 required disclosure of the "time and amount of payments." The committee bill requires the "number, amount, and due dates or periods." This makes it clear that a creditor can disclose "36 monthly payments of $20 due on the first of each month beginning in July" without actually listing the date of each individual payment.

Section 4(b)(9)—Disclosure of late payment penalties.—This language is similar to the original S. 5 except that the requirement to indicate the terms applicable in the event of advanced payment has been deleted. Most creditors will rebate an unearned finance charge if the debt is paid early in accordance with the "rule of 78's." This is a complicated formula which would require at least a three-paragraph explanation to be intelligible to the average consumer.

Section 4(b)—Time of disclosure.—The original of S. 5 required disclosure "prior to the consummation of the transaction." The committee bill substitutes "before the credit is extended" with a stipulation that the disclosure can be made on the contract or other document to be signed by the consumer. This obviates the need for a separate piece of paper showing the disclosure items.

Section 4(b)—Disclosure for mail or telephone sales.—This permits mail-order houses to comply with the act by disclosing prior to the first payment providing the general terms of financing are set forth in the catalog. A similar provision is contained in the Massachusetts law. No such provision was in the original S. 5.

Section 4(c)—Disclosure on lender credit.—This is a new subsection written to distinguish between lender and retail credit. It is a residual category encompassing all credit other than retail credit or open-end credit which are defined elsewhere in section 3. Hence, no definition of loan is provided as it would fall within the general definition of credit. Financial institutions such as banks, credit unions, savings banks, savings and loan associations, industrial banks, and consumer finance companies would fall under this subsection. Similar changes, described under section 4(b) for retail credit, have also been incorporated in the lender section.

Section 4(d)(1)—Disclosure of open-end credit.—This section applies to open-end credit plans.

Section 4(d)(2)—Disclosure when the account is opened.—This section outlines the disclosures to be made when the account is opened.

Section 4(d)(2)(A)—Disclosure of conditions of plan.—This section requires the disclosure of the basic conditions of the plan. It clarifies the original S. 5 by requiring the disclosure of the time period, if any, for avoiding finance charges. For most department store revolving accounts, this will be the time from the date of the purchase to the end of the billing period plus an additional 30 days.

Section 4(d)(2)(B)—Disclosure of billing system.—This is a new requirement not in the original S. 5 and is in accordance with Mr. Batten's recommendations when he testified for J. C. Penney's. As Mr. Batten pointed out, there is a substantial difference in dollar cost between the opening-balance method and the adjusted-balance method. This paragraph would require the disclosure of whatever method was followed.

The opening-balance method charges on the opening balance unless paid in full within 30 days. Some stores count returns as payments, while others do not. The adjusted-balance method charges on the basis of the opening balance less any payments and returns during the month. Some stores use the adjusted-balance method but do not count returns. About 60 percent of department stores use the opening balance method and about 40 percent use the adjusted-balance method.

Section 4(d)(2)(C)—Disclosure method of determining the finance charge.—This paragraph requires disclosure of the complete method for determining the finance charge including the imposition of any fixed or minimum fees. Many department stores have minimum fees while bank check credit plans often have a 25-cents-per-check charge. By requiring separate disclosure of these charges, the new version also recognizes such charges cannot be included in the rate.

The section also requires disclosure of the periodic rate. In addition, installment open-end credit plans, as defined by section 3(h), would disclose the annual percentage rate which would be 12 times the monthly rate.

This provision reflects a major recommendation of the committee to exempt open-end credit plans from the annual rate, but to include installment open-end credit plans.

Such plans are ordinarily used to finance large purchases and are distinguished from ordinary revolving credit by the extended length of time permitted for repayment and the maintenance of a security interest in the merchandise. Such plans would be covered if less than 60 percent of any amount of credit was payable in 1 year, or if the seller maintained a security interest, or if accelerated payments are applied to future payments.

The purpose of this distinction is to eliminate any incentive to convert closed-end installment credit to revolving credit merely to escape annual rate disclosure. The amendment also provides greater comparability between installment open-end credit plans and installment closed-end credit plans. Smaller merchants who extend credit through installment contracts can compete on a comparable basis with the larger stores who use extended payment revolving credit.

Section 4(d)(2)(D)—Disclosure of method of determining other charges.—This is also a new provision. It has been included in the event the Board determines the 25-cents-a-check charge on bank check credit plans or similar charges are not finance charges. In any event, they would be required to be disclosed.

Section 4(d)(3)—Disclosure on periodic statements.—This subsection outlines the disclosure which must be made on the periodic statements. It differs from the original S. 5 by explicitly not requiring a statement if there is no balance in the account.

Section 4(d)(3)(A)—Disclosure of opening balance.—Requires disclosure of the opening balance and is similar to the original S. 5.

Section 4(d)(3)(B)—Disclosure of transactions during period.—Requires a statement of credit transactions during the period and is similar to the original S. 5.

Section 4(d)(3)(C)—Disclosure of payments during period.—Requires disclosure of payments or returns during the period and is similar to the original S. 5.

Section 4(d)(3)(D)—Disclosure of the amount of finance charge.—This requires a statement of the finance charge similar to the original S. 5; however, it also requires that this charge be broken down to specify how much is due to a percentage rate and how much is due to a fixed or minimum fee. For example, the monthly charge on a revolving check credit plan would have to show how much was due to the 25-cents-per-check charge and how much due to the 1-percent monthly rate. This will insure direct comparability between the finance charge and the rate.

Section 4(d)(3)(E)—Disclosure of the balance on which the finance charge was computed.—This paragraph is similar to the original S. 5 but it adds the requirement to state the method for determining the balance. For example, stores which use the adjusted balance method might have a statement along the following lines: "You will be charged

1½ percent of your opening balance less any payments and returns during the month." Stores which use the opening balance method might indicate: "You will be charged 1½ percent of your opening balance unless paid in full within the month."

Section 4(d) (3) (F)—Disclosure of the rate of finance charge.—The committee's recommendation to partially exempt open-end credit from the annual rate is also implemented under this section. All open-end credit plans would disclose a periodic (monthly) rate on the periodic statements. In addition, installment open-end credit plans would disclose an annual rate for the reasons outlined under section 4(d) (2) (C). The original S. 5 would have required all open-end credit plans to disclose an annual rate.

Section 4(d) (3) (G)—Disclosure of closing balance.—Requires disclosure of closing balance and is similar to the original S. 5.

Section 4(d) (3) (H)—Disclosure of the time for avoiding a finance charge.—This is a new provision. The creditor would indicate for example: "If you pay your bill within 30 days you will not be charged." It reinforces the idea of a "free ride" period for which there is no charge. This is also in line with Governor Robertson's testimony.

Section 4(e)—Acknowledgement of disclosure.—This is a new provision designed to facilitate the free flow of credit paper. It provides a bank or finance company with assurance that the original dealer has made the required disclosure and that the bank or finance company will not be liable for any failure, on the dealer's part, to make disclosure.

Section 4(f)—Method of disclosure.—This section contains four new provisions designed to facilitate compliance.

In order to reduce needless paperwork, disclosure need only be made to one obligor. For example, if two people (e.g. a husband and wife) are the obligors, only one copy of the contract with the required disclosure information would need to be furnished. A similar provision is contained in the Massachusetts General Laws (ch. 140A, sec. 4).

In order to afford greater flexibility, the required information need not be furnished in the order outlined in the act. This provision is common in retail installment acts.

In order to facilitate compliance, language different from that contained in the act can be used if it conveys substantially the same meaning. This provision will ease the compliance with both State and Federal law in a single disclosure statement.

In order to provide greater clarity, additional explanations of disclosed information is expressly permitted.

Section 4(g)—Compliance with comparable State laws is compliance with Federal law.—This is a new provision. It is intended to avoid duplication of Federal and State requirements, to leave State requirements untouched as much as possible, and to permit a creditor to avoid double paperwork. If he complies with the applicable State disclosure law, he need supply only the additional information required by the Federal act to comply with such Federal act. It also makes it clear the Congress does not intend to preempt consistent State laws but merely to build upon them.

Section 4(h)—Adjustments after the contract do not violate the disclosure made.—This is similar to the original S. 5; however, the original version only applied to adjustments through "mutual consent of the parties." The present version adds: "or as permitted by law, or as the result of any act or occurrence subsequent to the delivery of the required disclosures." A repossession permitted by State law but not mutually agreed to by both parties would affect the rate. The new language makes it clear that such a change would not violate the act.

Section 4(i)—Optional form of rate statement.—The subcommittee amended the bill to permit a rate statement either in percentage terms or as dollars per hundred per year. In all cases, however, the rate would be on the declining balance of credit. For example, if the effective annual rate, as measured by the actuarial method was 12 percent, the creditor could either disclose 12 percent per year or $12 per hundred per year. This option will terminate on January 1, 1972. After that date, all creditors would use the percentage form of expressing the rate.

The purpose of this change was to minimize any possible conflict with State usury laws in those States where the percentage form of rate expression might cause a legal problem for some creditors. However, all creditors will be required to use the percentage form after January 1, 1972, since by that time, any such problems with the usury laws will have had ample time to be corrected.

SECTION 5. REGULATIONS

Section 5(a) (1)—Prescribing methods for determining the annual rate.—This expands upon the original S. 5 by specifically authorizing the use of rules, charts, tables, or other devices Such express authority was recommended by the Commerce Department.

Section 5(a) (2)—Methods of disclosing.—This section gives the Board authority to prescribe methods to insure the required information is disclosed clearly and conspicuously. Similar provisions were included in the original S. 5.

Section 5(a) (3)—Tolerances.—This section gives the Board authority to prescribe reasonable tolerances. A similar provision was in the original S. 5.

Section 5(b)—Prescribing tolerances.—This is a considerable expansion of the original S. 5 which merely provided the Board authority to establish "reasonable" tolerances. Governor Robertson, in his testimony, requested a quantitative definition of "reasonable."

Section 5(b) (1)—Tolerance on single rate situations.—This paragraph covers simple situations where a creditor uses a single add-on, discount, or periodic rate to determine the finance charge. For example, a bank which uses a 6-percent, add-on rate would know immediately that the actuarial equivalent was 10.90 percent on a 12-month contract. A credit union would instantly know that 1 percent per month was 12 percent a year. In such cases a tolerance to the nearest quarter of 1 percent is prescribed.

Section 5(b) (2)—Tolerance for tables.—This paragraph covers more complex situations where the creditor determines the finance charge in a more complicated manner such as a combination of monthly rates (e.g. 3 percent on the first $300; 2 percent on the next $200; and 1½ percent on the excess); or perhaps he determines the charge by an add-on rate of 10 percent plus a fixed charge of $10. In such cases the answer would be provided by a rate table. The bill authorizes a tolerance of 8 percent to be built into the table. This does not refer to 8 percentage points, but to 8 percent of the rate. For example, if the actual rate were 12 percent, the tolerance would be 0.96 percent (8 percent times 12 percent) or almost 1 percentage point. Thus, the tolerance would vary depending upon the size of the rate. For credit at 6 percent, the tolerance would be roughly one-half of a percentage point. At 12 percent it would be 1 percentage point. At 24 percent it would be 2 percentage points and so on. A provision is added to penalize any creditor who willfully uses these tolerances so as to always understate the rate. The purpose of the tolerance is to simplify the construction of tables so that they do not have to be overly detailed. With such tolerances, the disclosed rate should, on the average, be slightly over the actual rate half the time and slightly under the actual rate half the time.

Section 5(b) (3)—Tolerance for other situations.—This paragraph authorizes the Board to prescribe other reasonable tolerances for creditors who do not wish to use tables in computing the rate.

Section 5(b) (4)—Tolerance for irregular payment situations.—This paragraph would permit the Board to prescribe even greater tolerances for irregular payment situations. It is expected, for example, that the Board will permit creditors to disregard a certain number of skip payments in computing the rate. In such a case, the rate computed as though the contract were a level payment contract might vary 2 or 3 percentage points from the actual rate. These irregular situations would be in excess of the slight irregularities already recognized under section 3(f) (1), for which authority is provided to disregard.

Section 5(c)—Authority to prescribe adjustments and exceptions.—This section gives the Board authority to prescribe adjustments and exceptions for any classes of transactions in order to prevent circumvention and facilitate compliance. This is similar to the original S. 5 except that the phrase "to facilitate compliance by creditors with this Act or any regulations issued hereunder" has been added as an additional authority for prescribing such adjustments or exceptions. Also "the Board may consider, among other things, whether substantial compliance with the disclosure requirements of this Act is being achieved under any Act of Congress or any State law or regulations under either" the words "among other things"" were added at Governor Robertson's suggestion to make it clear these are not the only things the Board will consider. The phase "or any State law or regulations under either" has also been added.

Section 5(d)—Consultation with other agencies.—This section indicates the Board may consult with any agency, which in the Board's judgment exercises regulatory functions with respect to any class of transactions. The original S. 5 required such consultation of all agencies which exercise such regulatory functions. Thus, the present language leaves it up to the Board as to who should be consulted. This is designed to overcome Governor Robertson's concern that the Board's regulations might be challenged because it hadn't consulted a particular agency.

Section 5(e)—Advisory committee.—This section requires the Board to establish an industry advisory committee. This differs from the original S. 5 in that the limitation of nine members has been removed and the per diem allowance is increased from $25 to $100 per day. The latter change is in line with Governor Robertson's observation that few members would be available at the lower figure. However, the section was not deleted as Governor Robertson recommended, again largely to emphasize the high importance Congress attaches to consultation with industry. The limitation of nine has been removed to overcome the objection that this might deny adequate representation to some specialized segment of the industry.

SECTION 6. EFFECT ON STATE LAWS

Section 6(a)—Relationship of Federal law to State law.—This section sets forth the basic policy that the Federal statute does not preempt State legislation.

The original version of S. 5 said the act did not annul State law unless the State law was "directly inconsistent." The committee bill drops the word "directly" and adds the further stipulation that inconsistent State laws are annulled "only to the extent of the inconsistency." The word "directly" was dropped because there is no apparent difference between inconsistent or directly inconsistent. The added phrase makes clear

that S. 5 does not preempt an entire body of State law should an inconsistency arise in one case.

A new sentence was added at the end of the section 6(a) to make the intent of Congress clear that it does not regard the annual percentage rate as an interest rate within the meaning of the usury statutes or the judicial interpretations of the time price doctrine. This language should make it difficult for anyone to cite S. 5 as evidence in any legal proceeding challenging a credit transaction under the usury statutes or challenging the interpretation of the time price doctrine. The language was supplied by the General Counsel of the Department of Commerce who recommended such a provision in the Department's report on the bill.

Section 6(b)—Exemption when State laws are similar.—This section permits the Board to exempt creditors from the Federal law if State law requires similar disclosures.

This section is similar to the original S. 5 except that the Board can exempt creditors covered by a State law which is "substantially similar" to the Federal law. The original version of S. 5 only authorized exemptions if the State law required the "same information." Also the provision was reworded to make it clear the Board is only responsible for reviewing the law and not the effectiveness of the administration of the law. These changes are in line with Governor Robertson's suggestions.

A new provision was also added requiring the Board to make a determination that the State law has adequate provisions for enforcement.

SECTION 7. CIVIL AND CRIMINAL PENALTIES

Section 7(a)—Civil penalties.—This section sets forth civil penalties of double the finance charge with a minimum of $100 and a maximum of $1,000. This section was amended by the committee to permit a creditor to defend against a civil action by proving the failure to disclose was an unintentional error. However, the burden of proof would be on the creditor, and he would have to establish, by a preponderance of evidence, that such error was unintentional. The amendment also permits a creditor to escape liability for an error if the creditor discovers it first and makes whatever adjustments are necessary to insure that the consumer will not pay a finance charge in excess of the amount or percentage rate actually disclosed. The committee also reduced the maximum penalty from $2,000 to $1,000.

Section 7(b)—Criminal penalties.—Criminal penalties of $5,000 or 1 year imprisonment or both are specified. These are identical to the original S. 5. However, the words "willfully and knowingly" were added as a condition for giving false or inaccurate information. Also, the section now makes it clear that the Attorney General will enforce the criminal penalties section. This is in keeping with Governor Robertson's testimony that the Board did not have any trained investigators or law enforcement officials.

Section 7(c)—Exemption for governments.—This section exempts the Federal Government and State and local governments from civil and criminal liabilities. Similar provisions were contained in the original S. 5.

Section 7(d)—Exemption for overstatement.—Creditors would be relieved of any civil or criminal penalty by overstating the annual percentage rate. The original bill provided for such an exemption from civil penalties only if the overstatement was due to an "erroneous computation." There was some doubt about the meaning of this phrase. The original bill also had no such exemption under the criminal penalties section.

SECTION 8. EXCEPTIONS

Section 8(1)—Business credit.—The section contains an exemption from the act of credit for "business or commercial purposes" or to governments. The original S. 5 would have exempted credit to "business firms as such." This left an element of doubt with respect to credit granted to farmers, proprietorships, or self-employed professionals. This doubt is now clarified by the definition of credit under section 3(b) as credit for person other than an organization and "primarily for personal, family, household, or agricultural purposes." Credit for business or commercial purposes is exempted.

Section 8(2)—Stockbroker margin loans.—This section continues the original S. 5 exemption for margin loans made by stockbrokers. SEC already has the power to require such disclosure under the 1933 Securities Act.

Section 8(3)—Credit in excess of $25,000.—This is a new provision included on the recommendation of Governor Robertson. The exemption would not apply to real estate credit transactions. The purpose is to provide an objective test between consumer credit and business credit so as not to require the creditor to inquire continuously as to the purpose of the credit. If a credit transaction is under $25,000 and the creditor is uncertain if it is a business or consumer transaction, he will tend to assume it to be a consumer transaction to avoid violation. If it is over $25,000 he can safely assume it to be a business transaction without worrying about violation.

Section 8(4)—First mortgages.—The committee amended the original S. 5 by exempting first mortgage credit. The committee felt that consumers were already receiving adequate information in this area.

SECTION 9. REPORTS

Section 9—Reports.—This is a new section added by the committee requiring annual reports from the Federal Reserve Board and the Attorney General on the administration of their functions. In addition, the Board would estimate the extent to which compliance was being achieved.

SECTION 10. EFFECTIVE DATE

Section 10—Effective date.—The original S. 5 would have been effective upon 6 months of enactment.

