orbit by a Saturn V rocket with 7.5 million pounds of thrust.

In the time spanning those two events, the United States has placed 514 spacecrafts in earth orbit. Twenty-eight others have been sent on flights to the moon or distant planets.

The technology amassed through those expeditions has justified this Nation's commitment to conquer the challenge of space. It has encouraged us to lift our eyes beyond our initial goals and plan for the decade ahead.

The fruits of that technology have not been limited to space exploration alone. The knowledge built through our space program has benefited our earthbound lives. It has:

Revolutionized our communications throughout the world;

Given us better weather information and more accurate navigational and geographic data;

Brought improved medical instruments and techniques advanced education, and added to our store of scientific knowledge;

Spurred the development of more sophisticated aircraft and improved flight safety;

Strengthened both the security of this Nation and our leadership in the search for a peaceful and secure world.

We can look with confidence to an expansion of these benefits as our space program moves into its second decade.

Our accomplishments thus far point to the path of progress ahead: fuller observations of the earth, increasingly productive manned flights, and planetary exploration.

The year 1967 itself began with a major tragedy. Three of our gallant astronauts died in a fire while testing the Apollo capsule on the launching pad. Even as we saluted these men for the contributions they had made, we move to improve the spacecraft as well as the safety procedures surrounding its use.

But though the year was shadowed by that disaster, its accomplishments significantly advanced our progress. The Saturn-Apollo flight in November was the greatest launch triumph to date. As the result of our success in photographing lunar landing sites, we have for the first time a complete mapping of the moon.

It is most heartening to me that our space program moved forward in a spirit of international cooperation, giving new hope that the conquest of space can contribute to the establishment of peace. Eighty-four nations participated in cooperative space activities with us. The Outer Space Treaty went into effect, after Senate approval. The United Nations unanimously recommended a procedure for the emergency rescue and return of astronauts and space equipment. I shall shortly be sending that treaty to the Senate.

It is with pleasure that I transmit this record of achievement to the Members of Congress, whose judgment and support have been essential to our aerospace progress.

LYNDON B. JOHNSON.

THE WHITE HOUSE, *January 30, 1968.*

The message, together with the accompanying papers, was, without objection, referred by the Speaker pro tempore (Mr. ALBERT) to the Committee on Science and Astronautics and ordered to be printed with illustrations.

CONSUMER CREDIT PROTECTION ACT

Mr. BOLLING. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 1043 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 1043

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 11601) to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed three hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit. After the passage of H.R. 11601, the Committee on Banking and Currency shall be discharged from the further consideration of the bill S. 5, and it shall then be in order in the House to move to strike out all after the enacting clause of said Senate bill and insert in lieu thereof the provisions contained in H.R. 11601 as passed by the House.

The SPEAKER pro tempore (Mr. ALBERT). The gentleman from Missouri [Mr. BOLLING] is recognized for 1 hour.

Mr. BOLLING. Mr. Speaker, I yield 30 minutes to the gentleman from Ohio [Mr. LATTA] and, pending that, I yield myself such time as I may consume.

Mr. Speaker, this is an open rule providing for 3 hours of general debate. To the best of my knowledge, there was no opposition to the rule. The bill itself, however, is controversial. There are four supplemental views and at least one minority view. I understand there will be a considerable tussle over one or two amendments, but in the light of the fact that there is no opposition to the rule, I now yield to the gentleman from Colorado [Mr. ROGERS] for a parliamentary inquiry or two.

Mr. ROGERS of Colorado. Mr. Speaker, the rule provides for amendments in the Committee of the Whole. On page 40 of the bill that has been reported, you will note, in section 2 thereof, that it deals with the question of restrictions of garnishment of wages. You will also notice that on lines 13 to 19 the language has been stricken out and beginning at line 20 and the balance of the page and on to page 42, line 17, there is an amendment to be offered by the Committee.

Mr. Speaker, my parliamentary inquiry is this: If the Committee of the Whole House on the State of the Union should adopt the amendment and thereafter when we come back into the House this amendment is rejected by the whole House, does that automatically reinstate lines 13 to 19, page 40, of the bill as reported by the committee?

The SPEAKER pro tempore (Mr. ALBERT). The Chair is prepared to respond to the gentleman's parliamentary inquiry. If the House rejects the amendment striking out the language in the bill and inserting substitute language, the effect of the House rejection would mean that the language which the Committee of the Whole had intended to be stricken would remain in the bill.

Mr. ROGERS of Colorado. I thank the Speaker.

Mr. HALL. Mr. Speaker, would the distinguished gentleman from Missouri yield for a further parliamentary inquiry?

Mr. BOLLING. I shall be delighted to yield to the gentleman from Missouri for that purpose.

Mr. HALL. Mr. Speaker, a further parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state his parliamentry inquiry.

Mr. HALL. Mr. Speaker, assuming the same basic assumption as stated by our colleague, the gentleman from Colorado [Mr. ROGERS], would amendments to the committee amendment if accepted in the Committee as a Whole, be subject to a separate vote?

