objectivity by honestly recognizing the fact that users of second class mail—by which Newsweek is distributed—receive preferential rates from our postal service.

Equally refreshing was Mr. Friedman's assertion that publishers of periodicals and newspapers prefer the status quo to a situation in which they would be forced to defend the subsidy they receive directly and openly. Such factual statements are commendable.

Mr. Speaker, for the information of all of the Members of the House, I include a part of Mr. Friedman's column at this point in the RECORD:

THE POST OFFICE

(By Milton Friedman)

". . . The tyranny of the status quo leads most of us to take it for granted that the postal service must be a government monopoly. The facts are very different. There have been many private ventures—including the storied Pony Express, which failed when the telegraph line (also private) reached California and provided an even faster service. Many others succeeded—which was precisely what led postal officials to foster, over many decades, a succession of Congressional enactments to outlaw private mail delivery.

"It would be objected that private firms would skim the cream by concentrating on first-class mail and especially local urban delivery—on which the Post Office makes a substantial profit—while leaving to the Post Office the mail on which it loses money.

"But this is an argument for, not against, competition. Users of first-class mail are now being overcharged (taxed is the word we use in other contexts) to subsidize the distribution of newspapers, periodicals and junk mail. Similarly, local delivery subsidizes mail for remote areas.

"If we want to subsidize the distribution of such material, we should do so openly and directly—by giving the originators of such mail a subsidy and letting them buy the services of distributing it as best they can. And we should finance the subsidy in accordance with the general canons of taxation, not by a special levy on the users of first-class mail.

"Nonetheless, the argument is politically powerful. It explains why many a newspaper and periodical—even some staunch defenders of free markets in other connections—will defend the Post Office's monopoly. They will defend it because they favor subsidizing dissemination of information and educational matter—but doubt that they can persuade the public to do so directly and openly. . . .

"In any event, I see no reason myself why readers of newspapers and periodicals, and distributors of junk mail, should not bear the full cost of distribution, whatever it may turn out to be—and I, for one, hope that it does not turn out be so low as to encourage still more junk mail."

ACTIONS BY THE SUBCOMMITTEE ON CONSUMER AFFAIRS ON H.R. 11601, THE CONSUMER CREDIT PROTECTION ACT

The SPEAKER pro tempore (Mr. MURPHY of New York). Under previous order of the House the gentlewoman from Missouri [Mrs. SULLIVAN] is recognized for 20 minutes.

Mrs. SULLIVAN. Mr. Speaker, the Subcommittee on Consumer Affairs of the House Committee on Banking and Currency met this morning in executive session to work on H.R. 11601, the Consumer Credit Protection Act, which I introduced in behalf of myself and the gentleman from Texas [Mr. GONZALEZ], the gentleman from New Jersey [Mr. MINISH], the gentleman from Illinois [Mr. ANNUNZIO], the gentleman from New York [Mr. BINGHAM], and the gentleman from New York [Mr. HALPERN]. An identical bill, H.R. 11806, was introduced by the ranking member of the full committee, the gentleman from New York [Mr. MULTER], for himself and numerous other Members of the House.

H.R. 11601 contains many, many provisions dealing with consumer credit which are not included in S. 5, the "truth-in-lending" bill passed by the Senate on July 11. Among these provisions are a requirement for disclosure of the annual rate on finance charges on revolving credit, on first mortgages, and on credit transactions where the finance charge is less than $10. All three of the categories were exempted from the annual rate requirement of the Senate bill applying to other forms of consumer credit.

As everyone knows who has followed the history of this legislation since former Senator Douglas first introduced his truth-in-lending bill 7 years ago, the applicability of an annual percentage rate disclosure requirement on revolving credit has always been the most bitterly fought provision. The Senate resolved the controversy by exempting revolving credit from this requirement. The Subcommittee on Consumer Affairs, of which I am chairman, appears to be completely deadlocked on this issue by a division of 6 to 6.

UNDER SECRETARY BARR STRONGLY REEMPHASIZES ADMINISTRATION POSITION THAT ANNUAL RATE BE DISCLOSED ON REVOLVING CREDIT

Mr. Speaker, as I told the House last Thursday, I have been hearing second- and third-hand reports to the effect that President Johnson and his administration are not seriously concerned over the need to require an annual percentage rate disclosure on open end credit transactions. That is why I felt it was important to relay to the House last Thursday the repeated admonitions I received from the President to fight for a strong bill which provided for uniform methods in the disclosure of credit costs on an annual rate basis.

Last night I received from the Honorable Joseph W. Barr, Under Secretary of the Treasury, and the official who has been assigned the responsibility in the Johnson administration of coordinating the executive department efforts in behalf of meaningful "truth in lending" legislation, a letter which firmly reiterates and vigorously reemphasizes administration support for an annual percentage rate disclosure requirement on all consumer credit, including revolving credit. Otherwise, this letter states, the legislation would unfairly discriminate against those lenders and credit sellers who use installment contracts rather than revolving credit. This is the point which has been stressed to us over and over again by the furniture dealers, the appliance dealers, the hardware stores, the banks, and the small loan firms.

Mr. Barr stated:

I wish, therefore, to repeat and re-emphasize the position that all creditors, without exception, should be required to disclose the cost of credit on an annual rate basis if there is to be effective truth-in-lending legislation, which is so badly needed.

The full text of Under Secretary Barr's letter to me last night is as follows:

THE UNDER SECRETARY
OF THE TREASURY,
Washington, D.C., October 3, 1967.