The effective date of the bill was postponed by the committee to July 1, 1969. The purpose of the change is to permit the States to amend their usury statutes in those cases where the disclosure of an annual percentage rate might possibly cause a legal problem. In addition, the later date permits the States to pass similar disclosure legislation, thereby securing an exemption from the Federal law.

Mr. BENNETT. Mr. President, as the ranking Republican member of the Committee on Banking and Currency, I am happy to join the Senator from Wisconsin [Mr. PROXMIRE], who has been managing the bill in the subcommittee and the full committee, in urging its passage by the Senate. No Member of the Senate will find greater satisfaction in the passage of the bill now before us than I will, because for me it could, hopefully, mark the end of more than 6 long years spent in search of a workable pattern of consumer credit cost disclosure.

From the beginning of the consideration of the problem by the Committee on Banking and Currency back in 1961, I have hoped for a solution that would be as fair as possible, both to the borrower or buyer and to the lender or seller. I agree with the Senator from Wisconsin that the bill is not perfect; but, in my opinion, it more nearly meets the needs both of borrowers and lenders than any other proposal that we have been able to devise. For this reason, I hope the Senate will pass the bill.

On July 17, 1961, the very first day of hearings on the first consumer credit disclosure bill, I said—and I quote from the record of those hearings:

> I feel that there should be full disclosure of the dollar costs and under some circumstances, where it is appropriate, a percentage, whether it is stated by the month or by the year, but I do not approve of trying to force all statements of the cost of credit into the straitjacket of a simple annual rate. I think that as the testimony develops before the committee we will discover that there are some types of consumer credit that cannot be forced into that straitjacket.

One of the first problems that came to my attention during those first hearings involved the application of a minimum dollar charge, which while reasonable in terms of dollars, became ridiculous when translated into an annual rate.

To illustrate the problem, let me tell the story of a man who went into a gas station one morning. His car battery was dead. He was the driver in a carpool that week. He could not wait. He had no money in his pocket, so he could not make a downpayment.

The service station operator said, "The battery costs $20. I will make a credit charge of $2. You pay me $5 every payday until you pay off the amount."

Those figures are small enough so that everybody can understand them. When I tried to figure out the annual rate of interest on that simple transaction, I became involved in a process that eventually ended in some of the largest universities in the west. Every man who figured that annual rate reached a different answer. All I could finally determine was that the annual rate was somewhere between 115 and 130 percent.

The rate statement on such purchases may appear unreasonably high yet when one talks about paying $2 for the privilege of having credit, under those circumstances, it does not seem to be too bad.

Fortunately, the bill takes care of such a case, because it exempts all installment transactions in which the charge for credit is no more than $10. In practice, this provision would exempt purchases which could be as high as $110, if paid off in 1 year, even at an annual rate of 18 percent, and the value of the purchase could go higher at lower percentage rates or a more rapid payoff. The committee agreed that this exemption was necessary to protect the poor because rather than to state an extremely high rate like that in the battery case, sellers would simply dry up the credit on small loans or purchases.

I soon discovered the annual rate requirement had a natural relationship to installment contracts, which required payments of equal size spaced into equal time periods, but would not fit situations in which there were variations of either amount or time, and most particularly would not fit the so-called revolving charge accounts, whose balances could vary both up and down between payment periods.

This problem of stating costs in advance on revolving charge or open credit in advance has been the most difficult one we faced. In the first place, it is impossible to calculate the total dollar costs of revolving credit in advance, as could

be done for normal installment accounts, because no one knows in advance how the customer is going to use the revolving charge, because the carrying charge is bound to be different every month: in order to be accurate, it has to be calculated after the month's record has been made; and the charge can be as low as zero. The cost of credit on such accounts is further complicated by the so-called free time which applies to every purchase, and can range between a minimum of 31 and a maximum of 59 days. In contrast, there is no free time allowed in a typical installment contract; and as though this were not enough to make the accurate prestatment with annual rate, there is still a third major factor that would have this same effect. In some revolving charge systems, the monthly charge is applied to the balance at the beginning of the period, while other sellers first subtract all credits from the beginning balance, including payments on account or returns or other allowances. Thus, depending on the system used, different dollar charges inevitably would be developed from accounts that were actually identical.

In the original bill which would have required a statement of revolving account charges as a simple annual return, it was proposed that this would be arrived at simply by multiplying the monthly return by 12. This was a very serious oversimplification, and this process always produced an overstatement of the rate which in some cases could have been as high as 40 percent. The existence and amount of the overstatement could always be demonstrated by calculating the actual finance charge developed by the account after the transactions had occurred, but it could never be calculated in advance. Thus, instead of producing trust, this oversimplification would always have given the buyer a false picture; and since it was always an overstatement, it would have been competitively damaging to the seller.

It was this head-on collision over the method of stating the cost of revolving credit which derailed the three earlier bills, and it was only this year, after the committee sought to make a workable adjustment for practical factors which I have described, that this bill could win the unanimous support of the committee.

In brief, these are the adjustments we have made:

First, the requirement that revolving dollars must be stated in advance has been dropped because, as I have said, the figure could not be calculated.

Second. The complications caused by "free time" and the unpredictable pattern of charges and credits both in time and in amount have been bypassed by eliminating the requirement for stating an annual rate and permitting the statement of the monthly charge while at the same time requiring a showing of the basis on which the charge is calculated.

Third. Because the annual rate on revolving or open-end credit can only be figured after the transactions have occurred, and because the committee feels that customers using this type of credit are entitled to know approximately what the credit costs—and the sellers should be permitted to give this information to the customers—the bill permits, but does not require, a seller using the revolving charge system to print on his statement a figure representing the average annual effective rate based on all the transactions of the previous year. This is the average rate and, of course, does not match the experience of any single customer; but it is a pretty good measure.

Those selling on the typical installment plan are required by this bill to state an annual rate in advance, and those selling on revolving credit are not. The committee realized that there might be an attempt on the part of some to label their installment credit with the name of revolving credit in the hope of avoiding the bill's requirement. So it closed this door by setting up three conditions which are typical of installment credit, but not of revolving, and requiring that an annual rate be stated when any one of these three conditions was present. The Senator from Wisconsin [Mr. PROXMIRE] has explained them in greater detail. I shall just mention them in passing:

First. The retention of a security interest.

Second. The provision which permitted the payment in 1 year of less than 60 percent of the amount due.

Third. Provisions which permitted the buyer to skip the payment of some monthly installments by prepaying them in advance.

The fact the committee has approved this bill with a method of disclosure for open-end or revolving credit which is different from that of installment-type credit, does not, in my opinion, deprive the consumer of true information about the cost of credit or put him at the mercy of unscrupulous sellers or lenders. The often-heard charge that business as a whole in serving consumers, deliberately attempts to mislead, misinform, and give false information to customers is, of course, simply not a fact.

There will always be some who build their hope for business on the false assumption that they can fool their customers. But everyone who has had any experience in business knows that a business can grow only if its customers keep coming back. These customers are not as stupid as some of their would-be, self-appointed guardians would like to have us believe, and if they are not satisfied with either the merchandise, the credit terms or any other service, they can find plenty of other places for their patronage.

Nor do the terms of the present bill prevent a meaningful comparison of credit costs. Credit cost comparisons are necessarily and naturally made between credit sources of the same type, and existing practices which have developed over the years have already established more or less identical disclosure methods for competitors in the same field. A man searching for mortgage credit finds all mortgage lenders quoting costs in the same way, and this is largely true of other groups, retail establishments or small loan offices. Conversely, a man who has to decide between buying an automobile or a home makes that decision for many other reasons of convenience and necessity which are far more important than the different methods of stating credit in the two fields.

No one expects to pay as low a rate on a small short-term purchase as he does on a big long-term purchase. Many retail sales are so small that the granting of credit at a rate which is no higher, for instance, than that offered on a mortgage actually results in a loss to the seller compared with the profit he could have made had he sold for cash. In fact, every impartial study of the cost of retail credit of which I know has shown that large retailers are not meeting their costs of extending credit with the charges they now make.

They absorb this loss because their competitors offer credit, and because they are convinced that by making credit available they can increase their business.

Mr. HOLLAND. Mr. President, will the Senator yield at some convenient time? I have some questions I should like to ask him.

Mr. BENNETT. I am happy to yield to the Senator from Florida.

Mr. HOLLAND. I thank the distinguished Senator for yielding.

Mr. President, of course I presume all Senators received, as I did, many complaints as to the original bill that was pending in the Senate for several sessions prior to this one. I have had very few complaints on the pending bill. I am sure the committee must have made many changes that are helpful, and that have tended to clear up the difficulties in the old bill.

I have received only one recent complaint, and it is that about which I wish to question the distinguished Senator. It has come from small merchants who do business by way of installment sales, and then have to be financed by selling that paper to small finance companies—local finance companies, I think I should say, though they are not large concerns—and from some of the small finance companies.

They say the pending bill would make it increasingly difficult for small merchants who do that type of business, and small finance companies which finance that type of business, to stay in operation, because of the fact that the large concerns which have their own finance companies are able to distribute their profits between the selling operation and the financing operation in a way which will be hurtful to the small merchant and the small finance company.

I confess that I am not fully conversant with the problem. I am sure that the Senator from Utah must have heard similar complaints, and I should like to have any comment that he cares to make on the problem. I address the same question to the distinguished Senator from Wisconsin, because, as I have already stated, the number of complaints I have received, and the nature of those complaints, with reference to this amended, changed, or rewritten bill, whatever it is, have been so small as compared with those I received during earlier sessions that I am satisfied the bill is much nearer approval, in general, than was the case heretofore.

If the Senator from Utah cares to comment on that situation, I shall appreciate it.

Mr. BENNETT. Mr. President, I would like to make this comment: It seems to me that the problem the Senator from Florida has described existed before any truth-in-lending bill was considered. It will exist no matter what bill we pass. It grows out of the fact, which is axiomatic in our free enterprise system, that people with large distributive capacity can offer services at lower prices. The people to whom the Senator refers have been competing with that ability all along.

The pending bill will require them, if they are selling on the installment plan—and I assume they are—to translate their rates to an annual rate. It will also require the big man to translate his rate to an annual rate.

In order to help the little man, there has been written into the bill a system or an opportunity for tolerances, so that the little man—or the big one—can use a rate chart, which can be purchased cheaply and easily, to save him from the cost of having to figure the rate and the dollar cost of every single transaction. To that extent, we have been able to lighten his burden.

But, as I say, the problem of competing with the larger organizations existed before the pending legislation came out, and I do not think this bill affects it.

Several Senators addressed the Chair.

Mr. BENNETT. I yield first to the Senator from Alabama.

Mr. SPARKMAN. Mr. President, I merely wanted to add that there is another provision in the bill which is helpful to the small businessman, and that is the $10 exemption.

Mr. BENNETT. Yes. I covered that before the Senator came in.

Mr. SPARKMAN. I was hoping the Senator would cover it in connection with the question raised by the Senator from Florida.

Mr. BENNETT. I thank the Senator. I shall do so.

The bill provides an exemption for every sale on credit where the total credit charge is less than $10—which translates into a sale as high as $110, to be paid for over a year. So the little man has that protection at the low end of his business.

Mr. HOLLAND. Mr. President, I thank the Senator for his statement. In order that there may be no question as to whether we are talking about the same situation, the complaints I have received—and they have been few—have come from small independent dealers, not small in the sense that they are irresponsible people at all, but they are independent dealers like furniture dealers, hardware dealers, dealers in electrical equipment, or the like, who sell on installments, and then finance themselves by the sale of the installment paper to local finance companies.

When I say local finance companies, I am distinguishing them from the finance companies which, for instance, go along with Sears, Roebuck, or Montgomery-Ward, General Motors, or with any of the other large groups of stores or large merchants which have their own financing organizations.

I want to be very sure that I understand what this situation is, because I think the tendency in the Nation right now is too much in line with making it harder and harder for smaller business people, whether they be the merchants or the finance people, to stay in business, as compared with the very large operators.

I will appreciate anything further that the Senator has to say on this subject.

Mr. BENNETT. Perhaps the Senator from Wisconsin would like to comment on this matter.

Mr. PROXMIRE. Mr. President, I think the Senator from Utah has answered the question very well by saying that this was a problem before the pending bill and that this bill does not really affect the basic problem.

Furthermore, a similar truth-in-lending law has been in effect in Massachusetts for some months. We have had an opportunity to determine whether or not it would adversely affect small business. The testimony did not indicate that small business was inhibited in the sale of paper or in any other way by that law which is a more extensive law than the pending bill.

I think that that practical experience of several months at a time when the law would have run into its initial and main difficulties does suggest that the bill will not visit undue difficulties on small businessmen.

Mr. HOLLAND. Mr. President, if the Senator will yield for a specific question, is it the opinion of the distinguished Senator that there is nothing in the bill that will make it more difficult than it already is for small independent businesses or small financing companies to survive and profit and prosper?

Mr. PROXMIRE. There is nothing in the bill which would make it more difficult for them to survive and profit and prosper.

It is true that all businesses will have to compute the annual rate. As the Senator from Utah has pointed out, they will have tables that will make it easier for them to do it.

This is perhaps more of a burden on a small businessman than on a large established firm in some ways, but the best judgment of the committee and the unanimous judgment of the subcommittee was that this should not be a significant burden in any way.

They can survive and profit and prosper.

Mr. HOLLAND. Is it true that this particular point, the application of the law to small businesses and small financing companies, was of concern to the committee?

Mr. PROXMIRE. Yes. It gave us the deepest concern.

The Senator from Alabama is the Senate's outstanding man in the small business field. For years he has been chairman of the Select Committee on Small Business. I have been chairman of the Subcommittee on Small Business of the Committee on Banking and Currency. We have both been deeply concerned, and other Senators have been very concerned, that we do all we could to protect and safeguard small business.

That is the reason that the $10 provision was written in. We scrutinized every part of the bill, explicitly with reference to the particular point which the Senator from Florida is so right in raising.

If the bill were badly drafted and written, it could make it difficult for small business. But we are convinced that the pending bill will not make it difficult for small business.

Mr. HOLLAND. Was it considered by the committee as to whether a limit of more than $10 might be more helpful to the small business people and small finance companies?

Mr. PROXMIRE. Yes. There was some consideration given to that, although, frankly, the bill originally had no provision for any exemption of this kind. The Massachusetts law has no exemption. The Washington State law has no exemption. The Nova Scotia law has no such exemption.

There was some suggestion by consumer groups that we were going too far and that we should limit it to $5.

We think we went as far as we could without weakening the bill seriously.

Mr. HOLLAND. Mr. President, I thank all three of my distinguished friends, who are all known to be friends of small business and to be anxious about the problems of small business and the continued existence and prosperity of the small businessmen.

Their answers have gone far to clear up the question for me. I thank them all.

Mr. BENNETT. Mr. President, I thank the Senator.

Banks providing loans to individuals often vary in rate charge on the basis of the borrower's credit rating, which in turn measures the degree of risk involved. Small loan companies provide funds at high rates because those with whom they deal generally have very poor credit rating and are under the necessity of making many small payments in order to repay the loan, which in turn forces up the cost of handling the account.

I have gone through this method of presenting the different types of credit to remind the Senate that credit is a variable commodity and that there are many factors involved other than the actual interest charged for the use of the money. I have done this to make the point that an attempt to force the statement of the cost of all forms of credit into a single pattern would, in my opinion, have produced more distortions than it would have eliminated.

In short, Mr. President, I felt that this bill has had to be rescued from the straitjacket of mathematical rigidity and made practical by recognition of the need for mathematical tolerances. The original bill did not provide for any meaningful tolerances in the statement of rate, and this would have meant that each of the many billion daily consumer credit transactions would have had to be computed separately, and such computations are not only unfeasible but an attempt to go through with them in order to comply with the bill would have greatly increased the cost of credit service in my opinion, which, of course, would have had to be passed on to the consumer.

Another important change made in

this bill, then, has been this recognition of the necessity for tolerances. The pending bill will permit a variation of 8 percent from the true mathematical rate, both under and over that figure.

Let me make it clear what this variance means. In referring to a rate of 10 percent, I am not saying that it can vary from 18 percent up, to 2 percent down. However, I am saying that it can vary eight-tenths of 10 percent. So, it can vary down to 9.2 percent.

There is no limit on the variation that can occur above the actual mathematical figure since obviously this rate figured on that basis would be detrimental to the seller, not to the buyer. Because we have written the tolerance into the bill, it is going to be possible for the sellers to use periodical rate tables prepared and published in advance, and the seller can refer to these quickly and get a figure which he can use safely within the tolerances of the bill.

I used to say of the original bill that if it were enacted it could neither be complied with nor enforced.

Such a charge cannot be made against this bill. It is not perfect, but I think it meets the practical criterion of the greatest good for the greatest number of both consumers and creditors. I am sure it can be put into force without creating a major wrench in the economy or requiring any severe readjustment of bookkeeping systems, monthly statement forms, or payment patterns. In fact, one of its greatest virtues is that it can become virtually self-enforcing, and this is backed further by a provision in the bill.

One of my objections to the original bill grew out of the fact that I felt the whole problem belonged at the State level. I am now supporting a bill at the Federal level.

One of the main features of the bill is that it contains the provisions that I am about to read. It begins by saying:

The Board—

And that word refers to the Federal Reserve Board which, under the bill, will have the responsibility of writing the regulations under which this would operate.

The provision in the bill reads:

The Board shall by regulation exempt from the requirements of this act any class of credit transactions which it determines are subject to any state law or regulation which requires disclosures substantially similar to those required by Section 4 and contains adequate provisions for endorcement.

The bill, in other words, provides that if the States enact legislation which accomplishes substantially the same purpose, and which satisfies the Board as to its efficacy, the Board can then withdraw from enforcement of this act in that State and the State authorities can take up the enforcement of their local laws in place of the act.

We have had a group known as the National Commissioners on Uniform State Laws, appointed by State Governors. That group has been working for a number of years on this and other consumer problems.

We expect that shortly they will present us and the United States with proposed uniform State legislation. By acting now, we will be laying down some guidelines for men who are working on the proposed uniform State laws. So they can have hope that when their uniform laws have in fact been adopted, their State enforcement agencies can take over the job of enforcing legislation of this type, and that is where I believe it belongs. So I am delighted that this provision is in the bill.