The SPEAKER pro tempore. The answer to the parliamentary inquiry as propounded by the gentleman from Missouri is in the negative. The answer is "No."

Mr. HALL. I thank the Speaker pro tempore.

Mr. BOLLING. Mr. Speaker, I yield to the distinguished gentleman from Texas [Mr. PATMAN] for the purpose of propounding a unanimous-consent request.

PERMISSION TO REVISE AND EXTEND

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members participating in the discussion during general debate and on all amendments that are discussed while the House is in the Committee of the Whole House on the State of the Union be permitted to revise and extend their remarks and to include therein relevant extraneous matter.

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

There was no objection.

Mr. LATTA. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, at the outset may I say that I agree with the statements just made by the gentleman from Missouri [Mr. BOLLING]. There is absolutely no opposition to the granting of this rule. As a matter of fact, the Committee on Rules became real liberal and gave this committee an extra hour of debate time. They asked for 2 hours, we gave them 3.

However, Mr. Speaker, let me say that there is some opposition to this bill, particularly with reference to a couple of amendments that will be offered. During the hearings before the Committee on Rules I raised a question with reference to garnishment. We find on page 40, and the following pages, a title dealing with garnishment of wages. The question is, Does the matter of garnishment belong in an interest bill?

Mr. Speaker, most Members of the House will undertake to provide protection from high interest to the individual who goes out and purchases on credit.

However, I doubt whether Members want the Federal Government to enter the garnishment field.

Mr. Speaker, it seems to me that a garnishment title does not belong in this bill. I say this as most of our States—and it is my recollection that this fact was pointed out before the Committee on Rules—with the exception of two or three, have their own garnishment laws which give protection to wage earners through various exemptions.

Mr. Speaker, it seems that this particular provision is just out of place in this bill, that we should not be setting up a section dealing with the garnishment of wages on the Federal level.

Mr. Speaker, I would hope that when we go into the Committee of the Whole House on the State of the Union that this matter will be discussed more fully.

The only reason, Mr. Speaker, that was given to the Committee on Rules for the insertion of this title in this bill was the fact that the number of personal bankruptcies has gone up in recent years.

This is completely and totally unrelated to the question of whether or not the Federal Government should get into the matter of garnishment of wages.

The purposes of this bill are, first, to provide the American consumer with truth-in-lending and truth-in-credit advertising by providing full disclosure of the terms and conditions of finance charges both in credit transactions and in offers to extend credit; second, restricts the garnishment of wages; third, establishes a National Commission on Consumer Finance to study and make recommendations to the Congress and to the President on the functions and structure of the consumer finance industry, as well as consumer credit transactions generally.

Title I of the bill provides for full disclosure of credit charges, rather than regulation of the terms and conditions under which credit may be extended. The committee believes that such full disclosure would aid the consumer in deciding for himself the reasonableness of the credit charges imposed and further permit the consumer to "comparison shop" for credit.

Two exemptions are provided to this requirement. They are, first, revolving, open-ended accounts; and second, installment contract accounts. To distinguish: a revolving, open-ended account means that more items can be purchased from time to time. At the end of the "free ride period" generally from 30 to 60 days, a service charge is assessed on the account on a monthly basis, usually $1\frac{1}{2}$ percent per month. An installment account is closed-ended, which means that it is for a set length of time, covering a particular purchase, payments generally made monthly in a fixed, certain amount.

The other exemption provision pertains to closed-ended transactions where the finance charges for the year will not exceed $10. As a practical matter, this would exempt from the bill those consumer credit transactions where the normal annual rate was 18 percent—$1\frac{1}{2}$ percent per month—and the amount of credit involved was approximately $100 or less. The aim of this exemption from the bill is to relieve small merchants from providing annual rate disclosure on small credit transactions where the apparently high rate might discourage consumers.

The committee believes that full disclosure of the terms and conditions of credit charges will encourage a wiser and more judicious use of consumer credit. The committee also believes that the comparable standards of full disclosure of rates on an annual basis should be applied to the advertisement of credit transaction. For the revolving-type account, the full disclosure provisions will require information about the length of the charge-free period, and other conditions of the credit contract including the method used to determine the balance upon which the monthly finance charge will be levied.

Title I would provide consumers with greater knowledge of the full cost of credit to assist many families in a more satisfactory management of their credit.

Finally, title I provides for the promulgating of regulations covering full disclosures and the administration and enforcement of the program. The Board of Governors of the Federal Reserve System is to be the central single agency for issuing all regulations on credit disclosure or on the advertising of credit to insure a single set of overall standards applicable for all forms of consumer credit, while agencies already having expertise in the affected industries will be responsible for the application of such regulations to each of those industries.

Penalties are provided. Any injured consumer can bring a civil action against his creditor who failed to fully disclose credit terms and recover a judgment equal to twice the finance charges, with a minimum penalty of $100, a maximum of $1,000. The Attorney General may institute criminal action where there is evidence of willful presentation of false information which is required to be disclosed.