Hon. LEONOR K. SULLIVAN,
Chairman, Consumer Affairs Subcommittee, Committee on Banking and Currency, House of Representatives, Washington, D.C.

DEAR MADAM CHAIRMAN: Your Subcommittee on Consumer Affairs of the House Banking and Currency Committee has under consideration H.R. 11601 which would require lenders and credit sellers to disclose the true cost of credit to potential customers. The provisions of that bill are applicable both to installment credit sales and to revolving credit transactions.

In my testimony before your Subcommittee on August 7, 1967, I expressed the Administration's strong support for the inclusion of revolving credit in the requirement that among other items of credit information, the annual percentage rate of finance charge be disclosed. Since that testimony, it has become increasingly clear that the exclusion of revolving credit from this requirement would unfairly discriminate against those lenders and credit sellers who rely primarily on installment contracts in their credit sales or lending transactions. Also the average consumer can only make a sound decision about incurring debt by comparing the varying costs of credit available from different sources which are quoted on a comparable basis. If annual rates are not disclosed across the board, there can be no meaningful basis for general credit cost comparison by the consumer.

I wish, therefore, to repeat and re-emphasize the position that all creditors, without exception, should be required to disclose the cost of credit on an annual rate basis if there is to be effective truth-in-lending legislation, which is so badly needed.

Sincerely yours,

JOSEPH W. BARR.

Obviously, this issue eventually is going to have to be resolved in the full Committee on Banking and Currency and on the House floor. The subcommittee, as I said, seems to be deadlocked on the question of amending my bill to exempt revolving credit from an annual rate disclosure requirement, as was done in S. 5 as it passed the Senate. Therefore, I think it is extremely important that all of the Members of the full committee and of the House are fully apprised of the issue.

In the meantime, a number of tentative decisions were made in the subcommittee on H.R. 11601, and we will continue working on the bill a week from today at our next meeting.

AMENDMENTS ADOPTED IN SUBCOMMITTEE

Mr. Speaker, when the subcommittee met this morning we took the following tentative actions:

On my motion, we deleted from H.R. 11601 four controversial sections. These included section 203(l) which would have set a maximum figure of 18 percent for any finance charge in connection with the extension of consumer credit;

section 203(m) to outlaw confession of judgment notes; section 207 providing for regulation of margins in commodity futures trading; and section 208 providing authority on a standby basis for the regulation and control of consumer credit terms during a national emergency.

We received some very good testimony on most of these proposals during our hearings but there was no administration backing for them and it was obvious that they would not be approved at this time, particularly as part of a bill directed primarily toward full disclosure of credit costs. I think it was worthwhile including these provisions in the bill for the purpose of holding hearings but there was never any doubt that they would be removed when it came time to reduce the bill to workable proportions.

Numerous technical amendments which I offered were tentatively approved in the subcommittee—one recommended by the New York State Bankers Association dealing with the treatment of fees for insurance, comparable to filing fees in filing a security interest. Another perfecting amendment, suggested by the National Automobile Dealers Association, modifies the civil penalties provided in the bill, but only as these penalties relate to violations involving the advertising of credit terms. The criminal penalties would not be affected, however, by this change.

BINGHAM AMENDMENT ON REVOLVING CREDIT

A significant amendment offered by the gentleman from New York [Mr. BINGHAM], was approved, requiring that in open-end credit transactions, popularly known as revolving charge, the creditor must disclose, for each billing period at the end of which there is an outstanding balance on which a finance charge is to be made, the balance on which the finance charge was computed and a statement of how the balance was determined. If such a balance is determined without first deducting all payments during the period, that fact and the amount of such payments shall also be disclosed.

This amendment strikes at one of the main sources of consumer complaint about the practices of some retailers, particularly some of the large chains, in basing the 1½ percent monthly service charge not on the overdue balance but on the balance at the start of the billing cycle, disregarding any payments made during the month unless the entire balance is paid off during the month. Thus, if the debt is $100 at the start of the month, and every cent of it is not paid off during the month, the service charge would be $1.50 regardless of whether the customer paid $10 or $90 on the account during the month.

H.R. 11601 STILL A STRONG AND EFFECTIVE BILL

I have listed the major deletions which we tentatively made this morning, on my motion, in H.R. 11601. I do not want to leave the impression that by taking four controversial provisions out of the bill it was in any way damagingly weakened. The provisions which were tentatively deleted went far beyond disclosure requirements. At the time I introduced the bill, I made it clear that some of these provisions were intended as a basis for hearings, and I said I would not permit controversy over them to prevent action on basic "truth-in-lending" legislation.

Thus, even with these proposed changes agreed to this morning, H.R. 11601 is a very strong bill which goes well beyond S. 5, the bill which passed the Senate.

It includes revolving credit on an annual rate basis, which the Senate bill does not.

It includes first mortgages, which the Senate bill does not.

It requires an annual rate disclosure on all consumer credit transactions, and does not exempt, as the Senate bill does, those on which the credit charge is less than $10.

It applies "truth" requirements to the advertising of credit terms, which the Senate bill does not do.

It sets an effective date of July 1, 1968, compared to July 1, 1969, in the Senate bill, and eliminates a provision of the Senate bill which permits sellers or vendors of credit to express a rate in terms of dollars per hundred per year until January 1, 1972.

It provides for administrative enforcement, which the Senate bill does not do.