This provision not only eliminates any need for a new, vast Federal establishment to police the law, but it also preserves in a unique and practical way my original position that this law should be administered at the State level rather than at the Federal level.

Finally, as is to be expected under the circumstances, this bill represents great accommodations between once antagonistic ideas. Its passage will not be a victory for anyone but a gain for everyone. It does provide meaningful and practical patterns for effective consumer credit cost disclosure, which after all should be our ultimate objective.

Therefore, as I said at the beginning of my remarks, Mr. President, I am very happy that after 6½ years of opposition to bills earlier introduced, I can join the Senator from Wisconsin and stand before my colleagues, earnestly urging the support of the committee and the passage of the bill.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. BENNETT. I yield.

Mr. JAVITS. First, I should like to say to the Senator from Utah, as a former member of the Committee on Banking and Currency, that I believe it is a great tribute to him that he is able to stand before the Senate and agree to the bill; because to me the most eloquent words in the English language that reflect the greatest character on those who utter them are "I am persuaded." I know that the Senator has had much to do with developing a bill which he could support and, without him, it could never have happened.

Although many of us felt that Paul Douglas could have done it if he had only moved an inch or two, the fact that it has been done must still be remembered as a very important tribute to his service in the Senate. Senator PROXMIRE picked up the torch for Senator Douglas, but we should not forget Senator Douglas' great role in authoring this idea.

I had a similar experience with Senator Lehman, of New York, who was a devotee of developing power at Niagara. But he never would move an inch, either, and hence it never got done until Senator Ives and I did what Senator PROXMIRE and Senator BENNETT have done in this matter.

So we should remember those who were the progenitors, like Senator Douglas, but we should also pay great tribute to the Senator from Utah and the Senator from Wisconsin, who worked this matter out.

If I may have the attention of the chairman of the committee and the ranking minority member, the New York banks have presented two questions to me which I should like to present to both Senators, so that at least the RECORD might indicate that the questions were asked and answered; because I intend to support the bill, and I realize the interdependent character of the compromise which is involved.

The first question is this: Whether or not it would be desirable to ask the Federal Reserve Board to have the right to determine, based upon experience with the bill in the 3 years from 1969 to 1972, whether or not it should thereafter require disclosure on the dollar-per-hundred or on the percentage basis or whether to continue the alternate form even for a 3-year period beyond that, again giving the Federal Reserve Board that discretion. Was that question considered by the committee, and what do the Senator from Utah and the Senator from Wisconsin think about it?

Mr. PROXMIRE. The effective dollar-per-hundred basis would be the same thing. In other words, if it were $18 per hundred, it would be a true 18 percent. It would not be a discount or an add-on or anything of that nature.

This question was considered, because, frankly, there was a strong feeling on the part of competent people in the banking industry that if you did not have a dollar-per-hundred option, you might have a misapplication of the State usury laws. We do everything we can in the bill to provide that the finance charge is not interest, but it could be misjudged in court. Therefore, we provided that there would be a limit on the dollar-per-hundred option until 1972, feeling that between now and then it would be possible for State legislatures to change their usury laws or, as a matter of fact, if it was embedded in their constitution, to change the usury laws by having two successive sessions of the legislatures change them.

If we find that we should continue this option beyond 1972, it seems to me that Congress has ample time to do so. But the feeling of the committee is that we should make a strong attempt to get this on a comparable basis, on a percentage basis, and not on a dollar-per-hundred basis, eventually, and 1972 would be going quite a distance into the future.

Mr. JAVITS. And the committee did not believe that discretion should be given to the Federal Reserve Board to handle it, but, rather, the committee believes that Congress itself should handle it?

Mr. PROXMIRE. That is correct. The Federal Reserve Board, which was very helpful on this bill, and was forceful and unanimous in approving the bill and saying they wanted it, indicated to us in general that they wanted as definitive a bill as possible, and at no time indicated they wanted discretion in this particular area.

Mr. JAVITS. Is it fair to say that, as a part of the legislative history, the banks can say that there is an open mind in Congress, and that the reason the 1972 date is set—and that it might even be extended—is to see whether pragmatically this can be worked out, so that by 1972 legal inhibitions and policy inhibitions are gone, and if they are not, at

least consideration can be given to continuing this practice?

Mr. PROXMIRE. Yes. But there is one delicate and difficult caveat here.

The purpose of the date was to persuade legislatures to modify their usury laws sensibly and appropriately. Obviously, if we have an open end situation or if it is clear that Congress is going to continue to extend this indefinitely, there would not be the same kind of pressure to clarify the usury statutes.

Mr. JAVITS. May I say that with the law on the books and the need for another law to undo it, I do not believe that anybody can have any illusions about the fact that it is an open-end situation. I believe it is important for those who feel strongly about the subject that inherent in passing the statute, Congress was conscious of the fact that 1972 might be an unfair limitation and that it might very well have to be extended.

Mr. PROXMIRE. That is correct.

Mr. BENNETT. I should like to comment on that aspect: 1972 is 5 years away, and this time gives ample opportunity for us to measure the speed with which the States correct the usury problem, and the committee can act again in time.

We have a very real example. We have had an experience in the State of Nebraska which shows what happens when a judge decides that a bill throws all credit transactions outside or within the usury statute, and invalidates them all. So we are very much aware of the problem.

Mr. President, I have a statement on the possible effect of the bill on usury statutes or vice versa. I ask unanimous consent that the statement be printed in the RECORD.

The PRESIDING OFFICER (Mr. HOLLINGS in the chair). Without objection, it is so ordered.

The statement ordered to be printed in the RECORD is as follows:

All but four States have usury statutes limiting the maximum rate of interest that may be charged. The following is a compilation of State usury laws and the maximum usury rates in each State:

Usury rate: 6% per year. Number of States: 10 (Delaware, Maryland, New Jersey, New York, North Carolina, Pennsylvania, Tennessee, Vermont, Virginia, West Virginia).

Usury rate: 7% per year. Number of States: 6 (Illinois, Iowa, Kentucky, Michigan, North Dakota, South Carolina).

Usury rate: 8% per year. Number of States: 12 (Alabama, Alaska, Arizona, Georgia, Idaho, Indiana, Louisiana, Minnesota, Mississippi, Missouri, Ohio, South Dakota).

Usury rate: 9% per year. Number of States: 1 (Nebraska).

Usury rate: 10% per year. Number of States: 10 (Arkansas, California, Florida, Kansas, Montana, Oklahoma, Oregon, Texas, Utah, Wyoming).

Usury rate: 12% per year. Number of States: 6 (Connecticut, Hawaii, Nevada, New Mexico, Washington, Wisconsin).

No usury law: Number of States: 4 (Colorado, Maine, Massachusetts, New Hampshire).

Usury rate: 21% per year. Number of States: 1 (Rhode Island).

In addition, the District of Columbia has a usury rate of 8% per year.

It has been common to differentiate between finance charge and interest rate. Consumer credit for small purchases cannot be granted at rates even approaching the rates provided in usury statutes of most States. Therefore, if the original bill had been accepted, nearly all consumer credit would have been made illegal, and such action would have disrupted the entire economy of the country.

Let me cite the problem that occurred in the State of Nebraska as illustrative of the importance of the differentiation of interest rate and finance charge.

Nebraska statutes regulating installment credit are classified under "Interest" in the codification of the State's laws. The Nebraska Supreme Court had affirmed the time-price doctrine in 1933 and later years. It held that a bona fide time-price sales agreement was not tainted with usury even though the time-price exceeded the cash price by a rate higher than the 9 per cent interest rate of the State usury statute. In decisions in 1956, however, the Court held that contracts to finance purchases were evasions of the usury statute when the buyer was not quoted a cash price and a time price, and given the opportunity to choose between them.

The uncertainties created by the court decisions prompted the Nebraska Legislature to write a new Installment Sales Act in 1959. It required statement of the cash price, the time price, and the differential. The legislation placed ceilings on the amount of finance charge that could be levied on retail credit sales at various rates.

The 1959 Sales Act was held unconstitutional in 1963. The Legislature in its regular session that year modified the Act and the court held that Act unconstitutional. In a special session, the Legislature passed several Acts modifying the Loan Act and the Sales Act. The two rate Acts were held unconstitutional in 1963 and 1964.

The decision that the 1959 Sales Act was unconstitutional found that contracts made under the Act were methods of financing the unpaid balance of the cash purchase price of goods, and therefore were not time-price differentials but were loans.

The Supreme Court of Nebraska concluded that the time-price differential allowed by the Act was for forbearance of money, thus was an interest charge. This made all of the contracts that had been made at rates in excess of the general usury statute of the State illegal, and an illegal contract is unenforceable. The confusion that resulted had a very disrupting effect in Nebraska, and only when a new installment sales law became effective in 1965 did the confusion cease and business continued to operate in a normal fashion.

The original disclosure bill, by declaring all finance costs as interest, would have brought about a similar result in other States throughout the country. I could not see how such a result would add to stabilization of the economy as the bill claimed or how it would be in the interest of consumers to make it impossible for legitimate lenders and merchants to provide them with credit legally. This is one of the bases on which I had to oppose the original legislation.

The bill as now drafted makes as specific as possible the distinction between interest and finance charge. It has been the attempt of the Committee to avoid any possible disruption of credit granting that could occur as the result of considering the rate required to be disclosed as an interest rate. There is an attempt to preserve present relationships with regard to the time-price doctrine.

There is still the possibility that the rate disclosed will be considered an interest rate by consumers, and that as a result, they will feel that the rate is in excess of that permitted by State law and that harassment of businesses will occur. We have tried to minimize this possibility through language in the bill, and hope that the period until July 1, of 1969, before the bill becomes effective, will provide time for States to reconsider their usury statutes.

Mr. JAVITS. I thank my colleagues.

May I ask one other question of the chairman and the ranking minority member of the committee.

There is also a feeling in the New York banking community—not universal, but I believe it deserves a reply on the record—that it would be more fair and less discriminatory, and that greater comparability would be introduced into the revolving credit proposition, if the 60 percent test—that is, 60 percent repayment within 12 months—were to be amended to require annual disclosure only if less than 45 percent of the unpaid balance, on an experience basis, were paid off within a 12 month period.

Mr. PROXMIRE. The committee did consider this aspect explicitly. As a matter of fact, this 45 percent amendment was offered in the full committee, and then it was offered on the 50 percent basis. So the committee went into this feature in some detail.

When one considers what we do with a 60 percent limitation, it means 60 percent should be paid off within 1 year. This means, on the average, as our staff people compute it, that the balance would be paid off within 19 months.

This is an extended period. The purpose of the limitation was to prevent installment credit, such as credit for automobiles and big appliances, from moving into revolving credit.

When we get to 45 percent, and where we have more than a 2-year period, it would open the door so wide that whereas now there are 3 percent or 4 percent excluded from the annual requirement, it is conceivable that there would be a larger element and greater injustice.

Mr. JAVITS. In any case, the committee was decidedly against it and the compromise is based on that.

Mr. PROXMIRE. The Senator is correct.

Mr. JAVITS. I thank the Senator.

Mr. BENNETT. Mr. President, if there are no further questions I would be happy to yield the floor.

The PRESIDING OFFICER. The Senator from Alabama is recognized.

SENATOR PROXMIRE'S LEADERSHIP ON TRUTH IN LENDING

Mr. SPARKMAN. Mr. President, the truth-in-lending bill has been before the Senate Banking and Currency Committee for 7 years. On June 27, the committee met and for the first time recommended by a unanimous vote that the bill be reported to the Senate.

Much of the credit for this action must go to the skillful leadership of the Senator from Wisconsin [Mr. PROXMIRE], who was the principal sponsor of this bill. Senator PROXMIRE indicated a willingness to work with members of the credit industry to be sure that the bill would be workable to the industry while still providing the essential disclosure information to the consumer.

I believe Senator PROXMIRE has performed an outstanding task in piloting this long-delayed measure through the Committee on Banking and Currency. Although there are still elements of the

bill which concern me, I believe the committee has by and large adopted a sound bill which will prove workable to the credit industry.

Mr. President, on June 30, the Wall Street Journal published an article regarding Senator PROXMIRE's activities on behalf of truth in lending and his activities as chairman of the Joint Economic Committee. I ask unanimous consent that this article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

SENATE MAVERICK: WISCONSIN'S PROXMIRE IS ADDING SUBSTANCE TO SHOWMANSHIP

(By Norman C. Miller)

WASHINGTON.—For more than nine years William Proxmire has played a maverick's role in the Senate, and the fact that his fiery fights for hopeless causes frequently infuriated other Senators hasn't seemed to bother him.

Indeed, the Wisconsin Democrat has specialized in stinging assaults on Senatorial sacred cows—zestfully attacking other lawmakers' pet public works projects, for example. Colleagues' scorn for such tactics was apparently of small importance, as long as the folks back home got the message that "Battling Bill" was tilting with the Washington establishment in the La Follette tradition Wisconsin voters admire.

Good politics, perhaps, but Sen. Proxmire paid a price for his forays. Many Senators marked him down as a mere showman, too erratic to be trusted with serious business.

But now slight, baldish Bill Proxmire is surprising his Senate critics. The seniority system put the 51-year-old Senator in a leader's role on two important committees this year, and he has already come up with significant achievements.

As the new chairman of a key Senate Banking subcommittee, Mr. Proxmire picked up the long-languishing "truth-in-lending" bill and skillfully fashioned a compromise that was approved decisively this week by the Banking Committee, which for a half-dozen years had killed all such previous measures. Insiders think that breakthrough gives truth-in-lending a momentum that will sooner or later carry it all the way through Congress. Thus, Sen. Proxmire will probably become author of a landmark law requiring lenders and retailers to give customers more accurate information on the cost of credit.

Enactment of a truth-in-lending bill would be especially satisfying to Mr. Proxmire because the fight for that legislation was long led by the man he regards as his political mentor, former Sen. Paul Douglas of Illinois. Mr. Proxmire, whose five-year-old son is named Douglas as a tribute, says Mr. Douglas is the real hero of the truth-in-lending case. Ironically, many Senators feel Mr. Douglas' inflexibility was the bill's major obstacle in previous years; Mr. Proxmire's willingness to negotiate is deemed the major reason it finally got off the ground.

The Joint Economic Committee doesn't afford Sen. Proxmire a chance to initiate legislation, but since becoming chairman he has worked to expand the panel's influence on policymaking. After wangling White House agreement to making public a mid-year budget review, the Proxmire panel this week has followed up its traditonal early-year economic study with hearings aimed at compelling an Administration reassessment of controversial taxing and spending plans.

Sen. Proxmire's activist leadership has won bipartisan plaudits from joint committee members. Republican Rep. Thomas Curtis of Missouri calls his performance "excellent." Sen. Stuart Symington (D., Mo.) terms it "superb."

A GIMMICK?

Another Senator, impressed by the maneuvering that got the truth-in-lending bill moving, believes that a taste of legislative success may quiet Sen. Proxmire's appetite for gadfly causes. "I think the maverick role was a gimmick Bill used to establish his identity in the Senate," he says. "He's done that, and maybe now he's ready to be more constructive."

A safer bet might be simply that Sen. Proxmire will continue to do the unexpected, deciding for himself when it suits his purposes to follow the accommodating course most Senators consider "constructive" and when it does not. For Mr. Proxmire is a loner by nature, driven by ambition to keep making his mark as an individual, and not even his oldest political associates claim to understand all the reasons for his electric behavior.

The son of an Illinois doctor, Mr. Proxmire was educated at an Eastern prep school, Yale and the Harvard Business School. He seemed to be embracing the conventions of his Republican upbringing when he joined J. P. Morgan & Co. on Wall Street and worked as a GOP volunteer in Wendell Willkie's unsuccessful 1940 Presidential campaign.

The war put him into the Army counter-intelligence corps, and when he was mustered out in 1946, Wall Street had lost its allure. He went back to Harvard and, while obtaining a master's degree in public administration, decided the Democratic Party was for him because "it got things done." He also became determined to run for high office.

Lacking close ties to any community, Mr. Proxmire decided to pick an entirely new base where a newcomer could establish himself quickly in politics. He decided in 1948 that an ambitious young Democrat could move fast in Wisconsin, where the party was scratching for candidates to take on the long-dominant Republicans.

Having married a Rockefeller heiress, Mr. Proxmire could make his plans without worrying about money. He landed a reporter's job on the Madison Capital Times and quickly entered Wisconsin political circles.

Typically, he didn't wait to be invited to run for office. In 1950 the newcomer challenged a veteran assemblyman in the Democratic primary, and voters in the state capital got their first look at the day-and-night door-to-door handshaking style that was to become a Proxmire campaign trademark. He upset his well-known opponent in the primary and won an assembly seat.

Mr. Proxmire had no intention of remaining a faceless member of the tiny Democratic minority in the state house. He grabbed at the chance to run for governor in 1952 when the party was casting around for someone to take on a task considered hopeless. He lost badly, but the nomination gave him his first statewide exposure, and when the election was over he kept right on running, with his eye on the next gubernatorial race two years later. Touring the state in a battered old car, he shook hands everywhere, and organized rallies to denounce the policies of President Eisenhower's Agriculture Secretary, Ezra Taft Benson.

By 1954 Mr. Proxmire was the best known Democrat in the state, and easily turned back the challenge of an old-line party leader to win the gubernatorial nomination again. This time he came close to defeating his Republican opponent, running much better than expected. By 1956, Mr. Proxmire fully expected to win.

But he lost—badly—and seemed washed up in politics at the age of 41. A three-time loser, Mr. Proxmire had also handicapped himself politically by a divorce and remarriage. As he returned to his printing business in Waterloo, Wis., it looked as if his dream of political fame had become a nightmare.

Then, in 1957, Wisconsin Sen. Joseph McCarthy died. A special election was called and, while regular Democratic leaders feuded over the choice of a candidate, Mr. Proxmire jumped unasked into the race and won the primary. Then, confounding the experts who had written him off, he swept the election.

It was the first major victory by a Wisconsin Democrat in 25 years. Party leaders buried their reservations and hailed Bill Proxmire as a hero. Moreover, a hero's welcome awaited him in Washington, for his victory retained Democratic control of the narrowly divided Senate. Majority Leader Lyndon Johnson, whose job was preserved by the victory, gave the new Senator choice assignments that would help him build a record for the regular 1958 election.