Title II, with respect to the garnishment of wages. The first $30 per week of earnings may not be garnished by a creditor. Of the earnings above $30 per week, only 10 percent may be subject to a garnishment. The bill also forbids an employer to fire an employee because of a single garnishment.

Title III provides for the establishment of a bipartisan National Commission on Consumer Finance, and would be composed of nine members: three members from the Senate appointed by the President of the Senate; three members of the House appointed by the Speaker of the House; and three public members to be appointed by the President of the United States. The Commission is called upon to study the structure and functioning of the consumer finance industry, as well as consumer credit transactions generally, and report its findings, recommendations, and conclusions to the Congress and the President by December 31, 1969.

Mr. Speaker, I yield back the remainder of my time.

Mr. BOLLING. Mr. Speaker, I ask unanimous consent that the gentlewoman from Missouri [Mrs. SULLIVAN] may extend her remarks at this point in the RECORD.

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

There was no objection.

Mrs. SULLIVAN. Mr. Speaker, I urge approval of the resolution calling for an open rule on H.R. 11601, the Consumer Credit Protection Act. The Committee on Banking and Currency does not ask for closed rules. We believe our bills should be brought before the House in such manner that the House can work its will on them in a free and democratic manner—hopefully, of course, with a Democratic result, too, if it is a party issue.

This, however, is not a party issue—or should not be one. I am proud to say that the Democratic Party platforms have continuously called for enactment of the kind of legislation contained in this bill, and that a great member of the Democratic Party in the other body, former Senator Paul H. Douglas, of Illinois, pioneered this issue and doggedly pushed for its adoption through many long years of seemingly hopeless effort. We are about to vindicate his vision and foresight and pass this monument to a great Senator's record in Congress.

But the 30-to-1 vote by which the bill was reported from the committee plus the solid support I received from the very beginning from a Republican cosponsor of this bill in the subcommittee, the gentleman from New York [Mr. HALPERN], demonstrate that both parties have a great stake in working for the consumer. After all, both parties are composed only of full-time consumers who wear other labels only part of the time.

This is not a consumer versus business issue, either. The support from legitimate business for the major provisions of H.R. 11601 has been most heartening and also very effective. Those firms which are engaged in consumer credit have special interests in, or problems arising out of, individual specific provisions of the legislation, but on the whole—and looking back on a very comprehensive hearing record taking up two full volumes—I do not remember any hostile testimony whatsoever on the objectives of the legislation, and only a few letters or telegrams voicing indignation over the whole idea.

I want to take this time on the rule in order to explain briefly what the parliamentary situation will be when the bill is before us. We will be considering the bill as originally introduced on July 20, along with many committee amendments thereto. Each of those amendments will be brought up separately, although several relate to one specific issue and I hope can be considered en bloc.

During the many months this bill has been of top concern to consumers and businessmen, the Members have received numerous letters and telegrams on some of its controversial aspects. Four provisions of the original bill which instigated a sizable volume of mail were put into the bill primarily for the purposes of raising some neglected but important issues which deserved attention in hearing. We did take testimony on them, as I had intended, and then I, as the principal sponsor of the bill and as the chairman of the subcommittee handling it, moved to delete those four highly controversial sections from the bill.

They were:

First, the proposal for standby credit controls in periods of grave national emergency. Our committee recommended such legislation as an amendment to the Defense Production Act extension bill 2 years ago, and we were chided then for putting it into a bill without holding hearings. Well, this time we did hold hearings. We developed an impressive record, I believe, on the lack of economic preparedness legislation in being and ready for a wartime emergency, but we are not now asking the House to vote for such controls. Instead, one of our committee amendments, which I offered in subcommittee and which was unanimously approved, will delete this section from the bill. It is on pages 28, 29, and 30. It will come out unless the House should suddenly decide it wants to join me in writing these standby powers into law against future contingencies. Up to now, however, I have received no indication of that.

Another highly controversial section in the original bill is also on page 28—giving the Federal Reserve Board the authority to set margins on commodity futures trading as it now does on stock market transactions. That, too, is slated to be deleted through a committee amendment. So do not worry about that one. If I may say so, however, I think our hearings on this subject helped to speed action in another committee of the House on a long-pending measure to strengthen the Commodity Exchange Act. In the previous Congress, I think I was the only Member of Congress to testify for such a bill, which got nowhere. This time it has passed the House and also, on January 23, the Senate. I think that just scheduling some hearings in the Banking Committee on commodity futures margins helped to speed action on the long overdue reforms in the Futures Trading Act, particularly since there is nothing in that bill dealing with margins.

The third highly controversial provision in H.R. 11601 as originally introduced is on page 21 and deals with usury—it would set an 18-percent ceiling on interest or finance charges except in those States which have lower ceilings. That is coming out by committee amendment, too, unless we should see some greater interest in this subject now than we did during the hearings. And fourth is the provision dealing with confession of judgment notes, also on page 21. All four of those items are to come out.

The other committee amendments are divided between minor technical ones and some very, very important substantive ones. The Members will have a chance to vote all of them up or down, or to try to modify them.