It prohibits the garnishment of wages for salary due an employee and, in an amendment this morning, extends this protection also to those whose compensation is in the form of commission or bonus. The Senate bill has no provisions dealing with garnishment.

It establishes a National Commission on Consumer Finance to investigate consumer credit practices, et cetera. There is no comparable provision in the Senate bill.

In other words, H.R. 11601 still remains strong and effective legislation in its basic objectives.

WASHINGTON POST SERIES CONTINUES TO DOCUMENT MORTGAGE IRREGULARITIES

Mr. Speaker, on Monday, I placed in the CONGRESSIONAL RECORD, as part of my remarks on the floor, the first three articles in a series by Washington Post reporters Leonard Downie, Jr., and David A. Jewell, on the victimization of many low-income homeowners in Washington by schemes involving the extension of credit ending with the surreptitious placement of mortgages against the properties. These articles underscore the need for effective truth-in-lending legislation such as H.R. 11601, including coverage of first mortgages. First mortgages are exempt from the credit disclosure requirements of S. 5 and of the companion bills introduced by six of the 12 members of the Subcommittee on Consumer Affairs—the six who are not sponsors of H.R. 11601.

I think it is urgent that first mortgages be covered by the legislation because, in numerous instances, what we generally regard as second mortgages are, in fact, first mortages if there is no existing mortgage on the property. This occurs particularly in those instances where an elderly couple or a widow owns a home free and clear but the home needs extensive or expensive repairs.

Today's article in the Downie-Jewell series in the Washinton Post discusses the well-known referral device in which customers are promised substantial or complete rebates of the cost of the work if they demonstrate the product to friends and neighbors or refer possible customers. The frightening thing brought to light in this article is the manner in which certain firms obtained mortgages on the properties without the customers' knowledge or understanding. This must be stopped. Following my remarks today, I will place the article, "Intercom Buyers Expected Prizes, but Got Mortgages," in the RECORD.

COMPARATIVE ANALYSIS OF CONSUMER CREDIT BILLS

First, however, I want to share with the Members a comprehensive staff analysis prepared in the Subcommittee on Consumer Affairs of the three different approaches in legislation introduced in the House. This analysis does not show the disposition of amendments offered in the subcommittee this morning since, of course, all decisions this morning were tentative. From the report I have given of the amendments which were adopted, it is not too difficult to see how H.R. 11601, the bill on which we are working, would be changed by the amendments so far adopted.

More importantly, the analysis shows the major points of difference between H.R. 11601, and S. 5 as it passed the Senate—introduced by the gentleman from New Jersey [Mr. WIDNALL] and other Republican Members as H.R. 11602—and as it would be modified by H.R. 12904, by the gentleman from California [Mr. HANNA] who was recognized this morning to offer his bill as a substitute for H.R. 11601. Mr. HANNA is planning to revise his bill but I think the basic provisions will not be different.

The analysis follows:

SUBCOMMITTEE ON CONSUMER AFFAIRS, HOUSE COMMITTEE ON BANKING AND CURRENCY, STAFF COMPARATIVE ANALYSIS OF H.R. 11601 (SULLIVAN), S. 5 (SENATE BILL), AND H.R. 12904 (HANNA)

H.R. 11601 (SULLIVAN)	S. 5 (SENATE BILL)	H.R. 12904 (HANNA)
Sec. 1. Title: Consumer Credit Protection Act.	Sec. 1. Title: Truth-in-Lending Act.	Sec. 1. Title: Truth-in-Lending Act.
Title I—Credit transactions. (Title I of H.R. 11601 is in the form of an amendment to the Federal Reserve Act redesignating the existing Federal Reserve Act as title I—the Federal Reserve System and adding to that Act title II—Credit transactions.)		

SUBCOMMITTEE ON CONSUMER AFFAIRS, HOUSE COMMITTEE ON BANKING AND CURRENCY, STAFF COMPARATIVE ANALYSIS OF H.R. 11601 (SULLIVAN), S. 5 (SENATE BILL), AND H.R. 12904 (HANNA)—Continued