CONVENTIONAL LIBERAL—AT FIRST

Mr. Proxmire came to the Senate as a conventional liberal and immediately supported the social legislation his wing of the party was then battling to enact. Wisconsin Republicans zeroed in, totting the high cost of the measures he proposed and dubbing him "Billion-Dollar Bill." But he handily won election to a full term, leading the state's Democratic ticket to a major breakthrough.

By then Mr. Proxmire had as much security as a Wisconsin Democrat can expect, and his party colleagues anticipated that he would continue to act like an orthodox liberal. So scarcely anyone was prepared in 1959 for Sen. Proxmire's sudden denunciation of what he called Lyndon Johnson's "one-man rule" in the Senate. His slashing anti-Johnson speeches seemed foolhardy even to Democrats who shared his views.

Yet, Sen. Proxmire was not committing political suicide. He sensed that his headline-grabbing fight was well received by Wisconsin's maverick-minded voters. He had made a deliberate decision to build a record as an independent fighter, disdaining the unwritten strictures of the Senate club, and not incidentally making some spectacular publicity splashes. When John Kennedy moved into the White House, Sen. Proxmire frequently quarreled with the Administration over matters big and small despite his early record as a Kennedy supporter.

The Johnson feud has cooled, though some bitterness remains on both sides. Mr. Proxmire supports the President on such controversial topics as the Vietnam War; he recently helped engineer an endorsement of the President's war policies by a Wisconsin Democratic convention. And Mr. Johnson made truth-in-lending one of his major domestic proposals this year after Sen. Proxmire served notice he would push the legislation.

"I also thought Johnson would be fine in the Executive Branch," says Mr. Proxmire. "I just didn't like the way he ran the Senate, bossing people around like it was an Executive agency."

Mr. Proxmire's continuing campaign against wasteful Government spending began soon after his 1958 election. Such talk by a politician isn't unusual, of course, but Sen. Proxmire follows up with ballyhooed attacks on specific projects in sacred pork barrel appropriations bills, and this has made him a pariah to some influential lawmakers. More than once, some dismayed Wisconsin politicians relate, money sought for Federal facilities in the Badger State has been dropped from appropriations bills in retaliation for the losing battles Mr. Proxmire has staged against projects in other states.

Such tactics, however, have allowed Mr. Proxmire to continue supporting liberal social legislation while shoring up his position with economy-minded voters at home. "He has carved out an almost unique constituency," marvels another Wisconsin politician.

A THOUSAND HANDSHAKES AN HOUR

Probably Mr. Proxmire's greatest political strength lies in his never-ending campaigning. Even in non-election years he is back in the state about every other weekend. He says he can shake hands with a thousand voters an

hour during his forays into Milwaukee shopping districts. Nor does he neglect the small towns; one politician recalls the Senator's sleeping in a barbershop when stranded overnight in a remote hamlet.

An almost fanatical physical fitness regimen helps keep Sen. Proxmire in shape for his grinding. A nonsmoker and near-teetotaler, he does 300 pushups and other exercises first thing in the morning. Then he jogs the five miles to Capitol Hill. In the evening he jogs back and roughhouses with young Douglas before sitting down to his first full meal of the day.

Admirers cite all this supercharged political and physical activity as evidence of the Senator's determination to be his own man. Detractors say he overdoes everything, failing to recognize that it's possible to accomplish things without punishing yourself. (At a party at Sen. Gaylord Nelson's home in Madison the host was being ribbed by a guest because he didn't make a fetish of fitness as his Wisconsin colleague did; thereupon, Mr. Nelson flopped to the floor and performed a series of one-arm pushups, and a chagrined Mr. Proxmire had to admit he couldn't duplicate the feat.)

More seriously, Sen. Proxmire's style of politics came close to backfiring during the 1964 election. A national magazine dubbed him one of the "five least effective Senators," and his Republican opponent aggressively exploited this charge. Mr. Proxmire ran behind Lyndon Johnson in Wisconsin, and some think he would have lost the election had it not been for the President's pulling power.

Writing a truth-in-lending law and acquiring prestige for knowledgeable direction of the Joint Economic Committee would be perfect antidotes to charges that Sen. Proxmire is ineffective, of course. Whatever turn the unpredictable Senator may take next, one thing is certain: He will be heard from.

Mr. SPARKMAN. Mr. President, I said that much of the credit was due to the Senator from Wisconsin [Mr. PROXMIRE] and it is. Equal credit must go to the Senator from Utah [Mr. BENNETT], the ranking minority member who worked so faithfully and so consistently in order to work out a good bill. The Senator from Utah was skillful in his advocacy and in his presentation.

Both the Senator from Utah [Mr. BENNETT] and the Senator from Wisconsin [Mr. PROXMIRE] realized in the beginning that if we were to get a bill which we could hope would pass the Senate and the House of Representatives it had to be based on compromise. I think all of us realize that legislation, at its best, is always a compromise, and so it is with this bill.

I believe that no other bill has been better presented than this bill from the standpoint of hearings. We heard much testimony. I know that the subcommittee took into account all of the testimony, the various views that we presented, and we worked out the best compromise that we could.

Mr. President, this bill does not suit me 100 percent. I doubt that it suits a single member of the committee 100 percent. However, I believe that everyone will join me in saying that it represents just about the best balance that we could develop. As I have said to others, it is a finely balanced bill, satisfying the overwhelming majority of all of those involved, but probably not completely satisfying anyone.

I opposed the so-called truth-in-lending bill during the 88th Congress when it came to a vote in the full committee of the Committee on Banking and Currency because I did not believe it was workable in the way in which it was presented. I voted for this bill this year, and in fact, not one member of the full committee opposed the bill because we felt we had developed a workable bill.

I believe that one of the best statements on the bill is contained in the individual views of the Senator from Utah [Mr. BENNETT]. If I may have the permission of the Senator from Utah, I ask unanimous consent to have the individual views as presented by him and contained in the report of the committee printed in the RECORD.

Mr. BENNETT. I am very honored to have them included in the RECORD.

There being no objection, the individual views were ordered to be printed in the RECORD, as follows:

INDIVIDUAL VIEWS BY MR. BENNETT

I have given my support to this measure providing standards of disclosure for consumer credit because it is the best solution that we have been able to work out over the past 7 years.

This bill bears little resemblance to that introduced at the beginning of this session and even less resemblance to the original bill of several years ago. We have come a long way in making the bill more workable while preserving the major goal of comparability as much as possible.

I feel that the consumer credit industry, bankers, retailers, and other lenders deserve a great deal of the credit for making a workable bill possible. I believe that I am safe in saying that none of them are completely satisfied with this bill, but they have given of their time; and their suggestions based on actual practical operating experience have been invaluable to the committee.

From the very beginning, I have subscribed to the principle of full and meaningful disclosure of credit costs. I don't believe that any responsible person could favor misrepresentation or willful withholding of information which could be reasonably disclosed and which would make it possible for consumers to compare alternative sources of goods and services. This is the basis on which our market system is built and has become so successful. On the other hand, one must avoid setting up rigid requirements which cannot be complied with easily by credit grantors or the result is an increase in costs which ultimately are passed on to the consumer.

Because there are many sources of credit both from lenders and sellers and credit is granted for a variety of purposes and under varied circumstances, it is completely natural that programs for granting credit developed along different lines and that credit costs were expressed in different ways. The objective of the original "truth-in-lending" proposal was to replace the many different methods of credit cost disclosure with a uniform statement as a simple annual rate.

A careful consideration of credit plans available led to the conclusion that all cannot be forced into one pattern of a simple annual rate statement in advance of the transaction without serious inaccuracies and inequities. Attempts to bring about such a statement resulted in the 7-year stalemate during which this proposal has been pending.

The bill reported by the committee has broken the stalemate with a compromise on this basic conflict. The compromise is not completely satisfactory or equitable. It requires some changes in every present credit pattern with more serious problems for some creditors than for others. Any compromise is somewhat arbitrary and this one is no exception. It has been built, however, on all of the information that was available to the committee, and while I would have preferred a solution that would have been less restrictive, less arbitrary, and less disruptive to credit practices, this is an approach to a most difficult problem.

The bill also provides that in addition to the required disclosure information, other information may be disclosed to the consumer as long as it is accurate. To me, this is a major provision. It is important, because credit plans differ in so many respects that one set of required items cannot completely show the differences which may be very important if a consumer is truly interested in making a rational decision.

I have been very concerned over the past 7 years that Federal legislation would, by moving into a field heretofore reserved to the States, preempt State laws and thus cause State legislative and administrative bodies to give up one more of their responsibilities to a central government. I do not feel that this is desirable and therefore would have preferred a uniform solution on the State level. The drafting work that has been and is being done by the National Conference of Commissioners on Uniform State Laws continues to represent the best overall solution to proper handling of consumer credit transactions. We have attempted in this proposed Federal bill to provide guidelines which the States may follow and continue to maintain jurisdiction over consumer credit transactions. I am not completely convinced that we have solved the jurisdictional problem, but it is my firm hope that the States will continue in their efforts to improve their consumer credit legislation and thus make this Federal bill both unnecessary and inoperative.

Mr. SPARKMAN. Mr. President, the matters pertaining to the bill, I believe, have been fully covered. There are several matters I wish to mention. First of all, the bill would not go into effect until July 1, 1969. As has been pointed out in previous discussion, the National Conference of Commissioners on Uniform State Laws, which is made up of representatives of the different States of the Union, has been working long and hard attempting to get a uniform consumer credit code to be placed before the State legislatures. I feel and I believe that many members of the committee feel that they are getting very near to an agreement on such a uniform code, and that it may be presented to the various State legislatures before this bill actually becomes effective, and that it may become a uniform law by action of all of the States of the Union. Personally, I hope that will be done.

Mr. President, I wish to mention another matter. I do not know that it disturbs anyone but it was brought out in the report. We have some provisions in the bill to try to make this law fit in with existing State laws and even fit in with State laws pertaining to usury. One important part is that we provide if there is any inconsistency between this law and the State law, it does not invalidate the entire State law. We do not impose this law on the State in its entirety, but only in that instance where there is an inconsistency, and we provide for a certain amount of tolerance between the Federal and State law.

As explained in the colloquy on the floor of the Senate, initiated by the senior Senator from Florida [Mr. HOLLAND], we

have tried to take care of small business and the different viewpoints as between disclosing dollars and cents and annual percentage rates; and we tried to take care of differing views of revolving credit. I believe we have worked out the best bill that can be worked out and, as I have said, a finely balanced bill.

Mr. President, I hope the bill will be accepted without amendment because I believe it is just that finely balanced.

Mr. President, again I want to pay my respects and tribute to the able leadership given in connection with this legislation by the distinguished Senator from Wisconsin [Mr. PROXMIRE] and the distinguished Senator from Utah [Mr. BENNETT].

A year ago I believe that no one would have been willing to predict there would ever come before the Senate a truth-in-lending bill by unanimous vote. However, that is the situation today, and I hope that the Senate will confirm the action of the full Committee on Banking and Currency.

Mr. McINTYRE. Mr. President, it is with a mixed feeling of relief and unhappiness that I wish to make a few comments on the bill now before the Senate, the truth-in-lending bill.

I say relief because this particular piece of legislation has taken up a great deal of my time and attention since I first arrived in the Senate. In practically every year since I was first elected to the Senate, the Banking and Currency Committee has agonized over the basic decisions which had to be made before this bill could be reported to the floor. Those of us who have tried to make this a workable piece of legislation have been subjected to criticism from all sides.

It is a real relief to be done with truth in lending for the time being.

I would like to point out that the full credit for making it possible for the Banking and Currency Committee to report this bill out after 7 long years goes to the bill's principal sponsor and manager, the distinguished Senator from Wisconsin. His complete grasp of all of the details of our consumer credit economy, his parliamentary skill, and his ability to negotiate, have uniquely made it possible for the Senate to be considering truth in lending today. Building upon the ideas of our former colleague, Senator Paul Douglas, Senator PROXMIRE has done what many of us had considered almost impossible. He deserves the full gratitude, not only of the consumer public, but also of the various segments of the lending industries. The Banking and Currency Committee is in his debt.

At the same time, I must admit to a feeling of unhappiness with the pending legislation. It is not all that I had hoped it could be. It is still subject to many of the objections which I have had to this type of legislation for several years.

Before the Senate votes on truth in lending, I would like to take a few minutes to set out, for the record, precisely those points of the present bill which I find myself in disagreement with. I would then like to cover a few of the improvements in the present bill which made it possible for me to vote to report it out of committee. Even as I say these words, I still have not decided whether I shall vote for passage of this bill.

The major objection which I have to truth in lending, and this objection goes right to the heart of any form of truth-in-lending legislation, is the probable adverse effect which it will have on very small, poorly capitalized, businesses in competition with larger businesses.

Truth in lending was designed to improve competition among all classes of lenders. Everybody is in favor of improving competition, of course. But it seems to me that any improvement in competition, and I refer specifically to competition in vendor credit, will place the national chain stores, the great mail order houses, and the large metropolitan retailers, in a substantially advantageous position over the small neighborhood or country store, with its limited access to credit facilities and its inabilty to use automated data processing techniques for its accounts receivable.

Perhaps, from the viewpoint of the consumer, such competition will continue to be desirable. But, Mr. President, we are legislating for an entire Nation, not just a nation of consumers, but a nation of shopkeepers, of small businessmen, of corner groceries and small automobile dealers. And I believe that the present bill may tend to injure these men and women.

Another objection which I have to this bill, as well as to its predecessors, goes to the appropriateness of congressional action in what has traditionally been an area subject to State regulation. Practically every State in the Union already has consumer credit legislation on the books, but in one fell swoop the Congress is preparing to enter, and practically preempt the field.

I must point out that my colleagues on the Banking and Currency Committee are aware that the primary responsibility for the administration of consumer credit legislation should lie with the States. Section 6 of the bill before us provides for those circumstances under which State law and State administration will preempt the operation of the Federal law.

I might point out that my preference for State, as opposed to Federal legislation in this area is not based upon any reliance on the old cliche of "States rights." Rather, it is based upon two practical results of the historic regulation of consumer credit by the States themselves. First, the States have already created and funded the administrative machinery needed to enforce and administer consumer credit laws. The Federal Government has no such administrative machinery, and its creation would add to the taxpayers expenses only to duplicate existing State machinery.

In addition, consumer credit legislation is intertwined with a whole network of related State legislation. The pending bill deals only with disclosure, and, although we have tried our best to foresee any conflicts with other State laws, we do not know how well we have succeeded. What, for example, will be the effect of this bill on existing State usury laws? We hope that disclosure under this bill will have no relevance to State usury laws, but only a State legislature, and not the Congress, is competent to dovetail the two different kinds of regulation.

Yet another objection with the present bill goes to the basic compromise which made it possible for the bill to be reported out of committee, the language in section 3(h) designed to separate the sheep from the goats, or rather, to separate those creditors who must disclose in annual terms from those disclosing in monthly terms. This is a crucial difference, for almost every witness before the committee indicated that creditors disclosing in monthly terms will be given a competitive advantage over the others.

If the Congress is to permit any creditors to disclose in monthly terms, and I believe certain creditors should be so authorized, then obviously some line, some distinction between creditors will have to be drawn. In the process of drawing such a line, some people are going to be hurt. This result is inescapable. Since the definitions in section 3(h) are, in the last analysis, somewhat arbitrary, we could expect to see that, say, two similar department stores on the same block operating in essentially the same way may receive very different treatment under that section. If we have to generalize about the distinctions under 3(h), however, I think that it is unfortunate that those merchants generally able to qualify for monthly disclosure will be the large, well financed, enterprises who will be directly competing, in some product lines, with the small, poorly financed, local small business such as furniture stores, auto accessory dealers, and others who will be required to disclose in annual terms. I think that this is a truly unfortunate consequence of the present bill.

Finally, I am not entirely happy with the penalty section of the bill, section 7. Unfortunately, it will still be possible for a merchant who makes a wholly unintentional, bona fide error, to be subject to a penalty. But I must say that this section has been vastly improved over its original language.

It is only fair, after mentioning all of the reasons for my unhappiness with this bill, to point out a few of the reasons why I did vote to report it out of subcommittee and out of the full committee.

As I mentioned before, the Senator from Wisconsin has displayed great understanding of the problems which this bill will cause the credit industry. He has been willing to negotiate on the details of the bill's administration, while of course, maintaining the basic principle of full and comparable disclosure of the cost of borrowing money. Under his leadership, the Subcommittee on Financial Institutions was able to reach agreement on a bill which, while still deficient in some respects, represents the very best possible compromise which I believe the Senate can accept.

The major attraction of the present version of this bill is its recognition of the difficulty of requiring annual rate disclosure across the board for all classes of creditors. The revolving credit provisions of this bill represent a major victory for the honest, responsible retailers

of our Nation, and for those of us who believe that periodic disclosure of revolving credit is the most meaningful type of disclosure and the most useful to consumers. In more personal terms, the committee's decision on revolving credit is a tribute to the clear logic of the Senator from Maine [Mr. MUSKIE] who was able to convince all of us of the difficulties and the pitfalls of attempting to impose an annual rate disclosure requirement on revolving credit.

The change from a "simple annual rate" to an "annual percentage rate," while not very significant in terms of the numbers involved, is a vast improvement in terms of simplicity of administration.

The provisions for complete exemption of certain types of transaction remove a wholly unnecessary burden on large segments of the lending industry.

The complete bill, as it now stands, does, in my opinion, give the consumers of this Nation a meaningful way of comparing the entire cost of credit. It deserves the full support of consumers.

Mr. President, I have indicated that I am still uncertain about the way that I will vote on final passage of this bill. I am not at all uncertain about the way that I will vote on any substantive amendments which may be presented. I believe that this bill, as it now stands, represents the best possible compromise of which the Senate is capable. I intend to oppose any and all substantive amendments to this bill, because of my own experience that amendments to this type of legislation should be considered only in situations where we are able to check out all of the effects of proposed changes to this highly technical legislation. This subject of truth in lending is much more complex than it appears at first glance, and I hope that my colleagues will accept or reject the entire bill which has been reported out, without trying to change it here on the floor.