Two of them I will strongly oppose, because I consider them completely destructive of the purposes of the bill. They are the revolving credit exemption and the $10 exemption, both of which I will discuss in detail in my remarks in general debate and also under the 5-minute rule. They are extensively discussed in the committee report and in all of the supplemental views.

The parliamentary situation as I understand it will be this: when those sections are reached in the bill, I will not offer any amendments dealing with them; instead, I will rise in opposition to the committee amendments. So those who plan to help and support me should be on notice: it is not an amendment of mine which they should be supporting, but rather a committee amendment on which I hope they will join me in voting "No."

If we lose on the revolving credit fight in the Committee of the Whole House—and I do not see how we can now, with so many business groups objecting to the discriminatory aspect of the revolving credit exemption won by the department stores—but if we lose in Committee of the Whole, this issue will certainly be made subject to a rollcall. Those Members who would rather not have to choose in a rollcall vote between their department stores on the one hand and the banks, finance houses, independent merchants, and all the consumers on the other hand, can solve their problem just by getting in the "No" line in the teller vote and helping to kill this thing in Committee of the Whole.

The same is true on the $10 exemption amendment. I will oppose it and try to defeat it. If we defeat it in Committee of the Whole, that will end it. If we do not, then there will be a rollcall on it in the House. This is the "loan shark" amendment. The minority leader has told us he wants to end loan-sharking by authorizing Federal agents to enforce the State usury laws. Well, how will anyone know whether he has been overcharged and complain about it if he cannot find out the rate he is being charged for a small loan? The "loan shark" committee amendment covers up that information—withholds it from the borrower. Vote it down in Committee of the Whole and strike a blow against loan-sharking. Otherwise, as I said, the roll will be called and we can have the chance to kill it out loud.

Except for those two amendments, the bill is a good bill—a strong bill. Anything in it which is going to create any serious problems for any businessman—and I do not know of any—can be ironed out in conference or handled administratively through the broad powers given to the Federal Reserve Board to issue regulations after full hearings. But these two items would not be negotiable in conference or in hearings before the Federal Reserve Board on the regulations—the two loophole exemptions adopted in committee. That is because they are already in the Senate bill. Therefore, we must defeat the revolving credit exemption and the $10 exemption here in the House or they will go into the final version of the bill without any chance to change them. So that is the parliamentary situation as I understand it.

From the mail I have received and the mail I know many of the other Members are receiving, few votes the Members could cast would please more of their constituents than a vote to end the subterfuges and deceptions in the cost of credit, including those pesky service charges from the department stores which are assessed at a rate of 18 percent a year on the unpaid balances. Nothing makes people madder than to check this out and find out how they have been misled on these rates.

Consumers are tired of being the mouse in a game of cat and mouse on credit charges which they do not understand and which they cannot talk to the computer about. If the Members have any doubts on this, they have time between the adoption of the rule today and the votes we are going to have on this bill on revolving credit to get some expert advice from their very best experts on this subject: that is, from their wives. So I say to the Members: ask your wives how much the credit charge is on the department store bill which was not paid on the due date because you were out of town and did not see it. Ask your wives what the percentage rate was. Was it 1½ percent a month? And is that not 18 percent a year? Ask her.

On second thought, do not ask her unless you really intend to vote against the revolving credit amendment, or she will know you did not really want her informed opinion.

Mr. BOLLING. Mr. Speaker, I have no further requests for time.

Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. PATMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 11601) to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes.

The SPEAKER pro tempore (Mr. ALBERT). The question is on the motion offered by the gentleman from Texas [Mr. PATMAN].

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 11601, with Mr. PRICE of Illinois in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Texas [Mr. PATMAN] will be recognized for 1½ hours, and the gentleman from New Jersey [Mr. WIDNALL] will be recognized for 1½ hours.

The Chair recognizes the gentleman from Texas [Mr. PATMAN].

Mr. PATMAN. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, this is a very important and far-reaching bill, and therefore it naturally is controversial. It concerns itself primarily with disclosure of finance charges including interest. Interest costs, of course, are paid on about $96 billion of consumer credit for example. Interest payments are made on hundreds of billions of dollars in our economy. Interest charges represent one of the largest considerations in our national budget.

You take, for instance, our Federal budget has a No. 1 charge, cost of preparedness, national security, and war costs. The second item in our national budget is interest costs. It is the second largest item, and where it is so important to the remainder of the budget is because whatever is charged in the way of interest is taken off the top. Interest costs comes first. It has to be paid first.

If there is too much interest charged and the average rate paid for interest is too much, other items in the budget will have to be either reduced or omitted entirely.

You take for instance, it is my belief, and I have demonstrated it here on the floor many times, if we were paying a fair rate of interest on the national debt today, as we did for 14 years—if we were paying just the same rates we paid during that time, we would only be paying $7 billion a year interest on the national debt. But instead of that, next year we will be paying $15.2 billion because of the increase in interest rates in recent years.

Something that is more shocking even than that is that when the recent increases are reflected in the national debt by the refunding of bond issues that receive a smaller rate of interest, we will be paying $21 billion a year in interest on the national debt. That will not be long—that is in the forseeable future.