H.R. 11601 (SULLIVAN)	S. 5 (SENATE BILL)	H.R. 12904 (HANNA)
Sec. 201. Declaration of Purpose. (a) Economic stabilization and competition among financial institutions will be improved and strengthened by the informed use of consumer credit. Consumers are misled by the manner in which credit is offered and advertised. This failure of adequate disclosure leads to the uninformed use of credit "adversely affecting economic stabilization, increasing inflationary pressures, and decreasing the stability of the value of our currency." The purpose of this title is to assure full disclosure of credit terms to permit consumer to compare credit terms available and avoid uninformed use of credit. (b) Stabilization of consumer prices would be enhanced through the regulation of commodity futures contracts and establishment of standby emergency control over consumer credit.	Sec. 2. Declaration of Purpose. Economic stabilization and competition among financial institutions will be improved and strengthened by the informed use of consumer credit. Informed use of credit results from an awareness of credit costs. Its purpose is to achieve full disclosure to permit informed use of credit to the benefit of the national economy.	Sec. 2. Declaration of Purpose. (Identical to S 5.)
Sec. 202. Definitions. (a) *Board.* "Board" refers to the Board of Governors of the Federal Reserve System.	Sec. 3. Definitions. (a) *Board.* (Identical)	Sec. 3. Definitions. (a) *Board.* (Identical)
(b) *Credit.* "Credit" is defined as "The right granted by a creditor to defer payment of debt or to incur debt and defer its payment."	(b) *Credit.* (Identical)	(e) *Creditor.* (Identical)
(c) *Consumer Credit Sales.* "Consumer credit sales" defines consumer credit purchases as opposed to consumer loans.	(c) *Consumer Credit Sales.* (Identical)	(c) *Consumer Credit Sales.* (Identical)
(d) *Finance Charge.* "Finance charge" is defined as the sum of all the charges imposed by a creditor and payable by the debtor as incident to the extension of credit. However, official fees and taxes are not included in the definition under H.R. 11601.	(d) *Finance Charge.* The definition of "finance charge" contained in S. 5 is the same as the definition in H.R. 11601 except that charges imposed by the creditor for credit life, property, and casualty insurance are not to be included in the finance charge.	(d) *Finance Charge.* (Identical to S. 5.)
(e) *Creditor.* "Creditor" is defined as an individual or other legal entity regularly engaged in credit transactions.	(e) *Creditor.* (Identical)	(e) *Creditor.* (Identical)
(f) *Annual Percentage Rate.* "Annual percentage rate" is defined as the nominal percentage rate determined by the actuarial method.	(f) *Annual Percentage Rate.* (Identical)	(f) *Annual Percentage Rate.* (Identical)
(g) *Open-End Credit Plan.* "Open-end credit plan" or revolving credit plan defines plans permitting credit transactions from time to time, such as charge accounts and credit card accounts.	(g) *Open-End Credit Plan.* (Identical)	(g) *Open-End Credit Plan.* (Identical)
	(h) *Installment Open-End Credit Plan.* "Installment open-end credit plan" is defined as an open-end credit plan which: (1) creates a security interest in property; or (2) provides for payment of 60 percent or less of the amount of credit within one year; or (3) provides that accelerated payments shall be applied to future payments. (Under S. 5, open-end or revolving credit plans are exempt from the annual rate disclosure requirement, except for "installment open-end credit plans.")	(h) *Installment Open-End Credit Plan.* (Identical to S. 5.)
	(i) *First Mortgage.* "First mortgage" is defined as first liens on real estate under the applicable State law. (First mortgages are exempt from coverage under the Senate bill.)	(i) *First Mortgages.* (Identical to S. 5.)
(h) *Organization.* "Organization" is defined as a corporation, government or governmental subdivision or agency, business or other trust, estate, partnership, or association. (The extension of credit to an "organization" is exempt from the provisions of Title I of this bill.)	(j) *Organization.* (Identical to "(h) 'Organization' " of H.R. 11601.)	(j) *Organization.* (Identical to S. 5.)
(i) *Advertisement in Interstate Commerce or Affecting Interstate Commerce.* "Advertisement" is defined as including the advertising of goods, services, loans, or open-end credit plans.		(k) *Advertisement in Interstate Commerce or Affecting Interstate Commerce.* (Identical to H.R. 11601.)
(j) *State.* "State" is defined as any State, the Commonwealth of Puerto Rico, or the District of Columbia.		
Sec. 203. Disclosure of Finance Charges; Advertising.	Sec. 4. Disclosure of Finance Charges.	Sec. 4. Disclosure of Finance Charges.
(a) Establishes basic principle that disclosure must be made to persons "upon whom a finance charge is or may be imposed pursuant to regulations prescribed by the Board."	(a) (Identical)	(a) (Identical)

SUBCOMMITTEE ON CONSUMER AFFAIRS, HOUSE COMMITTEE ON BANKING AND CURRENCY, STAFF COMPARATIVE ANALYSIS OF H.R. 11601 (SULLIVAN), S. 5 (SENATE BILL), AND H.R. 12904 (HANNA)—Continued