Mr. MONDALE. Mr. President, I wonder if I could address a few questions to the distinguished senior Senator from Wisconsin and chief author of the truth-in-lending bill.

Mr. PROXMIRE. I am happy to yield.

Mr. MONDALE. I would like to ask a few questions to straighten out my understanding of the proposal that is before us.

As I understand it, most department stores with revolving credit plans charge 1.5 percent a month.

Mr. PROXMIRE. Most do. This is not universal. As the Senator knows, in the hearings the representative of one department store testified that, instead of charging 1.5 percent a month, it was 1.5 percent for a 35-day period. But 1.5 percent a month is the usual charge.

Mr. MONDALE. At any rate, under this bill the stores would not have to translate the monthly rate of 1.5 percent into an annual rate of 18 percent unless the plan met certain conditions?

Mr. PROXMIRE. Unless the plan met certain conditions; that is correct. The conditions, we feel, would prevent the kind of situation which might have developed without these conditions.

I might point out that 4 or 5 years ago the subcommittee reported a bill to the full committee which simply exempted all revolving credit from disclosing an annual rate. That bill was killed in full committee. So this bill is much more careful than the one reported out of subcommittee before.

Mr. MONDALE. The original measure which the Senator from Wisconsin introduced included all revolving accounts in disclosing an annual interest rate.

Mr. PROXMIRE. Yes.

Mr. MONDALE. Why should not a housewife know that her revolving credit is costing her 18 percent a year?

Mr. PROXMIRE. That is a good question. It is a question we asked again and again in the committee. I share the view of the Senator from Minnesota that a housewife should know. There were others in the committee who had a different point of view. Say that the housewife buys something on the 10th of the month and buys it on credit. In effect, at that time the store owner is giving her a loan, but she does not pay a service charge between the 10th of that month and the time the bill is sent, and, indeed from the time of the bill for another 30 days. So, in effect, she gets a free ride for that period of time. At the end of that time, if she has not paid it yet, she pays 1½ percent, for each subsequent month. Calculating the interest from the 10th of the month, when she made the purchase, it would be between 6 and 9 percent. It would be far below 18 percent.

I share the view of the Senator from Minnesota, but a majority of the committee disagreed with that view. Their view was that under the circumstances the 18 percent would be a distortion and would be inaccurate. Our view was that it could be made perfectly clear to the housewife that the 18 percent only ran when the credit charge was assessed. Only at the point did the 1½ percent become effective. Only at that point did the 18 percent become effective.

Mr. MONDALE. So, under your original bill, the consumer would be advised of the interest-free period under the revolving credit, but would be given the annual interest rate that would be applied by the store in developing its own credit charge against that revolving account?

Mr. PROXMIRE. Yes. A good case could be made that this would be unfair to the store, and some of the committee members made that case with persuasiveness—indeed, they had a majority of the committee with them, and if they made it on the floor they might convince a majority of the Senate—that it was not requiring truth in lending to say it was 18 percent when the free period during which the loan was outstanding was ignored, a free period that, with the average department store sometimes results in a charge of 8 or 9 percent—and not 18 percent.

So I think working out this compromise does not do a great deal of violence in this particular area, although I agree with the Senator from Minnesota. It would be far better to tell the housewife she is getting a free ride and at the end of the free ride she could take money out of a savings account, if she had one, or sell bonds, and use that money, instead of paying 1½ percent a month, up to 18 percent a year, to assess against a charge account.

Mr. MONDALE. What is the size of revolving credit today in terms of billions of dollars?

Mr. PROXMIRE. The sum of revolving credit, based on the best estimates we have been able to get, is $3.5 billion. This is only 3 percent of consumer credit, plus second mortgages, which we have included. This would include only $3 out of every $100 of consumer credit. So it does not represent a figure like 40 or 50 percent, but only 3 percent of consumer credit.

Mr. MONDALE. Of that $3.5 billion, how much of that credit would be exempt from disclosure of an annual rate?

Mr. PROXMIRE. That is a good question. In answering the previous question, I might have indicated that a larger amount would be exempted than actually would be. When I say 3 percent, I am referring to revolving credit amounting to about 3 percent, but of the revolving credit most, not all, probably about 80 or 90 percent, would be excluded because of our definition.

Mr. MONDALE. So that of that credit extended, the revolving credit extension makes up about 3 percent of the credit extended, and of that amount between 80 and 90 percent would be exempted?

Mr. PROXMIRE. We did exclude first mortgages, but they are excluded because they always specify the annual rate. Therefore, if we take only consumer credit, I think it would be less than 3 percent, but in the 3-percent area.

Mr. MONDALE. How significant is this exemption in terms of future trends in the industry?

Mr. PROXMIRE. I would hope this exemption would not become very significant. Some say as much as 50 percent of consumer credit will go into revolving credit, but I think that overlooks the provisions that have gone into the act. I hope it would not be much bigger than present, but I think we should recognize that it might get larger.

Mr. MONDALE. Would it not be wiser to change the law now and eliminate this exemption, or does the Senator think it would be wiser to wait?

Mr. PROXMIRE. I should like to change the law. We tried to do that in committee, but we did not have the votes either in the subcommittee or in the full committee. We worked out what I think is a reasonable compromise.

First, only 3 percent is being excluded from annual rate disclosure, but 97 percent is covered. Second, we have written into the law safeguards to guard against the possibility that we have opened up a large loophole. Third, if this practice does widen greatly, we can take a look at it in the future, and consider additional legislation.

So I think this was a reasonable compromise when we did not have the votes.

Mr. MONDALE. The last point, I think, is particularly impressive.

Would it not be possible to make large sales on revolving credit without disclosing the annual rate; and if so, would not that destroy true comparability?

Mr. PROXMIRE. There are two reasons why we should not have to worry about that. First, the bill requires that the creditor must not require a security interest. This means that title to the automobile or title to the refrigerator or other product must be in the hands of the buyer to get the exclusion. The creditor cannot hold on to it until he is paid off. This, all by itself, is a real protection, because, after all, few people will sell an automobile, a refrigerator, or anything else that is very large, to any consumer who walks into his store, give him title, and then hope he will pay. So this is some protection.

There is another important provision—there are three, but I shall discuss only two, because only two are of significance. The first is the security interest, that I have just discussed. The second is that if 60 percent of the amount or more is paid in less than 1 year, then there can be exclusion from annual rate disclosure. But if less than 60 percent is paid over a period of a year, then the exclusion is lost, and it is necessary to specify the annual rate. In effect, this means that if an item is to be paid for over a period of more than 19 months—and if an automobile is paid for the way Americans buy them now, 19 months is a pretty short period; and even for the purchase of appliances it is a relatively short period—the seller would not fail to disclose his annual rate.

I might also add that our discussion so far implies that revolving credit is exempt over the whole period. If I have given that impression, it is wrong. It is still necessary with respect to revolving credit, to specify the monthly rate. As I said in my initial statement, some department stores will not do this now, but they are all going to have to do it if the bill becomes law, and they will also have to state the dollars-and-cents service charge. So the consumer will be given this information, but not the annual percentage rate, for most revolving credit.

Mr. MONDALE. The Senator mentioned cars, but what about the case of large appliences? Would it not be possible to sell furniture or color TV sets on revolving credit, over 18 months, without a security interest, and thus escape disclosing an annual rate? Should not the consumer know the annual rate of credit when he makes a $500 purchase?

Mr. PROXMIRE. I think the provision for the security interest takes care of that pretty well. I would hope so. The seller definitely should have to specify the annual rate.

Mr. MONDALE. I commend the distinguished Senator from Wisconsin for what I regard to be a remarkable legislative accomplishment. I know that everyone here respects the magnificent leadership which Senator Douglas provided on this truth-in-lending issue over the years. I must say that the Senator from Wisconsin learned well, and has become not only a great spokesman for truth in lending, but one of the leading spokesmen for the consumer protection movement in this country.

Without his understanding and his sophisticated grasp of the practical business problems which must be dealt with in working toward this objective; without his sensitive and thoughtful handling of the measure in the committee and here on the Senate floor, we would not have come to this day, where it now appears that truth in lending, which has long been sought as a key objective of the consumer protection movement, is at last within grasp. I think the citizens of Wisconsin are rightfully proud of the Senator, and the entire Nation is in his debt.

Mr. PROXMIRE. Mr. President, I thank the Senator from Minnesota. I say to him that there is no one whom I would rather have commend me in those terms, because the Senator from Minnesota has long been identified—when he was attorney general of the State of Minnesota and when he was on the President's Committee on Consumer Interests, and certainly ever since then—as a great champion of the consumer, and one who early recognized the great importance of protecting the consumer in our laws, and the administration of law.

Mr. MUSKIE. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. MUSKIE. I should like to take just a moment to add my statement of gratitude to the Senator from Wisconsin. He and I have been members of the committee from the moment that Senator Douglas first introduced a truth-in-lending bill several years ago. Together, we have struggled with this problem, with somewhat different points of view from time to time.

I share the view the distinguished chairman of the full committee [Mr. SPARKMAN] expressed a few minutes ago when he said that a year ago it seemed very doubtful that this bill could have progressed to the point where it appears to be at this moment. I think it is a remarkable thing that it is on the verge of passage with scarcely a dissenting voice. I believe that the change in its prospects is largely attributable to the efforts of the distinguished Senator from Wisconsin. He and I have had differences of opinion about some aspects of the bill. I am glad to see a truth-in-lending bill finally reaching the enactment stage in the Senate. I am glad to see that it has been modified in ways which, to me, are more realistic than some forms of the bill in past years may have been. But I simply cannot resist taking the opportunity to say for the RECORD, that in my judgment, the distinguished Senator from Wisconsin, building upon the great contribution of Senator Douglas, is largely responsible for bringing this bill to this point in the legislative process. I think he has reason to be proud of his work, as I am proud to have worked under him, differing as we have from time to time.

Mr. PROXMIRE. Mr. President, I say to the Senator from Maine that I have referred several times to the ability and vigor of members of the committee who disagreed with us on some of the elements of the compromise we worked out. As I think all members of the committee know. I was referring particularly to the Senator from Maine. I think he did a most workmanlike and constructive job in developing a compromise that he was able to accept and we were able to accept, and which won the unanimous support of the committee. Believe me, this was not the idea, the brainchild, or the work of the Senator from Wisconsin. It was the idea and the work of the Senator from Utah [Mr. BENNETT] and the Senator from Maine, who hammered away, not only in working out a compromise, but in establishing a record in the questioning of witnesses during the hearings—a record that stood up very well, and was so persuasive that, although we had a lot of force on our side—everybody is for the consumer, of course—I think the Senator from Maine deserves much credit for working out a practicable and workable bill.

Mr. MUSKIE. Mr President, the bill in its present form is a compromise. I am sure there are aspects of it, as revealed in the colloquy between the Senator from Wisconsin and the Senator from Minnesota, which they would like to see changed. There are things in it that I would like to see changed. But after 6 or 7 years of labor on this bill, I think, in all its aspects, it represents a compromise which the Senate should consider in its totality. Although I would like to see some changes made in it, which I think would improve it, I support it in its present form, because I believe it reaches the best consensus which could be developed after long, hard, and careful work by Senators over a period of several years.

Again I congratulate the Senator from Wisconsin.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. I join in complimenting the Senator from Wisconsin and the Senator from Utah for having worked out a compromise which appears to be acceptable to most Senators.

However, on examining the bill one or two questions came to my mind.

The basic purpose of the bill, as we all understand it, is to insure to the borrower that he will be told the truth by the lender as to the rate of interest he will have to pay over the term of the borrowing. That is the basic objective of the bill, as we all admit.

However, I am somewhat puzzled or at a loss to understand why the Johnson administration, which claims to be so strong for this bill and its principle, exempted itself from the provisions of the bill.

I refer particularly to the FHA, which finances mortgages for home buyers. I have raised this point many times heretofore. They tell the home buyer that under the existing setup he will pay 6 percent interest on his mortgage when in reality, he is paying much more when the loading charges and discounts are considered.

We all know that if the home buyer is buying a home for $10,000 he must give an $11,000 mortgage in order to get the $10,000 home paid for. Under the point system he actually gets only about 90 percent of the face value of the home. In other words, he has to discount his mortgage.

The net effect mathematically is that, instead of paying 6 percent for his mortgage over the 20- or 30-year period, or whatever the term of the mortgage might be, he is in reality paying 7 percent to 7.5 percent and in some instances even a higher percentage.

Would it not be wise to include that type of mortgage in the provisions of the pending bill so that in any case where the mortgage is guaranteed by the Federal Government it would have to tell the borrower the exact rate of interest as it would be amortized over the life of the mortgage? If the Government really favors truth in lending why does it not set the example?

Mr. PROXMIRE. The Senator from Delaware makes a very good point. The bill as originally drafted included all mortgages. There were no exclusions. It included first, second, and third mortgages, or any other mortgages. However, the feeling on the part of the mortgage bankers and institutions was that they state an annual rate and that the annual rate is well known and well accepted. There is no variation from this practice in mortgages. When somebody goes to buy a house and takes a mortgage, he has the annual rate stated to him.

Because of this fact and because of the dollar financing charge—in many cases will exceed the cost of the home—and because of the fact that the average person only continues to pay for a home for 9 or 10 years and then moves into another home, the finance charge would tend to be deceptive and give him a false picture of how much he would pay. In doing this, it would tend to discourage him from buying.

It was felt that it was unnecessary to include first mortgages under the provision of the pending bill.

We do, however, include second mortgages.

I know what the Senator from Delaware is getting at, because he was most courteous. He did talk to me and to other members of the committee about what he has in mind.

We recognize that there is a real abuse of people, as the Senator implies, when they get a FHA or VA mortgage, or even a conventional mortgage. They are permitted to borrow on a point system which distorts the actual rate they pay.

The point system is most confusing and deceptive. People get a false notion of the rate. Many of them undoubtedly feel that they are paying less.

The committee recognized this. The Senator from Alabama [Mr. SPARKMAN] has been particularly active in trying to develop some way of coping with this matter and eliminating the point system because it is subject to abuse. However, our feeling is that if we did provide for ending the exemption for first mortgages on VA and FHA mortgages, we would be discriminating against those mortgages and forcing the people into the conventional mortgage area and we would thus open up a most serious problem that we are now exploring in the committee. We have not completed our hearings. We have not had any opportunity to discuss the matter in executive session.

We would be legislating on the floor in a way that might create very serious problems, and then we would be in a most unfortunate difficulty.

We would hope, therefore, that the Senator from Delaware—who has the sympathy, I am sure, of virtually every member of the committee on both sides of the aisle—would not press an amendment to include any first mortgages, because if we were to agree to such an amendment, as I say, this whole carefully worked out and, as the Senator from Alabama has put it, finely balanced bill, would encounter most serious difficulty that we think would be unfortunate.

Mr. WILLIAMS of Delaware. I appreciate the position of the committee, and as the Senator mentioned, I have discussed this with them before. However, over the months I have been very much disturbed over this situation, and particularly over the complete lack of cooperation we get from the executive branch downtown in our effort to correct this inequity to the home buyer.

It could be corrected by an Executive order if they wished to do so. They may have to take the fictitious ceilings off interest that can be paid on the mortgages. The present so-called ceiling on interest is a farce. It seems to me that an administration which has been speaking so eloquently about the necessity of truth in lending—and I support that provision and I am going to support the bill—would be willing to set an example by telling these home buyers the truth as to what interest rates they are paying. The administration is not telling them the truth today, as the Senator from Wisconsin knows.

They are telling the home buyers: "Under the FHA we are guaranteeing that it will charge only 6 percent interest." In reality, every home buyer in America today is paying 7 percent to 8 percent interest on every FHA-guaranteed mortgage.

Let us have some truth in Government for a change.

The home buyer with a mortgage term of 30 or 40 years cannot refinance the mortgage at a later date should a lower rate of interest prevail. He is locked in under the point system at these 7 or 8 percent interest rates for 30 years.

What is the committee doing at the present time to deal with this problem? Is the committee trying to work out a solution with the administration? Will the administration face up to a problem, as they should have been doing years ago? Is the Congress or the committee working on a more complete answer that will correct the problem? If not, I am inclined to press for a vote here today—even though this may not be the most appropriate bill to amend.

Mr. PROXMIRE. I think there is every chance that the committee will do so. We are having intensive hearings in that area.

We have called in responsible people from both the administration and the industry to testify. There is the deepest concern.

There is not a single member of the committee, Republican or Democrat, who does not agree wholeheartedly that the point system has been abused, and that it is a deceptive practice and that we should end the practice as soon as we can.

We are working very hard on the problem.

The Senator from Delaware is making a most useful contribution to alerting the Senate and the country to the issue by making this a part of the legislative history of the pending bill.

Mr. WILLIAMS of Delaware. As I pointed out, one of the most vicious effects of the point system is that if the credit risk defaults within 1 or 2 years the lender makes more money than he would on a good credit risk.

Mr. PROXMIRE. The Senator is exactly correct. They have an interest in defaulting.

Mr. WILLIAMS of Delaware. They do have an interest in defaulting in that the more defaults, the more money the lender makes. I have called the attention of the Senate to the situation of certain home buyers who, through unfortunate circumstances—perhaps sickness, have defaulted for 3 months, and under the provisions of the law the lender can then turn that loan over to the Government and demand full payment. Therefore he was glad to see the mortgage in default. The lender cashed in on the points discounted at once.

I have cited cases to the administration in which the lenders have refused to allow the home buyer, after he had defaulted a couple of months, any chance to make his back payments and even an advance payment. The opportunity to pay was denied because the lender wanted the mortgage to be defaulted. If the mortgage were defaulted he could cash in the face value of the mortgage.

Many of the institutions will admit that they make more money on the bad credit risks than they do on the good credit risks. They can go to bed at night and almost pray that the borrowers will default on their mortgages so that they can demand payment and make a lot of money on the Government.

This is an absurd practice which the Johnson administration set up and fostered. Yes, the administration encourages the practice whereby a lender can make more money on a bad credit risk than on a good credit risk.

It is pure hypocrisy for an administration which has made such stirring political stump speeches for truth in lending. However, the administration has exempted itself from the provisions of this bill. It gives lipservice to truth in lending, but it will not tell the American people the truth about its own operations.