So the question of interest enters into our considerations not only in consumer credit, but most important in our national economy and our various social programs.

There are some people in our country who are against any of these social programs. These people have tried to convince the Congress that we ought to just absolutely eliminate them and not have them at all.

Well, the Congress has not convinced. The Congress went ahead on the social and welfare programs just the same because they are so worthy and deserving and helpful to the economy.

Then some of those people—and not all of them I am sure—took the position that if we could in some way raise interest rates, then the Congress would not have that much money to appropriate for these general welfare and social security bills and legislation for welfare and social purposes. They look with great favor on interest rates going higher because it is taking away money which would have been available for the Congress to use in general welfare and social security programs. They look with great favor on that, doubtless, and particularly in view of the fact that they are the ones who are collecting a large part of this additional money.

Therefore, it was not a difficult matter for them to be for that.

Now when it has reached staggering proportions like that, we must give consideration to it.

Our total public and private debt today—the best estimate that we can get—fortunately does not run into the quadrillions. But it does run into the trillions. The aggregate amounts represent a trillion 500 billion dollars. That means that every time we raise interest rates 1 percent—it means that the American people must pay $15 billion a year, each year, for that increase in interest rates.

That has a tremendous effect upon our economy. A few years ago—or 2 years ago to be exact—there was an increase of 1 percent in FHA rates. Every person who was buying a home at that time—let us say for $25,000 over a 30-year term—it meant that that person who was buying that home with that increase of 1 percent, it would cause him to have to pay $4,600 extra over that period of time in order to take care of just that 1 percent.

Taking into consideration the fact that at that time the median income was $4,600—in other words, the average family received $4,600—it meant that the average wage earner was compelled to work a whole year extra just for nothing, just in order to pay that 1-percent increase.

So it runs into real money over a very short period of time. If we had kept our interest costs on the Federal debt at $7 billion, as we could have—we know we could because we did it before for 14 years—we would have $8 billion more this year, and the same is true practically of last year, to spend for any other purpose. But we do not have it. This amount is unnecessarily going for interest rates and that is stopping other programs.

We heard and read a great deal about the moneychangers in the time of Christ. I am not directing my remarks at any particular financial institution or institutions. But the moneychangers in the time of Christ were amateurs. They did not know anything compared to the different methods that are being used now to charge exorbitant and usurious interest rates of the people. We have more devices and ways of extracting money from the consumers of America than we ever had before. They are all ruinous to the consumer. Every time you take a dollar from a consumer for unnecessarily high interest rates, you deprive the economy of a great benefit.

Let me remind you that in 1964 this House and the other body passed a bill, which became a law when the President signed it, declaring that we would reduce excise taxes on the very poor people, that is, on the items that the very poor people were buying and on which they were paying an excise tax, thereby letting the poor people keep the money themselves and spend it as they desired rather than paying it in taxes.

Many of our critics said that it was going to cause a huge deficit in the Treasury. Instead, the people used that money, which amounted to a few billion dollars. They put it into the channels of trade and distribution immediately because they needed goods and services that they had to buy quickly.

That dollar which was spent locally traveled around that little town, six, eight, or 10 times and then it went to some national concern in Chicago, New York, or some other metropolitan center. It traveled all over the country, and at the end of the year that average dollar traveled through 50 different transactions, and in every transaction there resulted a little income tax. For that reason, at the end of the year, we did not have a deficit of billions of dollars as a result of the excise tax reduction, as was predicted, but we had an increase in taxes. For every $1 billion that we reduced those taxes we collected back $1.5 billion because of the transactions about which I just told you.

Therefore, whenever you let poor people keep money and spend it as they want to, it helps the entire economy. It travels around. It percolates up. Everyone gets the benefit of it, the very rich as well as the very poor. Every person should have a chance to get the benefit of it.

But if you are going to change our economy, so that instead of that money being circulated among the poor and letting everyone get the benefit of it, if you would pour it in at the top with big interest rates, you will find that it will not trickle down. It will go through just a very few transactions a year. Perhaps it will go into the first big bank or big business, be placed on their books, and it would remain there. There would be no percolating up or trickling down. So you would not get as much benefit. The poor people would not get any benefit from it at all; whereas, when the money is permitted to percolate up, the poor people, as well as the rich, get the benefit. That is the difference. So we must watch these exorbitant rates.

They are detrimental to individuals and to the general welfare of the country. One of the worst things we have to deal with in our country is exorbitant charges of interest known as loan-sharking. The New York Times has had some wonderful articles about loan-sharking, including one this morning, about the danger of corruption. It is next to gambling in the damage done to our people. It is next to gambling in concentration of large amounts of illegal money that can be used for illegal purposes and for injuring the general welfare in order to enrich a few who have charge of it.

Hoodlums and gambling are siamese twins. They go together. Big interest rates and big gambling are tailormade for the hoodlums. So when we do something to stop this exorbitant usurious interest, we are doing something against hoodlums and in the interest of the general welfare of the people.