H.R. 11601 (SULLIVAN)	S. 5 (SENATE BILL)	H.R. 12904 (HANNA)
(b) Establishes the disclosure requirements for a consumer credit sale, *other than* sales under an open-end credit plan. It requires the disclosure of (1) The cash price. (2) Amounts credited as downpayments. (3) The difference between (1) and (2). (4) Itemization of all charges included in the amount of credit extended but *not* part of the finance charge. (5) The total amount to be financed. (6) The amount of the finance charge. (7) The finance charge expressed as an annual percentage rate. (8) The payment schedule. (9) Default or delinquency charges.	(b) This section is the same as the provisions of H.R. 11601, *except that* the Senate bill contains an exemption of the disclosure of the finance charge as an annual percentage rate where the finance charge is less than $10.	(b) This provision of H.R. 12904 is the same as the comparable provision of the Senate bill, *except that* the finance charge need not be expressed as an annual percentage rate if: (1) the finance charge is $5 or less and the amount financed is $25 or less; (2) if the finance charge is $7.50 or less and the amount financed exceeds $25 but does not exceed $50; or (3) if the finance charge is $10 or less and the amount financed exceeds $50. In applying the aforementioned schedule, "a creditor may not divide a consumer credit sale into two or more sales to avoid the disclosure of an annual percentage rate." This section of H.R. 12904 further provides that where an unsolicited mail or telephone order is received by a seller, full disclosure of credit terms must be made prior to the date that the first payment is due. (H.R. 11601 and S. 5 require that such disclosure must be made on or before the date that first payment is due.) Similarly, H.R. 12904 provides that where additional transactions are added to an existing account, the disclosure of additional information shall be made prior to the date that first payment is required to be made.
(c) Establishes disclosure requirements for lender credit and would cover transactions by financial institutions, such as banks, credit unions, savings banks, savings and loan institutions, industrial banks, and consumer finance companies.	(c) This section is the same as the provision of H.R. 11601, *except that* the Senate bill contains an exemption of the disclosure of the finance charge as an annual percentage rate where the finance charge is less than $10.	(c) This provision of H.R. 12904 is the same as the comparable provision of S. 5 *but see* comment above *re* finance charge expressed as an annual percentage rate and unsolicited mail or telephone order.
(d) (1) This subsection establishes the disclosure requirements under open-end or revolving credit plans.	(d) (1) (Identical)	(d) (Identical to Section 4(d) of S. 5.)
(d) (2) Prior to opening an account under an open-end credit plan, the creditor must disclose: (A) The conditions under which a finance charge may be imposed. (B) The method of determining the balance upon which a finance charge will be imposed. (C) The method of determining the amount of the finance charge and the annual percentage rate of the finance charge. (D) The conditions under which other charges may be imposed.	(d) (2) This subsection of the Senate bill is the same as H.R. 11601 *except that* it does not require the disclosure of an *annual* percentage rate, but requires instead the disclosure of the rate per period (e.g., monthly rate).	
(d) (3) This subsection establishes the criteria of disclosure for each billing cycle under an open-end credit plan. The creditor is required to disclose: (A) the outstanding balance in the account at the beginning of the billing period; (B) the amount and date of each extension of credit during the period; (C) the total amount credited to the account during the period; (D) the amount of any finance charge added to the account during the period; (E) the finance charge expressed as an annual percentage rate; (F) the balance on which the finance charge was computed; (G) the outstanding balance in the account at the end of the period; (H) the date by which payment must be made to avoid additional finance charges.	(d) (3) This subsection of the Senate bill is the same as the comparable section of H.R. 11601, *except that* the Senate bill does *not* require the disclosure of finance charges as an annual percentage rate.	
(e) Acknowledgment of disclosure.	(e) (Identical)	(e) (Identical)
(f) Method of Disclosure. Specific provision is made in this subsection to permit the creditor to provide any additional information or explanation as he may choose in addition to the information for which disclosure is required.	(f) (Identical)	(f) (Identical)
(g) Compliance with comparable State law constitutes compliance with this title.	(g) (Identical)	(g) (Identical)
(h) Adjustments in payment after the contract will not constitute violation of law.	(h) (Identical)	(h) (Identical)

SUBCOMMITTEE ON CONSUMER AFFAIRS, HOUSE COMMITTEE ON BANKING AND CURRENCY, STAFF COMPARATIVE ANALYSIS OF H.R. 11601 (SULLIVAN), S. 5 (SENATE BILL), AND H.R. 12904 (HANNA)—Continued

H.R. 11601 (SULLIVAN)	S. 5 (SENATE BILL)	H.R. 12904 (HANNA)
(i) After June 30, 1968, all rates required to be disclosed pursuant to this section must be expressed as percentage rates.	(i)(1)(A) S. 5 requires that whenever annual rate disclosure is called for under this section, it may be expressed either as a percentage rate per year or as dollars per hundred per year, or as a dollars per year rate of the average unpaid balance. (B) Whenever a rate other than an annual rate is to be disclosed under this section of S. 5, such rate may be expressed either as percentage rate per period or as a dollars per hundred per period rate of the balance upon which the finance charge is computed. (i)(2) After January 1, 1972, rates required to be disclosed under his section of the Senate bill must be expressed as percentage rates.	(i) (Identical to Section 4(i) of S. 5.)
(j)(1) Truth-in-credit Advertising Provision. This subsection requires that where specific credit terms are advertised, the advertisement must set forth the cash sale price, the payment schedule, the downpayment, if any, the time balance price, and the finance charge expressed as an annual percentage rate. (2) Specific periodic credit amounts or installment amounts cannot be advertised unless the creditor usually and customarily arranges credit payments or installments for such periods or amounts.		(j) This section contains truth-in-credit advertising provision of H.R. 12904. (j)(1) If a creditor advertises the dollar amount or rate of finance charge and if disclosure of the rate of the advertised finance charge would be required if credit were extended, the advertisement must state the rate of the finance charge in the manner prescribed under Section 4(b)(7) or Section 4(c)(5). (2) If the creditor advertises the number of installment payments or the amount of an installment payment, and if the number or amount of such payments would be required to be disclosed under Sections 4(b)(8) or Section 4(c)(6), the advertisement must further state: (A) the cash price or the amount of the loan. (B) the downpayment. (C) the payment schedule. (D) the rate of the finance charge as required by Section 4(b)(7) or Section 4(c)(5).
(3) Specific downpayment requirements may not be advertised unless the creditor usually and customarily arranges downpayments in such amounts.		
(k) Advertisement of credit terms under an open-end credit plan.		(k) This subsection states the requirements of disclosure in advertising concerning the extension of credit under an open-end credit plan. If specific terms of such a plan are advertised, the advertisement must disclose: (1) the conditions under which a finance charge may be imposed. (2) the method of determining the balance upon which a finance charge will be imposed. (3) the method of determining the amount of the finance charge, the percentage rate of period of the finance charge and, in the case of an installment open-end credit plan, the equivalent annual percentage rate. (4) the conditions under which other charges may be imposed.
(l) 18 percent maximum finance charge in extension of consumer credit.		(l) The creditor may not represent in an advertisement that a specific credit amount or installment payment can be arranged unless the creditor in the usual and ordinary course of business is prepared to arrange credit payments or installments for the advertised period or amount or that a specific downpayment is required unless the creditor is prepared in the usual and ordinary course of business to accept downpayments in such amount.
(m) Prohibition of the use of confession of judgment notes.		(m) Catalog and multiple-page advertisements shall be considered as a single advertisement for the purpose of the application of subsections (j), (k), and (l). (See Sec. 8.)
(n) Exemptions to disclosure requirements of Section 203. (1) Extension of credit for business or commercial purposes, to government or governmental agencies or instrumentalities or to organizations; (2) Transactions in securities and commodities in accounts by a broker-dealer registered with the SEC, or	(See Sec. 8 below, for exemption provisions of S. 5 and H.R. 12904.)	(n)(1) Violations of Subsections (j), (k), (l), and (m) shall constitute violations of Section 5(a) of the Federal Trade Commission Act. (2) Incorporates the administrative enforcement provisions of the Federal Trade Commission Act by reference and to H.R. 12904.