Mr. PROXMIRE. Mr. President, I say to the Senator from Delaware, in fairness to the administration, that the administration approved the bill as originally drafted which required all mortgages to specify the annual rate and full finance cost. We sent a copy to the appropriate administrative agencies. They were for it enthusiastically. As far as they were concerned, they would have been happy to have first mortgages included. They have made no objection to that.

It was the decision of the committee to include this exemption provision, Democrats and Republicans alike, because this particular disclosure bill was primarily in the consumer area and not in other areas. We felt that this particular disclosure bill should exempt first mortgages on the ground that the annual rate is stated.

Mr. WILLIAMS of Delaware. Do I correctly understand that the administration would like to have this amendment included in the bill? If so, we can soon settle this question.

Mr. PROXMIRE. The administration has no knowledge of this particular amendment, but the administration did take the position that the bill in its original form was fine with them. They made no effort, to my knowledge, to have first mortgages excluded.

Mr. BENNETT. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. BENNETT. If my memory is correct, the Federal Reserve Board recommended that first mortgages be eliminated.

Mr. PROXMIRE. I believe that is correct. The Federal Reserve Board is independent, is a creature of Congress and not of the executive branch.

Mr. BENNETT. That is correct. And it has to administer the bill.

Mr. PROXMIRE. The Senator is correct.

Mr. BENNETT. Mr. President, will the Senator yield to me?

Mr. WILLIAMS of Delaware. I yield.

Mr. BENNETT. Part of the problem in which the point system is involved grows out of the States' usury laws, because in some States with usury laws the limit is so low that nobody could borrow mortgage money during tight-money periods if it were not for the point system.

So this is another problem we must work out before we can hope to completely eliminate the need for some kind of device. To me, this indicates the inherent weakness of putting a lid or a ceiling on anything when the actual operation of the normal economic forces can go through that lid. I believe it is smarter to remove the lid than to try to use things like the point system to seem to be living under the limitation, when, as a matter of fact, you cannot live under the limitation.

Mr. WILLIAMS of Delaware. The Senator is correct.

No doubt, some State laws need to be corrected. But primarily the problem which I am discussing is a Federal problem, and it is brought about because the Federal Government insists on maintaining an artificial ceiling on the interest that will be allowed on home mortgages. As I pointed out the other day, it is still operating under the illusion that it can finance the national debt for about 4¼ percent on long-term bonds. It does not sell any long-term bonds; and if it does sell a 4¼-percent long-term Government bond today it could be bought at around 90 percent of par. In other words, with the discount they yield a little more than 5 percent interest over the life of the bond.

I realize the situation in which the committee finds itself, and I will not press this matter at this time. I withhold the amendment at this time, however, only with the assurance given that the committee is planning to act soon to correct the abuse.

I most strongly urge that the committee take some steps to correct the vicious practice of the point system on home mortgages. This practice of discounts or points is undermining the building industry and the home buyers of America. The first step to correct this situation would be for the Federal Government to recognize that it cannot finance a first mortgage on a home today on 5¾ or 6 percent. As the Senator from Utah said, take the ceiling off and put the mortgage at par; or as the administration would say, just start telling the truth. If a home buyer must pay 6½ or 7 percent to get a mortgage today, let us recognize that fact and get the full value of the mortgage. Then if 5 years from now interest rates have dropped 2 or 3 percent, as they do in normal cycles, they can refinance their mortgages at a lower rate of interest and cash in on the lower rate in the last 20 years of the mortgage period, just as business does.

Under the present system of forcing them to take eight or 10 points off the mortgage, the home buyer is automatically locked in for the full 30 to 40 years of his mortgage at the higher interest rates.

Mr. PROXMIRE. The Senator from Utah and the Senator from Delaware have put their fingers on the crux of this matter—I did not discuss it at all—the question of the ceilings. The ceilings are a mistake, are wrong, and should be repealed. This is a disclosure bill. However, I have great sympathy for the argument that the Senator has made this afternoon; and I favor—and I believe many members of the committee would favor—eliminating these ceilings.

Mr. WILLIAMS of Delaware. Mr. President, with the assurance of the manager of the bill and of the Senator from Utah and other members of the committee that they will take action to correct this abuse I will not press this matter at this time, because I realize that this is not the most appropriate bill in which to deal with this problem. However, I believe they are related questions, and, I hope that Congress, working with the administration, can correct this problem at an early date. I believe the time is long overdue when we should begin to act.

Surely this administration, which has said so much about truth in lending, would want to be put in a position where it is telling the American people the truth when they borrow money to finance their homes through the Federal Government. Right now it is not telling them the truth.

Mr. PERCY. Mr. President, I believe that the Senate today will give overwhelming support to a dream come true of the former distinguished senior Senator from Illinois, Paul Douglas, who is the father of the truth-in-lending bill.

I have been a member of the Committee on Banking and Currency for the past 6 months, and I have witnessed the committee make this bill a reality under the able chairmanship of the Senator from Alabama [Mr. SPARKMAN], and the able leadership of the Senator from Wisconsin [Mr. PROXMIRE], along with the able leadership of my distinguished colleague, the Senator from Utah [Mr. BENNETT], who has provided a great deal of assistance in finding a practical and reasonable basis for proceeding.

The bill before the Senate today is not a perfect bill but on balance, it provides the proper emphasis that should be placed on a piece of legislation of this type, on supporting and protecting the consumer, because ours is a consumer economy. The committee has worked diligently to shape a truth-in-lending bill which would help consumers become more informed in their choice of credit plans.

I supported the bill in committee, and I intend to support passage of the bill in the Senate today.

However, this bill is a compromise in many respects, and it will not fulfill every expectation of former Senator Douglas. It also provides a basis for some criticism by those who still believe that the compromise has not fully taken into account their position and the problems that they face as distributors of merchandise in the marketplace.

Although the committee attempted to make the bill equitable to all sellers who are covered, some retailers find themselves at a competitive disadvantage under the committee's compromise bill.

Basically, the bill defines two separate types of credit: revolving credit, commonly used by department stores; and installment credit, typically used for the so-called big ticket purchases. Under the committee bill, sellers who use revolving credit are required to state their finance charge as a monthly percentage rate, while sellers who use installment credit are required to state their finance charge as an annual percentage rate.

The discrimination in the bill that is most apparent, however, is not that between revolving credit and installment credit. The most apparent discrimination is the discrimination within revolving credit, and I call attention to it here in the hope that some solution will ultimately be worked out, as the bill proceeds through the legislative process.

It was pointed out at the hearings that the bill defines two different types of revolving credit—revolving credit plans in which the title to the merchandise passes to the buyer at the time of the purchase, and revolving credit plans in which the seller retains title to the merchandise until the customer has made the final payment for it. The seller using a revolving plan without title retention will be permitted to disclose a monthly percentage rate, while in an identical transaction under the same repayment terms, the seller using a revolving plan with title retention will have to disclose an annual percentage rate.

This is an area in which the customer will have great difficulty trying to compare credit charges. On one side of the street, for example, a department store could state that the finance charge on a

$300 sofa would be 1½ percent per month, while across the street a furniture store selling the same $300 sofa on the same repayment terms with the identical finance charge would have to tell the customer the finance charge would be 18 percent a year.

The two disclosure requirements result from the fact that in one case the seller retains title to the merchandise until it is paid for and in the other case he does not. This kind of discrimination is to be regretted, despite the fact that the committee worked diligently to find a way to work out the most equitable answer to a truth-in-lending bill that is aimed at giving consumers the kind of protection that experience has found is required in our present economy. However, as I have said, despite the difficulties that I see in the bill, I certainly do recognize that in the spirit of compromise we have seen the best of leadership exercised in putting together this bill, and I do support the work of the committee and I shall support the bill today.

Mr. DODD. Mr. President, finally, after at least 7 years of frustration and disappointment, we in the Senate will have the opportunity to vote on truth-in-lending legislation.

The bill we are debating today falls far short of perfection.

Indeed, it is a compromise which does not completely satisfy those of us who have wanted lending disclosure standards for these many years.

And it does not really satisfy the opponents of truth in lending. They have fought fiercely against this legislation through many sessions of Congress and even today only support, and not too enthusiastically at that, a modest step toward the full disclosure that is needed to provide full protection to the average consumer.

American families pay about $12.5 billion a year in interest and service charges on their consumer credit arrangements.

Surely they have a right to know in reasonably clear and simple language and figures, exactly how much in the way of interest and service charges they pay on any loan or charge agreement.

Exactly how interest is computed, what it is as an actual percentage or as a statement in terms of dollars and cents, what the service charges are—all this information vital to the consumer, should be easily available to him so that he may make a rational decision.

At the present time, there is a baffling array of financing plans, a variety which varies from State to State, from lending institution to lending institution, and from store to store.

Without making a truly herculean effort, the average person cannot shop around and compare financing arrangements to see which is best suited to his pocketbook and his particular needs.

People in general are not familiar with the details of credit charges.

The survey discussed in the committee report on S. 5 illustrates this point. The individuals contacted thought they were paying about 8 percent on their consumer debts but were actually paying 24 percent.

And it is small wonder they are confused and uninformed and in some cases misinformed, what with "monthly rates," "add on rates," additional fees, service charges, and situations where no disclosure of rates is made at all.

It is easy enough to say, and this has been a basic argument of truth-in-lending opponents, that a person who is interested enough, someone who really wants to know, can always obtain the true and actual charges on a loan or a charge arrangement.

This is true only in a very limited sense in that someone with the time, the inclination and enough technical knowledge about consumer financing techniques can inform himself properly.

But in general, it is not true. Most people are not able to manage all of these requirements. As a result, they are at the mercy of the unscrupulous lenders and even of the honest and reputable people who work in the area of consumer finance.

To help people inform themselves, and to enable people to make a more intelligent and realistic choice among lenders, we ask only in this bill that some uniformity and coherence be put into credit information to consumers.

There is no provision in this bill which could in any way be construed as an effort to regulate interest rates or to intrude in the State's jurisdiction over this area.

We seek only to assure the performance of an elementary service, that of the accurate disclosure of charges by those who deal in the lending of money for consumer purchases.

Surely this is a reasonable step for the Senate to undertake, and I am confident that S. 5 will be approved by an overwhelming majority later this afternoon.

Regrettably, some urgent business, requiring that I leave shortly, has come up and I will have to miss the final vote. One vote, one way or another, will not matter on this issue, at this time, but I did want to say a few words because of the great interest I have had in this legislation, as a cosponsor and supporter, ever since I entered the Senate.

Were there any chance that the vote would be close, I certainly would make a point of waiting. But happily, after all these years, there does not seem to be any problem.

Mr. BREWSTER. Mr. President, I should like to associate myself with the remarks of my friend and colleague, the distinguished senior Senator from Wisconsin [Mr. PROXMIRE].

Last December, he wrote me that many people think this is the year for enactment of a truth-in-credit bill. I certainly hope this prediction proves accurate in the Senate today, for the legislation that our great former colleague, Senator Douglas, and Senator PROXMIRE, and others have worked on since the beginning of this decade is long overdue.

Along with 21 other Senators, I am a cosponsor of S. 5. I believe firmly that the passage of the bill will substantially aid the American consumer without doing the least harm to any reputable credit institution.

S. 5 is not a very complicated measure. It would not set maximum rates for credit. It would not govern terms as to downpayments and maturities. Indeed, the only aspect of consumer credit it would regulate is disclosures made before the transaction is consummated. It simply requires credit disclosures which are practicable to make.

A buyer is entitled to information on credit costs before he makes a decision on where to purchase credit. Fully disclosed cost data and the truthfully given price of credit will give American consumers the information they need to make intelligent buying decisions. Consumers need a basis for comparing credit arrangements, and such comparisons can be made when charges are stated in terms of annual percentage rate, a figure which includes all credit costs—examination fees, insurance charges, and any other fees.

Each of us knows that installment credit has helped to raise the standard of living of the majority of Americans to a level once enjoyed only by the few. Consumer credit is essential to the growth of our economy. In the true public interest, this bill will not stifle growth, but will continue and expand it in the best traditions of our democracy—a sharing of understanding between the consumer and business community.

As the Christian Science Monitor stated some months ago:

> We firmly believe that business and industry will benefit in the end from such measures. There has never been a time when an increase in public confidence in the honesty of business did not pay, and pay handsomely. In a country such as America, where there is a vast buying public, straightforward measures of dealing between buyer and seller reap a rich reward.

The bill we are considering covers all types of consumer credit, including home mortgages, consumer loans, installment purchases, and "revolving" credit. It is a thorough, comprehensive piece of legislation that does enormous credit to its principal sponsor. If it passes, we will have taken a giant step in the protection of the American consumer. Senator PROXMIRE deserves the thanks of all of us interested in consumer protection for his initiative and leadership.

Mr. President, there is a related matter I should like to mention briefly. I have just learned that the distinguished senior Senator from Washington [Mr. MAGNUSON], who is chairman of the Commerce Committee and of its Consumer Subcommittee, intends to introduce a bill that will complement the truth-in-lending bill and round out the credit disclosure picture.

This proposal is a Fair Credit Advertising Act that will require a full disclosure of credit information in all credit advertising in or affecting interstate commerce. In the words of Senator MAGNUSON:

> It will enable the consumer to begin his credit shopping when he picks up his paper rather than when he arrives at the store and prepares to sign a contract.

I feel honored to have been asked to cosponsor this measure, and will certainly do so when it is introduced. I believe it goes hand in hand with truth-in-lending

legislation, and deserves the support of all those interested in consumer protection.

Mr. YARBOROUGH. Mr. President, the truth-in-lending bill now before us represents a long overdue recognition by the Federal Government that it must act to insure fairness and openness in the fast-growing credit industry so vital to our economy. The complexity of the numerous credit rate schedules and financing plans forms an almost prohibitive obstacle to consumers who wish to buy on credit or borrow money intelligently. With credit buying occupying an increasingly important position in the life of American citizens and an increasingly large portion of the gross national product, we need fair standards to guide both consumers and creditors in their transactions.

S. 5, by requiring in all credit transactions the disclosure of interest rates as annual percentages of the capital, would bring clarity to the present confusion.

At the present time a credit customer might be paying a specified amount of interest per month, varying with the length of repayment period, in addition to numerous other credit charges, without realizing how high a percentage of the principal he was paying for interest. An add-on rate further confuses the unknowing customer by understating by one-half the simple interest rate. A variation in the method of stating the amount of interest can easily enhance or detract from the attractiveness of a credit plan to an average consumer unschooled in higher economics. Under the provisions of the truth-in-lending bill, instead of being faced with a combination of monthly interest rates on the total principal graduated rates of various parts of the loan, add-on rates, and unexpected service charges, the consumers in most credit dealings would be given a percent-per-year figure computed in the approved actuarial method. Using these simple figures, the consumer could then compare the interest rates of various companies and rationally chose the one with which he would do business. Credit companies would also benefit from the clarification and openness of rate disclosures by having ready access to the rates of competitors in a common form and could then adjust their rates in the resulting competitive credit market.

The lack of uniformity in State lending laws and the resulting confusion and inconvenience to potential customers must and will be adequately remedied by this bill. It is only the few unscrupulous credit companies, whose rates are intentionally ambiguous, not the majority of the credit industry, who gain from the present bewilderment of their consumers as to the amount of interest they must pay.

This bill has finally been reported from the Committee on Banking and Currency after 7 long years. It is a tribute to Senator Paul Douglas that the Senate is taking this historic action today. Senator Douglas was the father of this legislation and fought a courageous battle on its behalf. Although the bill differs in some respects from the original Douglas bill, credit is due the distinguished Senator from Wisconsin [Mr. PROXMIRE] for his successful efforts on behalf of S. 5 in this first session of the 90th Congress.

Senators Douglas and PROXMIRE, two great progressive Senators from the Midwest join the ranks of Norris and La Follette and the other Midwestern Senators in this great tradition, with their successful fight to gain for the consumers of America full and fair disclosure of the interest charges they pay for consumer credit. Although there are areas where the bill might have been stronger, this is an important day for the American consumer.

Mr. YOUNG of Ohio. Mr. President, today is a milestone for the consumers of America. After 8 years, the truth-in-lending bill is finally before the Senate for debate and vote. This legislative proposal represents a significant advance in furthering the interests of all Americans.

The enactment of this legislative proposal will be a great victory in the battle to protect millions of Americans from unscrupulous lenders and creditors. No longer will housewives and family breadwinners be at the mercy of financial wizards who have spent long years in devising means of confusing them. With the enactment of this bill the cost of credit will be disclosed fully, simply, and clearly. Borrowers and purchasers will be informed in terms of both actual annual interest rates and in dollars and cents of how much they are paying for a loan or for credit.

This bill will strengthen the efficiency of our credit markets without restraining them. It will permit the cost of credit to be freely determined by informed borrowers and responsible lenders. It will in no way affect businessmen or lenders who are presently being entirely fair and candid with the public.

The distinguished senior Senator from Wisconsin [Mr. PROXMIRE] has performed outstanding leadership in steering this bill through the Senate Committee on Banking and Currency to the Senate floor. He deserves the appreciation of all Americans for his hard work and perseverance.

Mr. President, the enactment of the truth-in-lending bill will also be a tribute to another great American and one of the great Senators of all time, former Senator Paul Douglas, of Illinois. Eight years ago the first truth-in-lending bill was introduced in the Senate by Senator Douglas, who introduced it in every succeeding Congress up to the 90th Congress. It is largely through his efforts that the Senate is considering this bill today. It is another of his many contributions for the welfare of all Americans.

Mr. President, I am hopeful that this beneficent proposal will be passed by the Senate without delay. It is high time for it to be enacted into law and American families given the break they deserve.

Mr. COOPER. Mr. President, the Senate is considering today S. 5, which was reported unanimously by the Banking and Currency Committee on June 29. It is important to note that proposals dealing with the disclosure of the cost of credit have been considered by the committee since 1960 and in the course of that 7-year history S. 5 is the first bill to be reported favorably by the committee.

The bill would require lenders and retail creditors to disclose the full cost of credit extended to consumers. The bill also includes agricultural credit when extended to individuals. I note from the committee's report:

> The basic purpose of the truth in lending bill is to provide a full disclosure of credit charges to the American consumer. The bill does not in any way regulate the credit industry nor does it prescribe ceilings on credit charges. Instead, it requires that full disclosure of credit charges be made so that the consumer can decide for himself whether the charge is reasonable.
>
> By providing full and comparable disclosure of information, the bill will permit consumers to compare the cost of credit among different creditors and to shop effectively for the best credit buy. The committee also believes the bill will promote the wiser use of consumer credit by consumers when they know the full cost of credit.