Whenever we permit hoodlums to operate this way, we permit them to use large sums of money for the purpose of corruption and for the purpose of dishonest schemes and methods.

They even get into politics with it occasionally. Now and then they have something that is very hurtful to the people, by getting people involved in politics who have the right and the power to make decisions for or against the people. They want decisions against the people and for the hoodlums.

We have a wonderful country. We should not let either gambling or loan-sharking be a major threat to the safety and security of our country. But they are definitely a major threat now to the security of our Nation. We must stop it.

I cannot conclude without paying tribute to our former colleague, Paul Douglas, who started this fight 8 years ago.

I predict this bill will become law. It is a good bill, and in the end right will prevail. Our system of government is great. If the House passes a bill that is different from the Senate, we select conferees from the House, and the Senate selects conferees from the Senate.

We meet halfway between the two bodies, in a room provided for that purpose. We take up each bill. Where there are differences between the two Houses, we agree on something that will reconcile those differences if we can.

In the end we have a bill that every member of that conference committee approves of. We bring it back to the House and get it adopted. It is sent to the Senate. It is adopted there. It goes straight to the President of the United States. He signs it. It becomes a law.

So any of the bad points in this bill that should be ironed out or reconciled or changed, I feel reasonably certain, under the parliamentary procedures we have, which will be used, will be taken care of, since our procedures are instrumental and helpful in doing that.

I hope that this bill will be enacted into law, and I hope it will be voted by this House in particular by a very strong and substantial majority when it comes before the House for consideration and final vote this week.

Mr. Chairman, I now would like to discuss some of the specific provisions of this milestone legislation.

Mr. Chairman, today, the House of Representatives opens debate on the Consumer Credit Protection Act, a major plank in the 90th Congress' bill of rights for the American consumer.

This legislation—contrary to the smokescreens spread by its opponents—is simple and clear.

Is the American consumer entitled to know exactly—without any ifs, ands, or buts—what he is paying for credit?

Surely this is a question that the 90th Congress can answer in the affirmative.

Mr. Chairman, the Consumer Credit Protection Act is not a piece of legislation which affects only a handful of people or an isolated sector of our population. It provides protection and the truth about credit for virtually every single American family.

Today, consumers in this country are paying more than $13 billion annually in interest on nearly $96 billion worth of consumer debt. Practically every family—except the most wealthy—is paying on a share of that $96 billion.

So, Mr. Chairman, we are talking about protection for the constituents of every single Member of this House of Representatives.

Before going into the substance of this bill, it seems appropriate to add a few words about the great American who originated and fought for adoption of this kind of legislation.

No discussion of this legislation can properly proceed without an acknowledgment of the debt we all owe to former Senator Paul Douglas for his pioneering fight on behalf of truth in lending. While that fight is not yet won, we recognize that, but for his vision, we might not have the opportunity presented to us today in taking action on this vital legislation.

I believe it is further appropriate at this time to commend for your attention the 2 weeks of intensive hearings on this bill conducted by the Consumer Affairs Subcommittee of your House Banking and Currency Committee. The very design of this legislation and the excellent set of subcommittee hearings were carried out under the able and imaginative leadership of the subcommittee chairman, the gentlelady from Missouri, Congresswoman LEONOR K. SULLIVAN.

The bill that was reported out of the Banking and Currency Committee is a much stronger piece of legislation than was passed in the other body by a 92-to-0 vote. It contains some important features, such as a truth-in-advertising section, an administrative enforcement section, a limitation on the garnishment-of-wages section and the inclusion of credit life insurance as part of the finance charges, that S. 5 did not have.

However, Mr. Chairman, if we are to make this a true bill of rights for the American consumer, we must make sure that we are providing for the full truth on all credit transactions. This means, Mr. Chairman, that we must include the credit charges and interest rates involved in what is generally called revolving credit—the big department store credit.

It also means that we must not provide a loan-shark-type exemption for the smaller credit purchases and loans. In short, we must not allow an exemption for credit and interest charges under $10 to slip through in this legislation. Unfortunately, this exemption—or loophole—has been misnamed "The $10 Exemption." In reality, it covers virtually all purchases and loans up to $100. The $10 refers to the credit charges, not the total purchase or loan.

Mr. Chairman, there are still millions of Americans who regard $100 as a lot of money. Quite obviously, this loophole would hit the low-income and the moderate-income family the hardest. In other words, we would be providing disclosure of the annual rate for the rich and depriving the poor of this same protection.

It would be sad, indeed, if the Congress were to pass the rest of this bill and, at the same time, leave a tremendous loophole in this legislation which adversely affects the poor and low-income family more than any other provision in this bill.

Mr. Chairman, I shall discuss, in detail, other sections of this bill. But at this point I want to emphasize my support for the provision of this bill which prohibits abuses in connection with the garnishment of salaries.

In many areas of the country, the garnishment of salaries to collect debts has virtually destroyed the lives of wage earners and their families. It has meant thousands of personal bankruptcies and job dismissals.