SUBCOMMITTEE ON CONSUMER AFFAIRS, HOUSE COMMITTEE ON BANKING AND CURRENCY, STAFF COMPARATIVE ANALYSIS OF H.R. 11601 (SULLIVAN), S. 5 (SENATE BILL), AND H.R. 12904 (HANNA)—Continued

H.R. 11601 (SULLIVAN)	S. 5 (SENATE BILL)	H.R. 12904 (HANNA)
(3) Credit transactions, other than real property transactions, in which the total amount to be financed exceeds $25,000.		(3) For the purpose of enforcing subsections (j), (k), (l), and (m), the exception contained in Section 5(a)(6) of the Federal Trade Commission Act with regard to Federal Trade Commission jurisdiction of banks, common carriers, air carriers, foreign air carriers, persons, partnership, or corporations subject to the Packers and Stockyards Act shall not be applicable. (4) Authorizes the Federal Trade Commission to make rules and regulations with regard to subsections (j), (k), (l), and (m). (5) Authorizes the Federal Trade Commission to bring actions in U.S. District Courts to enjoin the dissemination of advertisement in violation of subsections (j), (k), (l), and (m).
Sec. 204. Regulations. (a)(1) The Board of Governors of the Federal Reserve System are given authority to prescribe regulations concerning disclosure requirements under the Act. Section 204(a)(1) deals specifically with the prescription of regulations concerning the methods for determining the annual percentage rate. (a)(2) This subsection is concerned with the prescription of procedures concerning the disclosure of information. (a)(3) This subsection gives the Board authority to prescribe reasonable tolerances. (b) Provides the Board with guidelines in the establishing of reasonable tolerances concerning disclosure. (c) Authorizes the Board by regulation to prescribe "classifications, differentiations and . . . adjustments and exceptions." (d) Authorizes the Board to consult with other agencies concerning particular classes of creditors. (3) Requires the Board to establish an advisory committee to advise and consult in the exercise of its responsibilities under the disclosure provisions of the Act.	Sec. 5. Regulations. (Identical except for minor technical differences.)	Sec. 5. Regulations. (Identical to S. 5.)
Sec. 205. Effect on State Laws. (a) This section states that the disclosure requirements of the Act shall not be construed "to annul, alter or affect or to exempt any creditor from complying with the laws of any State relating to the disclosure information in connection with credit transactions, except to the extent that such laws are inconsistent" with the disclosure requirements of the Act. (b) Requires the Board to exempt any class of credit transactions from the requirements of the Federal law which it determines are subject to State law or regulation.	Sec. 6. Effect on State Laws. (Identical except for minor technical differences.)	Sec. 6. Effect on State Laws. (Identical to S. 5.)
Sec. 206. Civil and Criminal Penalties. (a) Civil Penalties. This section sets forth the civil penalties for violation of the finance charge, with a minimum of $100 and a maximum of $1,000. It provides that a creditor, as a defense to a civil action, may prove that the failure to disclose was unintentional. (b) Criminal Penalties. Criminal Penalties of $5,000 or one year imprisonment or both, are called for. Responsibility for enforcing this section is given to the Attorney General. (c) Exempts the Federal Government and State and local governments from civil and criminal liabilities. (d) Exempts creditors from civil or criminal penalties by reason of overstating the annual percentage rate.	Sec. 7. Civil and Criminal Penalties. (Identical except for minor technical differences.)	Sec. 7. Civil and Criminal Penalties. (Identical to S. 5.)
Sec. 207. Regulation of Credit Commodity Futures Trading. This section authorizes the Board of Governors to prescribe regulations governing the amount of credit that may be extended or maintained in the use of credit for the creation, carrying or trading in commodity futures contracts.	(No comparable provision.)	(No comparable provision.)
Sec. 208. Emergency Control of Consumer Credit.	(No comparable provision.)	(No comparable provision.)