In the past I have been opposed to bills introduced in the 87th, 88th, and 89th Congresses which have dealt with this problem because I felt that they unduly prescribed Federal controls on business and lending institutions and would have resulted in an increase in the cost of credit to the borrower. The committee considered these proposals in extensive hearings during this period and refused to recommend these bills as presented.

I am happy to note that the bill before us today, S. 5, was unanimously reported by the committee and includes a series of committee amendments which make the bill practicable and workable from the point of view of the credit industry and very helpful to consumers by providing them with knowledge of the full cost of the credit arrangements available to them and thus making it possible for them to shop efficiently and to select the credit arrangements best suited to their needs.

I support the bill.

In conclusion, Mr. President, I believe it both appropriate and fitting at this time to take the opportunity to commend the members of the commitee for their tireless efforts, hard work, and careful consideration over the years of this important and difficult subject and which have produced the bill before us today.

Mr. MOSS. Mr. President, S. 5 is one of the most important consumer credit bills ever to come before the U.S. Senate. I am proud of the fact that I was one of its sponsors in 1960 when it was first introduced by the distinguished Senator from Illinois, Paul H. Douglas, and that I have been a consistent supporter ever since. I point out that I am no "deathbed convert" to this bill, now that it appears to be on the verge of passage.

Upholding the principles of truth in lending has not always been easy. When the provisions of the first measure became known, I was almost deafened by the hue and cry which came from finance companies, from retailers who sold any kind of a product on time, and from banks. My mail was filled with anguished appeals from owners of clothing stores and from automobile dealers and others saying that the bill was not needed in Utah, that it was not workable or practical, and that if it was passed it

would most certainly put them out of business.

These letters were analyzed with great care. It was clear that the measure was not needed in Utah as much as in many other States, because our State credit laws are among the best in the country. Under State laws, consumers must be fully informed on the extra cost of credit in dollars, but they are not given this figure in terms of the annual percentage rate of the finance charge. It was obvious that it would be more revealing and more fair if the costs were made clear in both ways. So I stood my ground.

I do not know how we can properly pay tribute here today to Senator Douglas for standing his ground. The pressure on him was many times greater than that felt by any individual Member of the Senate, but he insisted that ways must be found to prevent unscrupulous lenders from hiding the price of credit and the total costs of credit, and he continued hearings to study, refine, and perfect his bill. The measure before us today is quiet testimony of his courage and strong will, and of the continuing efforts of the present sponsor, the able senior Senator from Wisconsin [Mr. PROXMIRE], who picked up where Senator Douglas left off and brought the bill to the Senate floor, for the first time since it was introduced. The consumers of America owe both Senator Douglas and Senator PROXMIRE a debt of gratitude.

The need for the truth-in-lending bill is far more irresistible now than it was 7 years ago when the bill was first proposed. Living on credit has become even more deeply an American way of life. Since 1960 total consumer credit—exclusive of mortgage debt—has risen by 69 percent. At the end of 1966, it had reached an alltime high of $94.7 billion, or almost $500 for every man, woman, and child in the country.

According to the survey research center of the University of Michigan, 49 percent—almost half of all American families—are making installment payments. Half of these families owe $780 or more.

It is only right and fair that these millions of American families who buy on credit should have fully disclosed to them the cost of their credit charges, not only so that they will know how much they are paying, but so they can compare the cost of credit among different creditors and can shop effectively for the best credit buy.

It should be made very clear, however, that the truth-in-lending bill before us here today is aimed only at the unscrupulous lender. Its passage would protect not only the consumer who is uneducated in credit, but the ethical businessman who faces unfair competition on the part of those who engage in deceiving or fooling or cheating the public. It is a bill which would greatly strengthen the free competitive system.

The best analogy I can make as to what the truth-in-lending bill would do is to discuss it in terms of buying a package of meat at the meat counter in a chainstore. The meat package bears a label telling the shopper what kind of meat it is, how much it costs per pound, how many pounds and ounces there are, and the total price. Some of the packages go even further and advise on how to cook the meat.

But the Truth-in-Lending Act will not require the lender to tell the consumer how to use the credit from any particular source. It would require only that the consumer be told the price, the annual rate for the use of the creditor's money, how long the credit will be available, and what the total charge will be.

That sort of statement can be made by a bank or a finance company without any difficulties in computation. But there may be other difficulties. It may be a little hard for a creditor to give this statement to his customer, if he has been telling the customer that the rate is 1½ percent and it turns out to be 18 percent per annum on the outstanding credit balance. It may be difficult if he has to tell the customer that the $44 per month payments, which have been the sole information in his advertising, are going to run on for 3 years, that they will result in charges for credit of several hundred dollars and that the annual rate of charge—which is interest to the debtor—is 21 percent.

The truth may be hard to tell for lenders who have always dodged the problem of disclosing full details about prices and cost of credit. It will be hard, not because of any mathematical problem, but because past deceptions have left consumers unprepared for the truth.

Some of the people who have come to Congress to testify against truth in lending have shown no interest in discussing the bill on its merits, but have attempted to sidetrack it by persuading Congress that there are insurmountable mathematical problems in finding the annual rate of charge for credit. This is not true. The only mathematical problems are for the consumer.

The consumer faces about the same problems he would be up against if he went to the meat counter and found a package of meat labeled only with the cost—only with what he had to pay for it to get it out of the door—wrapped in paper so he could not see it, and there were no scales in the store to weigh it. The buyer would have a hard time under these circumstances figuring out whether the meat was a good buy or not.

Yet some credit retailers and lenders often give the consumer a deal like this, and assure him this is standard practice of the trade, and the buyer must just accept the deal. The buyer has neither the facts nor the yardstick for comparing one deal with another. Oftentimes his borrowing adds 10 or 15 or 20 or even 30 percent or more to the cost of major purchases. In fact, over a consumer's lifetime, use of high-cost credit cuts down by a substantial amount the things he can buy and pay for.

The Truth-in-Lending Act is, however, really a minimal sort of act. It does not tell any borrower when he can or cannot borrow, it does not tell finance companies, banks, or retailers, what rates they can or must charge. It leaves the people free to find the most efficient and accommodating lenders. It leaves lenders free to advertise their rates, and to comment on rates offered by other lenders.

The act would give the household which is considering borrowing or buying on credit the same advantage it had in going to the meat counter; the prices and total charges are there to see, and the family can buy or go somewhere else or save its money.

Mr. President, as a matter of fair play to the consumer, the cost of credit should be disclosed fully, simply, and clearly. I ask that the bill before the Senate, S. 5, be passed.

Mr. GRUENING. Mr. President, the proposed Truth-in-Lending Act, S. 5, which we are considering today presents a challenge to the States. Hopefully they will be vigilant and make certain that truth in lending is real—not fiction.

The bill reported by the Committee on Banking and Currency is not as definitive as I had hoped it would be considering the size of national consumer credit, whose total amount had climbed to $92.5 billion in March 1967 as against $5.6 billion at the end of 1945. As the committee report states:

> Currently, American families are paying approximately $12.5 billion a year in interest and service charges for consumer credit.

The amount, notes the report, is about as great as the Federal Government pays itself for interest on the national debt. Obviously we are not legislating pennies.

As reported, S. 5 will give us a starting point from which to work. It would make possible the exemption from compliance with the Federal law creditors in States which enact "substantially similar legislation." The committee hopes this will provide the incentive necessary to the States to "act favorably upon the proposed consumer credit code" because "in this respect the committee believes the Federal truth-in-lending law and the proposed consumer credit code are supplementary rather than competing alternatives."

Obviously it is desirable to have the individual States protect the interest of their consumers. The committee report says the committee is "hopeful that with the passage of a Federal truth-in-lending law the States will be prompted to pass substantially similar legislation so that after a period of years the need for any Federal legislation will have been reduced to a minimum." But such responsibility is enormous, and the incentive may have to be enlarged if the State governments are to know what consumers seek.

The bill, as reported, contains potential loopholes which will have to be watched. For example, should a consumer have to pay a finance charge which was not properly disclosed as required by law? I predict that this section of the bill will cause future headaches. I hope the people will let their elected representatives know when these headaches occur.

Section 8 of S. 5 lists exceptions to the provisions which the committee recommended. One such exemption applies to credit transactions exceeding $25,000. The committee felt that the amount is "considerably above" the average consumer credit transaction and "that the

protection afforded by the disclosure requirements would no longer be necessary." The unanswered question here, of course, is "What is the extent of increasing consumer income and purchasing power?"

The bill exempts real estate first mortgage credit because the committee felt that adequate disclosure was already being made in this area of credit. Second or third mortgages will still be subject to the disclosure provisions of S. 5. One may be concerned with what appears to be a blanket observation. While the committee may assume complete consumer knowledge so far as first mortgage credit is concerned, it is by no means certain that all persons have a complete knowledge of the intricacies of finance. This section may have to be strengthened.

Revolving credit charges have caused many headaches, and yet the committee did not require all revolving credit plans to disclose the annual percentage rate at the time the account was opened and on the periodic monthly statements.

We pass no perfect legislation. That we today are considering truth-in-lending legislation is a tribute to our former colleague Paul Douglas and to the Senator from Wisconsin [Mr. PROXMIRE], who also saw the desirability in enacting truth-in-lending legislation. Experience should demonstrate to what extent S. 5 protects the consumer.

As a cosponsor of S. 5 as originally introduced, I am pleased that after 7 years of hearings and consideration the Senate has had the opportunity to vote on this legislation.

Buy now, pay later is a phrase fraught with joy and all too often subsequent unhappiness. Young married couples, their parents and grandparents, all citizens, deserve to know the truth. It may, in the classic phrase, "make them free" from unbearable debt. Let us trust we have started down that road.

Mr. President, I ask unanimous consent that the full text of my April 21, 1967, statement before the Banking and Currency Committee appear at the conclusion of my remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF ERNEST GRUENING, U.S. SENATOR FROM THE STATE OF ALASKA, AT THE SENATE BANKING AND CURRENCY TRUTH IN LENDING HEARING, APRIL 21, 1967

Mr. Chairman: "Buy now and pay later" has become a part of our way of life. I believe it will continue to be. So, as we seek to stabilize our economy, let us recognize the facts and make certain that any evils in installment buying are corrected.

"Buy now and pay later" living particularly involves younger Americans. Young couples, aglow in their new-found wedded bliss, happy, hopeful, optimistic, no longer wait to buy homes, washing machines, dishwashers, and television sets. Nor need they. These are desirable accoutrements in the 20th century.

However, in a "Buy now and pay later" world all is not paradise. A young couple inundated by credit payments may suddenly be overwhelmed and their marriage may flounder or, worse, be washed away on a tidal wave of unpaid balances.

I venture to suggest that the continued failure of the Congress to enact the truth in lending act proposed in S. 5 could break up many young marriages. Certainly, gentlemen, we do not wish to be branded as homewreckers.

We do need to correct unnecessary consumer abuses which exist in the field of consumer credit.

Installment buying has become the merchandising of indebtedness. Yet, it need not be so.

President Kennedy supported truth in lending; President Johnson supports truth in lending.

The pioneering work in this field by former Senator Paul Douglas taught many of us the importance and value of persistence in just causes.

Members of this committee know better than most that the general purpose of S. 5, "To let consumers know both in dollars and in terms of annual interest rate the cost of credit and comparable interest rates," is practical and possible.

The 90th Congress can brighten its image immeasurably in the eyes of the American consumer by enacting the truth-in-lending bill.

S. 5 proposes long overdue needed reform. I have letters in my files dating back to 1960 from residents of Alaska in support of truth in lending. In one, the Reverend Richard T. Stussi, of Juneau wrote:

"It seems to me that a law is needed to enable borrowers to compare costs between competing sellers and lenders. Installment buying has become a regular part of consumer purchases and there is a need for honest labeling in this area. There is too much room for excessive charges and outright gouging under the general term 'carrying charges.' "

The Reverend Stussi wrote that letter in 1960.

Not much has happened in this field since he expressed his opinion, and it is difficult to understand why truth in lending is not a public law.

I have always supported the proposed legislation. Its purpose is modest. It merely requires a statement of facts so the installment buyer can know what he is up against.

Mr. Chairman, in closing I would like to place in the hearing record on S. 5 some case studies in credit prepared at my request by the Legislative Reference Service of the Library of Congress. One demonstrates conclusively that the purchase of a $21,000 home with a minimum down payment and without allowance for closing costs will cost the buyer a total of $23,993 in interest.

The other examples show what can be purchased with larger down payments or with refinancing with a second mortgage.

I also asked Mr. John C. Jackson, the Library specialist in fiscal and financial economics, to explore credit rates in furnishing a house, buying an automobile, paying for medical care, and in refinancing, and he has supplied several illuminating examples.

I should also like to place in the hearing record an article entitled "Financial Ten Commandments for Young Married Couples," by Dr. Milton Huber, associate professor at the University of Wisconsin's Center for Consumer Affairs in Milwaukee, Wis. You may know Dr. Huber. Mr. Chairman I might point out that the commandments apply equally to older citizens as well as to the young.

THE LIBRARY OF CONGRESS,
LEGISLATIVE REFERENCE SERVICE,
Washington, D.C., April 18, 1967.

To: The Honorable Ernest Gruening.
From: Economic Division.
Subject: The lure of "easy" credit as a road to financial disaster: an illustrative case.

A couple with $14,000 gross income—$8,000 received by husband; $6,000 by wife.

1. (*a*) Buy a house with minimum downpayment and without preparation for closing costs:

$21,000 house, 10 percent down, 30 years at 6¼ percent, $1000 closing costs:

Monthly principal and interest	$116. 37
Total payments on mortgage	41, 893. 00
Interest cost	23, 993. 00

House cost:

Down	2, 100. 00
Closing	1, 000. 00
Payments	41, 893. 00
Total	44, 993. 00

(*b*) Alternative:

Buy house 2 years later with no closing costs, 50 percent down, 20 years @ 6 percent:

Monthly principal and interest	$75. 22
Total payments on mortgage	18, 052. 80
Interest cost	7, 553. 00

House cost:

Down	10, 500. 00
Payments	18, 053. 00
Total	28, 553. 00

2. (*a*) Borrow half of the down payment in the family, borrowing closing costs same way, refinance with second mortgage at 18 percent on first $1,000, 12 percent on second $1,000:

5 years:

Payment per month (about)	$48
Total cost	2, 858
Interest (over 5 years)	858

(*b*) Alternative: No second mortgage.

3. (*a*) Furnish house immediately:

After downpayment, if any	$1, 800
Furniture and TV bought at several stores, carrying charges $10 per $100 of original balance, 3 years monthly payments	65
Interest cost	540
Total cost	2, 340

(Simple annual rate 18 percent.)

(*b*) Alternative:

$1, 800

Buy at least half for cash, few pieces at a time. Finance remainder at a credit union, 12 percent per annum, 2 year term:

Monthly cost over 3 years:

$25 cash plus $28 on borrowed money	53
Interest cost	112
Total cost	1, 912

4. (*a*) Buy an automobile on minimum terms:

Auto $2,200, $200 down, 30 months, $12 per $100 original balance per year:

Financed	$2, 000. 00
Monthly payments	86. 67
Total payments	2, 600. 00
Interest cost, 30 months	600. 00

Cost of auto:

Down	200. 00
Interest	600. 00
Principal	2, 000. 00
Total	2, 800. 00

(Simple annual rate 21 percent.)

(*b*) Alternative:

Postpone purchase 1 year or more to accumulate 40 percent down, and purchase smaller new car—$1,800 less, $720 down. Finance $1,080 at bank, $5 per $100 per year, 2 years:

Monthly payments	$49
Total payments	1, 188
Interest cost, 24 months	108

Cost of auto:

Down	720
Interest	108
Principal	1,080
Total	1,908

(Simple annual rate 9.3 percent.)

(5). (*a*) Charge current purchases and pay out on revolving credit, maintaining $500 balance:

Monthly payments	$50.00
Charge for credit	7.50
Total	57.50
Payments in year	600.00
Charge for credit, 1 year	90.00
Total	690.00

Interest cost on revolving account $90 (simple annual rate 18 percent).

(*b*) Alternative: Reduce amount of purchases and pay cash and obtain cash discount prices.

6. (*a*) Neglect to carry health insurance:

Cost of child—doctor and hospital	$650

(*b*) Hospitalization insurance (2 years)	480
And physician's fee	240
Total	720

7. (*a*) Borrow from several finance companies to meet medical expenses, and to consolidate debts, $1,500 in 5 loans at 3½ percent per month.

36 months with refinancing:

Monthly payments of principal	$41.66
Interest diminishes monthly, averages	27.00
Average payment	68.96
First month's payment	91.16
If paid to maturity, interest cost at 3½ percent per month (3 years)	971.00

(Simple annual rate 42 percent.)

(*b*) Alternatives:

Borrow from bank at 7 percent discount per year for 2 years:

Note	$1,744
Interest (2 years)	244
Monthly payment, level payment each month	72.67

(Simple annual rate 14.9 percent.)

8. Consolidate debts at debt pooler or Budget Adviser. Add at least 12½ percent to amount of debt; increase payments on debts accordingly.

Add costs 1–7 are for various periods of time, and total would not be appropriate.

JOHN C. JACKSON,
Specialist in Fiscal and Financial Economics.

[An article from Everybody's Money, 1967 spring issue]

FINANCIAL 10 COMMANDMENTS FOR YOUNG MARRIED COUPLES

(By Dr. Milton Huber)

Early marriages are on the increase again as young couples grasp for a moment of bliss now in the midst of a world of uncertainty.

More young people and more early marriages spell more broken marriages. Among teenage couples, for example, half of the marriages end in divorce or separation. High on the list of explanations for the failure of these young marriages is the immature use of money.

Young married couples, and those soon to be, might avoid the financial pitfalls of marriage by profiting from the experience of one hundred married couples whose homes were so threatened by the misuse of money early in their marriages that they had to seek professional counsel. In the words of a historian, the fool learns from personal experience; the wise man learns from the experience of others. The troubled couples with severe money problems were interviewed in Detroit. Among the questions directed to them were some inquiring into how they had gotten into trouble.