The provisions of this legislation would give the poor—the low-income family—badly needed protection against the obvious abuses in the garnishment of salaries. It would prevent the loss of jobs and the welfare costs which invariably follow such dismissals.

Mr. Chairman, the garnishment provisions of this bill are fair to the creditor and the wage earner alike. It is a humane way to treat a desperately human problem. These provisions are virtually identical with those which are now in practice in the New York State law. They are, I repeat, equitable to all concerned.

Mr. Chairman, now I would like to discuss the major points of H.R. 11601:

TITLE I—TRUTH IN LENDING AND CREDIT ADVERTISING

I do not believe that it is necessary for me to spread upon this record further evidence of the need for this legislation than may be found in the 7 years of hearings conducted in the other body, as well as in the two volumes of hearings of the Consumer Affairs Subcommittee. While the growth of consumer credit since 1945 demonstrates both the health and vigor of our economy, consumer credit has grown at a rate 4½ times greater than the growth rate of our economy. As of September 1967, total consumer credit has soared to almost $96 billion. At the present time, American consumers are paying approximately $13 billion a year in interest and service charges for this credit. This is roughly equivalent to the amount of interest paid annually by our National Government as interest on the national debt.

While we all recognize the significance of consumer credit in the growth of our economy, we would all wish to insure the judicious and intelligent use of such credit. Actions to regulate have been taken only in the case of extreme emergency. We have preferred—and history seems to justify the wisdom of that preference—to permit the marketplace to do the regulating for us. However, regulation by market forces assumes the relative equality of the parties in the market and further assumes equal access to pertinent information by such parties.

Title I of your committee's bill is designed to provide the American consumer with the information he needs to make the marketplace an effective regulator in the conduct of consumer credit transactions. What we seek to accomplish under this title is to assist the consumer in comparison shopping for credit. We seek to apply to all merchants the same criteria for disclosure of the terms and conditions under which finance charges will be imposed on consumer credit transactions. Unfortunately, such uniformity does not exist today. State disclosure requirements where they exist are by no means uniform. Lenders and mail-order houses operate across State lines, frequently not subject to any effective disclosure requirements.

With regard to rate disclosure, some creditors employ an add-on rate which is measured on the original balance of the amount of credit extended, rather than on the declining balance. This add-on rate has the effect of understating the effective rate to the consumer by approximately 50 percent.

Some segments of the credit industry quote rates on a monthly basis, while others quote rates on an annual basis. Although it may seem a simple matter to multiply a monthly rate by 12 in order to provide the annual rate, surveys conducted among consumers indicate that many people are not aware of the true cost of credit when it is expressed on a monthly basis.

Some creditors add a number of additional fees or charges to the basic finance charge. Such fees include credit checks, credit life insurance, and various other service charges. This device permits creditors to quote a relatively low rate, while actually collecting a much higher amount through the imposition of these additional fees and charges. In some cases consumers are quoted no rates at all on credit transactions, leaving it to the consumer himself to compute the rate if he desires to comparison shop for credit.

Significant segments of the population are misled by the manner in which the terms and conditions are offered and contracted for, as well as by the manner in which credit is advertised. Misleading practices engaged in by a minority of unscrupulous merchants and lenders fail to adequately disclose the credit terms offered to buyers in making purchases in obtaining loans. This failure of adequate disclosure tends to increase the uninformed and untimely use of credit by the public, adversely affecting economic stabilization, increasing inflationary pressures, and decreasing the stability and the value of our currency.

In your committee's view, the solution to these problems is to require by legislation that all creditors use the same method of computing and quoting finance charges, including a statement of the annual percentage rate. The disclosure requirements contained in your committee's bill, both with regard to credit transactions and credit advertising, will basically provide the American consumer with the information he needs to compare the cost of credit and to make an intelligent decision on the use of credit.

TWO EXEMPTIONS TO FULL DISCLOSURE

The bill as approved by a majority of the committee, contains two exemptions to annual rate disclosure in connection with consumer credit transactions:

REVOLVING CREDIT

The basic disclosure concept contained in the proposed legislation is to require lenders and merchants to provide consumers with a statement of the "finance charge" imposed by the creditor in connection with the particular consumer credit transaction. In addition to the statement of the finance charge in dollars, the creditor is generally required to state the finance charge as an annual percentage rate; however, a majority of your committee believes, with regard to "open-end credit plans" or "revolving charge accounts" as they are more commonly known, that the statement of an annual percentage rate would not accurately reflect the credit charges actually imposed upon such transactions.

The majority of your committee believes that while the monthly rate applied to a revolving charge account may be 1.5 percent a month, the particular schedule of payments and purchases, combined with the so-called free ride, does not justify the expression of that monthly rate as an annual rate of 18 percent per year. Revolving charge accounts most frequently contain a free ride during which no finance charge is imposed. This period may vary from 30 to 60 days.