SUBCOMMITTEE ON CONSUMER AFFAIRS, HOUSE COMMITTEE ON BANKING AND CURRENCY, STAFF COMPARATIVE ANALYSIS OF H.R. 11601 (SULLIVAN), S. 5 (SENATE BILL), AND H.R. 12904 (HANNA)—Continued

H.R. 11601 (SULLIVAN)	S. 5 (SENATE BILL)	H.R. 12904 (HANNA)
This section authorizes the Board to issue regulations with regard to the extension of consumer credit controls whenever the President determines that a national emergency exists requiring such action.		
Sec. 209. Administrative Enforcement. This section authorizes the Board to initiate administrative proceedings against any person who is engaged or is about to engage in a violation of the disclosure provisions of the Act and to issue such orders as the Board deems necessary to stop such violation. The section provides for judicial review of administrative orders so issued by the Board. (See Section 203(n)).	(No comparable provision.)	(No comparable provision.)
	Sec. 8. Exceptions. This section provides for exceptions from the coverage of the Act to: (1) credit transactions involving business or commercial purposes, governments or governmental agencies or organizations; (2) transactions in securities or commodities in accounts by a broker-dealer registered with the SEC; (3) credit transactions, other than real property, in which the amount financed exceeds $25,000; or (4) transactions involving extensions of credit secured by first mortgages.	Sec. 8. Exceptions. (Identical to S. 5.)
Sec. 210. Reports. This section requires the Board and the Attorney General to make annual reports to the Congress concerning their respective functions under the Act. The Board is further required to report on the extent to which compliance with the Act and regulations are being misused.	Sec. 9. Reports. (Identical)	Sec. 9. Reports. (Identical)
Sec. 211. Effectiv Date. The provisions of Title I of H.R. 11601 take effect on July 1, 1968.	Sec. 10. Effective Date. The provisions of S. 5 take effect on July 1, 1969, except that Section 5 takes effect upon enactment.	Sec. 10. Effective Date. (Identical to S. 5.)
Title II. Prohibition of garnishment of wages. Sec. 201. This section expresses the Congressional findings that the "garnishment of wages is frequently an essential element in predatory extensions of credit and that the resulting disruptions of employment, production, and consumption constitutes a substantial burden upon interstate commerce." (a) Prohibits the garnishment of wages for salary due an employee. (b) Provides a criminal penalty of a maximum of $1,000 or one year in jail, or both, for violation of Section 202(a).	(No comparable provision.)	(No comparable provision.)
Title III. Commission on Consumer Finance. Sec. 301. This section establishes a bipartisan National Commission on Consumer Finance. Sec. 302. Membership for the Commission. This section provides for the establishment of a 9-member Commission—3 members of the Senate, 3 members of the House, and 3 public members. Sec. 303. This section provides for the compensation of members of the Commission. Sec. 304. This section provides that the "Commission shall study and appraise the functioning and structure of the consumer finance industry", reporting its findings and recommendations to the President and to the Congress by December 31, 1969. Sec. 305. This section describes the powers of the Commission. Sec. 306. This section describes the administrative arrangements under which the Commission may operate. Sec. 307. This section authorizes the appropriation of $1.5 million for the Commission.	(No comparable provision.)	(No comparable provision.)
Title IV. Severability. Sec. 401. This section provides that the judicial finding that any provision of the Act is invalid shall not affect the validity of any other provision of the Act.	(No comparable provision.)	(No comparable provision.)

HOW HOMEOWNERS PURCHASED IMPROVEMENTS AND DISCOVERED THEY HAD ACQUIRED NEW MORTGAGES

Mr. Speaker, I cannot speak too highly of the investigative work of the two reporters on the Washington Post whose articles on home improvement rackets have been so revealing. These articles provide additional evidence of the need for effective consumer credit protection legislation. Following is the article which appeared in this series this morning:

INTERCOM BUYERS EXPECTED PRIZES, BUT GOT MORTGAGES

(By Leonard Downie Jr. and David A. Jewell)

"The salesman made it seem so nice," one housewife remembered. "It looked as though we could cut the total price way down—maybe even make a profit."

She did not make a profit. Instead, she is paying more than she expected for a very special kind of status symbol—a home intercom system. And she had a second mortgage on her home that she never knew she signed.

She is one of scores of customers of six local firms who sold intercoms and water softeners during the past five years and whose sales practices are now under investigation by Federal authorities.

There are many reputable electrical firms in Washington that sell such equipment without questionable sales methods and without obtaining second mortgages to secure payment of the sales price.

The salesmen of the six firms under investigation went door-to-door in ghetto and other inner-city neighborhoods where the intercoms and water softeners are surprisingly big sellers.

The six firms used "chain referral" sales schemes in which salesmen offered homeowners a chance to get large amounts of their money back by referring new customers to the firm.

Their customers have complained, in court suits and interviews with reporters of The Washington Post, that they did not get much or any money back and that they wound up with second mortgages on their homes—mortgages they didn't know they had signed.

The six firms are among a dozen under investigation by local and Federal authorities for their second-mortgage practices.

Reporters went through real estate records and called homeowner after homeowner listed as having $1389 second mortgages on their homes. Time after time, it turned out that the homeowner was a customer of one of the firms, Allied Enterprizes, Inc.

Many said they had not known that the mortgages existed. Those who did know about them said they had not found out until they were contacted by police or Federal investigators, or called the finance company that was collecting their payments.

The homeowners all told the same story:

An Allied salesman came to their home to tell them about the intercom system—complete with am-fm radio, and burglar and fire "panic" alarms.

The $1389 price seemed high to the homeowner. (One electrical contractor told reporters that a maximum for this type of job would be $600, without financing charges.)

PROMISED PRIZES

But the Allied salesman told them they could get money back in "prizes" for referring friends to Allied as customers, according to the homeowners.

The homeowner was told he would become an "equipment-owning representative" and receive $100 for each person referred who bought an intercom. And he could receive up to $1000 in additional prizes for making 45 "qualified demonstrations" of his intercom system to prospective customers.

But a Federal Trade Commission examiner found earlier this year that "few, if any" of Allied's customers received "enough referral commissions to obtain their intercom at little or no cost."