More impressive than any statistical summation of their answers is this sampling of their comments:

"You have a job and you buy. Then no job for a while and creditors get on you 'cause you want to keep the things you bought."

"It's so easy to borrow money, which is a great inducement to debt. Stay away from small loan companies. The way they appeal to families—just keep sending you letters encouraging you to borrow."

"We would have done all right if he hadn't lost his job for a spell."

"I should have confided in my wife more."

"Don't have kids right away."

"Plan on the unexpected. We didn't plan on sickness or a short week."

"I always thought we would pay but something happened."

"We didn't have emergency money and had to borrow. Set savings aside for emergencies."

Out of the hundreds of hours spent in interviewing these over-indebted couples, this Financial "Ten Commandments" for Young Married Couples evolved. The ten points summarize their advice to others on how to avoid the money problems that almost wrecked their marriages. Post them on the kitchen bulletin board next to the weekly shopping list for periodic consultation:

I

You shall have no more children than your income will permit to maintain the standard of living you desire for them. Do not forget that the older children become, the more expensive they are to raise. Financial planning and family planning must complement one another.

II

You shall not make the mistake of starting your marriage by purchasing all the modern conveniences and comforts that your parents have taken a lifetime to afford and accumulate. Ignore this commandment and you shall be bowed down with debts when the first child comes and the income from the wife's job is no more. Build your budget basically around the income of the husband.

III

You shall not take for granted that your mate has the same ideas about spending money that you have. Many good family names are taken in vain by creditors because couples have not worked out a spending plan together and assigned the responsibilities for shopping, purchasing, and meeting one's obligations to one or the other.

IV

Remember to save for the day the unexpected happens. Plan for the medical emergency, the short week, or the breakdown of the car. Set aside in savings, from the top of the paycheck, the equivalent of income from six months of your labor to care for emergencies.

V

Honor your credit rating. Pay your debts on time so that instalment credit at reasonable rates will always be available when you need it. Beware of merchants who advertise "easy credit" but specialize in harsh and expensive repayment contracts.

VI

You shall not kill your chances of enjoying the good life by buying impulsively. Especially beware of door-to-door salesmen and the lure of "something for nothing," however disguised. Do your shopping in showrooms, not your living room. Compare merchandise and prices as carefully for large appliances and furniture as you do for food and clothing. Not to do so is to be penny wise and dollar foolish.

VII

You shall not commit yourself to any installment contract without reading it completely. Be sure that all blanks have been filled in and that all verbal agreements have been put in writing.

VIII

You should not cheat yourself by securing new loans at high interest to pay off old due bills, charging little or no interest. This is an expensive way of buying time, not a way of paying bills. The continued consolidation of your debts can lead to the gradual disintegration of your marriage.

VIX

You shall not bear the responsibility of purchasing a car or major appliance on the instalment plan without inquiring into the true annual rate of interest, dollar charges, and other special fees. Interest rates vary considerably. Shop for your credit as well as your merchandise.

X

You shall not covet a house of your own if you move frequently. Financing, selling, and closing costs increase the cost of home ownership prohibitively for families which move every few years. Neither shall you compare the costs of renting versus buying without including all of the costs of home ownership besides monthly mortgage payments: depreciation, taxes, hazard insurance, mortgage life insurance, closing costs, upkeep and repair, and income from interest lost on savings used as a down payment on a house.

Honor these commandments and your marriage can be harmonious, even prosperous, whatever your income.

The author is an associate professor at the University of Wisconsin's Center for Consumer Affairs in Milwaukee, Wisconsin. His Financial "Ten Commandments" emerged from a study in depth of over-indebted families. Dr. Huber was formerly director of public relations for the Michigan Credit Union League. He received his Ph.D. degree in social ethics from Boston University.

Mr. SPONG. Mr. President, today the Senate is considering the Truth-in-Lending Act of 1967. The history of this legislation is long and fraught with controversy. For over 7 years various versions of this bill have been before the Banking and Currency Committee. It is a tribute to the hard work, persistence, and sagacity of the distinguished senior Senator from Wisconsin [Mr. PROXMIRE] that truth in lending is now before the Senate. As chairman of the Financial Institutions Subcommittee of the Banking and Currency Committee, Senator PROXMIRE this year offered a new approach to the major area of contention, revolving credit and guided the bill through various changes to a unanimous endorsement by the subcommittee.

The distinguished chairman of the committee [Mr. SPARKMAN] also has played an important part in the development of the final version of this legislation and in its being reported by the full committee. As a junior member of the Senate Committee on Banking and Currency I have been deeply impressed by the wise and firm leadership of the chairman, and his part in the development and passage of this legislation has been vital.

The Truth-in-Lending Act of 1967 provides for the full disclosure of the costs

of consumer credit. It is only a disclosure bill and in no way regulates or limits charges for credit. The bill provides that the cost of consumer credit, except for certain classes of revolving credit, be expressed in dollars and cents and as an annual percentage rate.

The Truth-in-Lending Act of 1967 is a compromise. It is not a perfect bill, but I believe that it is a workable bill. By providing for disclosure of the cost of credit it will provide consumers a yardstick by which they can compare the full cost of the various types of consumer credit. With this knowledge the consumer can shop for the best buy in credit and protect himself from paying excessive charges for credit. It will also benefit the honest and fair lender in his competition with those who use deceptive practices to charge excessively for credit.

The bill is drafted to encourage State action in enacting legislation in this field, and I am hopeful that the States will take advantage of these provisions.

Consumer debt has grown dramatically in the last two and a half decades and it promises to grow even larger in the future. I believe that requiring the disclosure of the cost of consumer credit will benefit the borrower, the honest lender, and the economy as a whole.

For these reasons I supported the Truth-in-Lending Act of 1967 in the Banking and Currency Committee and I intend to continue that support when we vote on this legislation today.

TRUTH IN LENDING—A TRIUMPH FOR THE AMERICAN PEOPLE

Mr. MORSE. Mr. President, the day the truth-in-lending bill becomes the law of the land will be a banner date for consumers across this country and in my State of Oregon.

Many people have contributed to this legislation since it was first introduced in the Senate on January 7, 1960. It was the great Senator from Illinois—Mr. Douglas—who brought this matter to the attention of the public and pioneered its consideration here in the Senate. I am proud to say that I was one of the original cosponsors of S. 2755 of the 86th Congress, and have worked consistently for the passage of that bill and its successors.

In my judgment the Banking and Currency Committee should be commended for its exacting consideration of this measure, and for its fairness to all of the interests which are involved.

This legislation, S. 5 of this 90th Congress, is a victory for the consumer. It provides for all lending institutions—the banks, small loan companies, credit unions, retail stores, savings and loan associations, and all other creditors—to disclose their interest rates on most credit sales fully and in a uniform way. The rates of interest must be stated as a percentage of simple interest, on a yearly basis, on the declining balance of the loan. Charges, fees, and insurance must be included in the interest rate calculation. A buyer will thus be able to compare the cost of credit among different lenders the way he or she shops for other items which he or she buys, and can know the full cost of the merchandise. In this way families can manage their credit intelligently, in the best way for their individual households.

As the citizens of Oregon know, personal bankruptcies are at an alltime high. This has been a special problem in our part of the country. It seems to me that the additional information resulting from truth in lending should thus have beneficial effects to both buyers and to the businesses which must be their creditors.

It has been my feeling that making such legislation is among the highest functions of the Congress. The credit industry is a technical field. Practices have grown up in various segments, the vast majority of which are entirely legitimate and adapted to the particular commercial conditions. However, the variety of ways in which they are presented to a buyer gave a picture of confusion to the average person searching for credit.

And, it is the average consumer who is most in need of credit. Between 1945 and 1967, consumer credit grew from $5½ billion to $92½ billion, or 17 fold. American families are paying $12.5 billion a year in interest and service charges for this credit, which is almost as much as the Federal Government itself pays on the national debt. However, a recent survey of 800 families found that the average estimate of finance charges on debts by the public was 8.3 percent, while the actual interest rate paid was 24 percent, or nearly three times higher.

The development of our credit system has thus enabled American industry and business to increase their sales at a rate 4½ times greater than the growth of our economy as a whole. It has also enabled young families to furnish their homes, acquire cars for transportation to their jobs, and purchase the thousands and one necessities and conveniences of life. These purchases generally come during the time of life when they are most needed and can be enjoyed for a longer number of years. Our credit system is one of the foundations of not only the overall economy, but each one of our home economies.

At the same time, a truth-in-lending bill was required to protect, and did in large measure protect, the credit industry and the 5 million small and large American businesses which live by extending credit. In revolving credit, which is now at the level of $3.5 billion, and growing rapidly, there is an exemption for all accounts which make more than 60 percent of the balance payable in 1 year. Therefore, the ordinary short term retail credit accounts are largely outside the scope of the act. Other exemptions are the whole first mortgage area, business and commercial credit, and securities loans.

Only the Congress is in a position to resolve the many complex interests in this field, and this has been done by the Senate Committee on Banking and Currency in this workmanlike and balanced legislation. I shall be pleased to vote in favor of its enactment.

Mr. PROXMIRE. Mr. President, I send to the desk a technical amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

On page 26, line 4, strike out the word "may" and insert "shall."

On page 26, line 5, insert after the second occurrence of the word "any" the words "Federal or."

Mr. PROXMIRE. Mr. President, this is a technical amendment to correct a typographical mistake in the bill, and it has been cleared by both sides.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wisconsin [Mr. PROXMIRE].

The amendment was agreed to.

The PRESIDING OFFICER. The committee amendment is open to further amendment. If there be no further amendment to be proposed, the question is on agreeing to the committee amendment in the nature of a substitute, as amended.

The committee amendment in the nature of a substitute, as amended, was agreed to.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, and was read the third time.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the Secretary of the Senate be authorized and directed in the engrossment of the bill to make all necessary technical and clerical changes.

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

Mr. PROXMIRE. Mr. President, I request the yeas and nays on the passage of the bill.

The yeas and nays were ordered.

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

The bill having been read the third time, the question is, Shall it pass?

On this question the yeas and nays have been ordered; and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Connecticut [Mr. DODD], the Senator from Louisiana [Mr. LONG], the Senator from Montana [Mr. METCALF], and the Senator from Georgia [Mr. RUSSELL] are necessarily absent.

I also announce that the Senator from Ohio [Mr. LAUSCHE] is absent because of the death of his brother William.

I further announce that the Senator from North Dakota [Mr. BURDICK] and the Senator from Tennessee [Mr. GORE] are absent on official business.

I further announce that, if present and

voting, the Senator from New Mexico [Mr. ANDERSON], the Senator from North Dakota [Mr. BURDICK], the Senator from Connecticut [Mr. DODD], the Senator from Tennessee [Mr. GORE], the Senator from Ohio [Mr. LAUSCHE], the Senator from Louisiana [Mr. LONG], the Senator from Montana [Mr. METCALF], and the Senator from Georgia [Mr. RUSSELL] would each vote "yea."

The result was announced—yeas 92, nays 0, as follows:

[No. 180 Leg.]

YEAS—92

Aiken	Harris	Morton
Allott	Hart	Moss
Baker	Hartke	Mundt
Bartlett	Hatfield	Murphy
Bayh	Hayden	Muskie
Bennett	Hickenlooper	Nelson
Bible	Hill	Pastore
Boggs	Holland	Pearson
Brewster	Hollings	Pell
Brooke	Hruska	Percy
Byrd, Va.	Inouye	Prouty
Byrd, W. Va.	Jackson	Proxmire
Cannon	Javits	Randolph
Carlson	Jordan, N.C.	Ribicoff
Case	Jordan, Idaho	Scott
Church	Kennedy, Mass.	Smathers
Clark	Kennedy, N.Y.	Smith
Cooper	Kuchel	Sparkman
Cotton	Long, Mo.	Spong
Curtis	Magnuson	Stennis
Dirksen	Mansfield	Symington
Dominick	McCarthy	Talmadge
Eastland	McClellan	Thurmond
Ellender	McGee	Tower
Ervin	McGovern	Tydings
Fannin	McIntyre	Williams, N.J.
Fong	Miller	Williams, Del.
Fulbright	Mondale	Yarborough
Griffin	Monroney	Young, N. Dak.
Gruening	Montoya	Young, Ohio
Hansen	Morse	

NAYS—0

NOT VOTING—8

Anderson	Gore	Metcalf
Burdick	Lausche	Russell
Dodd	Long, La.	

So the bill (S. 5) was passed.

Mr. PROXMIRE. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. ALLOTT. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. PROXMIRE. Mr. President, I have one further brief statement.

The passage of this bill by unanimous vote of the Senate was, I believe, in very large part due to the work of two remarkably able staff members—one, Ken McLean, as able, conscientious, and effective a staff member as the Senate has; he did a consistently brilliant, and I mean brilliant job. The other, John Evans, who did a splendid job working for the minority.

Mr. MANSFIELD. Mr. President, efforts to enact a credit disclosure measure have persisted now for nearly 7 years. Long pursued by Senator Paul Douglas, the passage of the Truth in Lending Act of 1967 today is certainly marked with the indelible stamp of his tireless devotion, his abiding interest.

Taking up the quest for Senator Douglas in this Congress was the distinguished senior Senator from Wisconsin [Mr. PROXMIRE]. I join the distinguished chairman of the Committee on Banking and Currency [Mr. SPARKMAN] in his praise of Senator PROXMIRE earlier today. Without a doubt, the outstanding talent and dedicated service of Senator PROXMIRE assured the passage of the measure. Both in committee, and on the floor today, he displayed the keen advocacy and sound judgment that made unanimous Senate approval a certainty. The Senate and the people of the Nation are forever in his debt.

The senior Senator from Utah [Mr. BENNETT], the able ranking minority member of the committee, similarly is to be commended for urging his strong support for this measure. As on all legislative proposals that have gained his endorsement, he displayed his astute and highly effective talents. The Senate is grateful for his wisdom, his articulate advocacy, and his deep appreciation of the issues involved.

The distinguished chairman of the committee, the Senator from Alabama [Mr. SPARKMAN] played a vital role in the passage of this measure. Noteworthy was his clear and able direction of the committee's action and his forthright support given so ably during the discussion today.

The junior Senator from Illinois [Mr. PERCY], the senior Senator from New York [Mr. JAVITS] and the Senator from Minnesota [Mr. MONDALE] are to be thanked for offering their strong and sincere views and likewise for contributing so ably to the discussion. Their wise and profound judgment was most appreciated, as was the clear and thoughtful assessment of the proposal offered by the Senators from Maine [Mr. MUSKIE], New Hampshire [Mr. MCINTYRE], and Florida [Mr. HOLLAND].

Many other Senators joined to assure unanimous approval and the Senate may indeed be proud of the lively and provocative views expressed. Each of us may look with pride upon this achievement. It marks a large step in the direction of what I believe will be of vital importance to the consumers of the Nation, while preserving every interest of those institutions affected by this credit disclosure proposal.

Again, our thanks to Senator Douglas and to Senator PROXMIRE. This success will be a lasting monument to their efforts.

RETIREMENT OF BERNARD BOUTIN FROM SMALL BUSINESS ADMINISTRATION

Mr. MONDALE. Mr. President, I ask unanimous consent that there be printed in the RECORD an article which appeared in this morning's Washington Post by Drew Pearson concerning the magnificent public service career of Mr. Bernard Boutin, who has resigned as Administrator of the Small Business Administration.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Post, July 11, 1967]

HERO WITHOUT HEADLINES

(By Drew Pearson and Jack Anderson)

This column, which has fingered the inefficient and spotlighted the unethical, today pays tribute to an unheralded bureaucrat now retiring from Government. He is Bernard Boutin, head of the Small Business Administration, who has operated without headlines, without scandal, and with a healthy record of promoting cooperation between business and Government.

There was a time when business and the Government considered themselves enemies. But under President Johnson big corporations are cooperating in job training programs while small-town banks are helping the Small Business Administration with loans.

What happens is that when local banks cannot make a loan they cooperate with the Small Business Administration either in taking part of the loan or getting the SBA to take it all. Administrator Boutin has also retained retired bankers on a per diem allowance to handle this cooperation. When a retired banker approaches a local bank not as a bureaucrat but as a businessman he gets better cooperation.

In addition, Boutin has drafted more than 2000 retired businessmen to work with the recipients of small loans to advise on their accounting systems, their production methods and their general techniques. These retired businessmen have a lot of know-how and Boutin has been using it.

Boutin finds that President Johnson takes a great personal interest in small business. Despite the press of the Vietnam war and other major problems, the President confers with Boutin every two weeks on small business progress.

Boutin is now leaving the government for private business. The reason: He has 10 children to support.

Note: Boutin first trained as mayor of Laconia, N.H., a city which has sent such other former mayors to Washington as former Rep. Oliva Huot and Sen. Tom McIntyre.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the House had passed, without amendment, the following bills of the Senate:

S. 60. An act for the relief of Dr. Oton Socarraz;

S. 67. An act for the relief of Dr. Juan Ramon Diaz Zayas Bazan;

S. 118. An act for the relief of Dr. Amparo Castro;

S. 132. An act for the relief of Dr. Alberto Fernandez-Bravo y Amat;

S. 164. An act for the relief of Dr. Cesar A. Mena;

S. 168. An act for the relief of Maria Jordan Ferrando;

S. 327. An act for the relief of Dr. Carlos Victor De La Concepcion Garcia;

S. 371. An act for the relief of Mrs. Mary T. Brooks;

S. 462. An act for the relief of Dr. Jesus L. Lastra;

S. 464. An act for the relief of Dr. Guillermo N. Hernandez, Jr.;

S. 465. An act for the relief of Dr. Mario Guillermo Martinez;

S. 499. An act for the relief of Dr. Manuel A. Zuniga;

S. 652. An act for the relief of certain employees of the Puget Sound Naval Shipyard;

S. 819. An act for the relief of Charles H. Thurston;

S. 853. An act to extend the life of the Commission on Political Activity of Government Personnel;

S. 904. An act for the relief of Doreen Delmege Willis;

S. 996. An act for the relief of Dr. Esther Yolanda Lauzardo;

S. 1045. An act for the relief of Alton R. Conner; and

S. 1278. An act for the relief of Dr. Floriberto S. Puente.