Allied's salesmen made "false, misleading and deceptive" statements to customers that the intercom was "being sold at a reduced price as an introductory or advertising plan," the FTC examiner ruled.

And, he added, Allied's salesmen, "for the purpose of inducing the sale" of its product, failed to inform customers that they were signing a second mortgage on their home.

The FTC examiner ordered Allied, and its president, William R. Marion Sr., to "cease and desist" from using chain-referral selling schemes or any "false, misleading or deceptive" statements in trying to get names of more prospective customers.

WENT OUT OF BUSINESS

At about this time, when the FTC order was issued last January, Allied went out of business. It left behind more than 200 homeowners with nearly $300,000 worth of second mortgages, according to District real estate records.

Five homeowners have brought suit against Allied in U.S. District Court charging that the firm defrauded them through misleading chain referral sales schemes, and obtained their signatures on second mortgages without their knowledge.

Marion, who lives at 211 Dorset rd., Laurel, Md., could not be reached for comment yesterday. Mrs. Marion told a reporter that her husband had been in the home-improvement field for 15 years "and this (the FTC order) is the only time he has been in any trouble."

One homeowner who has filed suit against Allied, Lugenure Talbert, of 1224 Farraday pl., ne., said in her suit that an Allied salesman, Samuel C. Cratch Jr., persuaded her to buy an intercom after he explained the sales referral plan.

After the intercom was installed, she said, Cratch returned with more papers to sign. "You signed the contract improperly," Mrs. Talbert quoted Cratch in her court complaint. She signed again.

She said she did not realize that she must have a signed a mortgage at that time until she got a letter from the Atlas Credit Corp. in Philadelphia informing her that it had bought her note, secured by a second mortgage. Her note was for $1389, the price of the intercom plus financing charges.

Cratch, in his answer to Mrs. Talbert's complaint, denied any wrongdoing. Atlas answered that it bought the note without knowledge of any fraud. Allied has not yet answered the suit.

Mrs. Talbert also charged that no notary public was present when she signed the papers in her home. The other four homeowners who sued Allied also said that they never appeared before a notary public during their dealings with Allied.

Yet in all five cases, the name and seal of the same notary public in Prince George's County, Md., appears on second mortgage in favor of Allied filed in the D.C. Recorder of Deeds office.

Several Allied customers interviewed by reporters said they would not have bought the intercoms if they had realized they were signing second mortgages to secure the notes for them. They also said they would have rejected the deal if they had known they wouldn't get any referral "prizes."

FEW GOT PRIZES

Only a few of the Allied customers interviewed said, they got any money back from Allied at all. No one interviewed said they received more than $100.

Allied broke down its $1389 price for the intercom into $992 for the equipment and installation and $397 financing charges. The system included the intercom master panel with an am-fm radio, six speakers and fire and burglar alarm devices.

The same brand of intercom system was sold by yet another firm operating here until late last year. This firm was called United Home Enterprises Corp., which also sold water softeners. United did at least $120,000 worth of business here in two years, real estate records show.

In February, two of its officers, Robert M. Cederloff and Adrian J. Barba, were indicted by a U.S. grand jury, which charged them with forging the names of eight Washington homeowners on eight mortgages in favor of United Home Enterprises. Their case is still pending and they are free in custody of their counsel.

Three of the homeowners named as complaining witnesses in the criminal case have filed suit against United Home Enterprises, claiming that their signatures were obtained on second mortgages by "fraud, trick and device" or by forgery.

They charge that they were talked into buying intercoms or water softeners at prices "in excess of the fair value of the equipment," again through the device of being offered money "prizes" for customer referrals.

In all three cases, the homeowners also charged that they never appeared before a notary public while signing papers for the United salesman.

In two cases, the seal and signature of a Prince George's County notary appears on the mortgage filed with the D.C. Recorder of Deeds. In the third case, the notarization is by a D.C. notary public.

NOTARIZATION DISPUTED

Other United Home Enterprises customers whose mortgage signatures were notarized by these two notaries told reporters that they never appeared before a notary public.

Cederloff said he told all the homeowners that they were signing "a second trust," although he added that he did not explain what it meant. "If you are a property owner, you should know what that means," Cederloff said.

When asked about the use of a chain referral sales method that homeowners have claimed is fraudulent, Cederloff said that "my firm is not being accused of this in the indictments."

Cederloff said the firm stopped doing business last year. "I don't feel that I misrepresented anything to the people," he says.

Besides Allied and United, at least four other firms have sold intercoms or water softeners to Washington homeowners using the chain referral sales method and obtaining signatures unknowingly in second mortgages, according to homeowners' court complaints.

According to court suits, interviews with homeowners, and information in the D.C. Recorder of Deeds office, the majority of the notes and mortgages generated by Allied Enterprizes and United Home Enterprises was bought by the Atlas Credit Corporation of Philadelphia (since merged into Sunasco, Inc.), through a Washington mortgage broker.

Atlas is named as a defendant in seven of the eight courts suits by homeowners against the two intercom firms. In each case, Atlas answered by saying that it bought the notes as a third party "without knowledge of any fraud" in the obtaining of the notes.

The law generally presumes that the third party—the "holder in due course"—has bought the note in good faith and has the right to collect on the note it paid for.

REV. MARTIN LUTHER KING: MAN OF PEACE OR APOSTLE OF VIOLENCE

Mr. ASHBROOK. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and include extraneous matter.