A substantial minority of the committee believes, however, that the exemption is premised on confusion of the concepts of "yield" as opposed to "rates." In their view, if the nominal monthly rate applied is 1.5 percent, the nominal annual rate applied must be 18 percent, although the yield to the creditor may be more or less than the nominal annual rate. In their view, the disclosure of the nominal annual rate is, nevertheless, necessary to assist the consumer in "comparison shopping" for credit under a revolving charge account, as opposed to other forms of credit transactions.

The amendment adopted by your committee thus exempts revolving credit from true annual rate disclosure. I know that the gentlelady from Missouri, Congresswoman SULLIVAN, intends to argue against this committee amendment. It is my intention to support her in those efforts in order to eliminate from this legislation a provision which, in my view, discriminates against consumers and small, independent businessmen, and in favor of large chain department stores.

TEN-DOLLAR FINANCE CHARGE EXEMPTION

Another, and perhaps more damaging, exemption adopted by your committee provides a further exemption from annual rate disclosure. This exemption applies to credit transactions where the amount of the finance charge does not exceed $10. This amendment would exempt from annual rate disclosure consumer credit transactions where, for example, the nominal annual rate was 18 percent and the amount of the credit involved was approximately $100 or less. The proponents of this amendment argue that the exemption would relieve merchants and lenders from the burden of providing annual rate disclosure in connection with relatively small and insignificant credit transactions.

The difficulty that I have with this argument is that a $100 loan or a $100 credit transaction is neither small nor insignificant for most American consumers. In fact, there are millions of credit transactions a year involving an amount of up to $100. However, the proponents of the exemption further argue that small accommodation loans and credit transactions are frequently made by creditors where the fixed costs of the loan to the creditor would, if he were required to disclose them in the form of an annual percentage rate, reflect a rate so high as to discourage creditors from engaging in such transactions.

The proponents of this amendment further contend that great injury would befall the consumers who depend upon these transactions were they to be discontinued by the creditors involved. However, the major proponents of this amendment have been the representatives of the banks. Dr. Charls E. Walker, of the American Bankers Association, presented the committee with an example of an accommodation loan where the annual percentage charge was 120 percent.

Mr. Stanley Barber, of the Independent Bankers Association, presented the committee with an example of an accommodation loan where the annual percentage rate was 260 percent. I can readily understand why these banks would be embarrassed to tell their customers that they were charging them this amount.

However, is that really an adequate justification for the Congress of the United States to create a special exemption from full disclosure? Why should those unfortunate consumers seeking such accommodation loans not be informed of the incredibly high rates they pay when making such loans?

Here again, it is my understanding that Congresswoman SULLIVAN will offer an amendment striking this exemption, which I intend to support.

TRUTH IN CREDIT ADVERTISING

The bill reported by your committee applies comparable standards of disclosure to credit advertising. Certain perfecting amendments to credit advertising disclosure have been adopted by the committee which basically improve and simplify the application of disclosure to credit advertising. Basically, the advertising provisions of the bill are premised upon the belief that a substantial portion of consumer purchases are induced by advertising and that if full disclosure is not made with regard to representations in credit advertising, the consumer will be deprived of the opportunity to effectively comparison shop for credit.

The responsibility for insuring truth in credit advertising is placed upon the creditor and his agents, and not in the media in which the advertising appears. It is our view that this places the responsibility where it belongs.

REGULATIONS AND ADMINISTRATIVE ENFORCEMENT

An important amendment adopted by your committee deals with the issuance of substantive regulations and administrative enforcement. All substantive regulations dealing with disclosure of the terms and conditions of finance charges in credit transactions or in the advertisement of credit are to be issued by the Board of Governors of the Federal Reserve System. This has been done so that a single set of comprehensive regulations will be issued to facilitate uniformity of application among the industries affected by this legislation.

Before finally promulgating its regulations, the Board, of course, will be required to hold full and open hearings giving all interested parties an opportunity to comment. Since administrative enforcement of the subject regulations will be allocated among various Federal agencies having particular responsibilities in connection with the affected industries, the Board must, of course, provide these agencies with ample opportunity to present their views on proposed substantive regulations.

Administrative enforcement provided in your committee's bill will insure uniform, broad, and effective application of the principle of disclosure. Administrative enforcement will not only afford necessary protection to the consumer, but will further protect the honest businessman from unethical forms of competition engaged in by some unscrupulous creditors who prey upon the poor through deceptive credit practices. Effective administrative enforcement will thus protect the honest merchant and insure that he is not penalized in the marketplace when he states the full cost of his credit in dollars and as a percentage rate.

The agencies having responsibility for administrative enforcement with regard to the industries coming within the scope of their activities are the Federal Home Loan Bank Board, the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Civil Aeronautics Board or the Federal Aviation Administration, the Interstate Commerce Commission, and the Department of Agriculture, with the Federal Trade Commission covering the remainder. In this manner agencies already having expertise in the affected industries will be responsible for the application of the law to each of these industries.

CIVIL AND CRIMINAL PENALTIES

While provision is made in the bill for civil and criminal penalties, it is anticipated that the major enforcement activities will be carried out under the administrative enforcement provisions. It should be noted that while credit advertising is covered under certain of the disclosure provisions of the bill, such advertising cannot provide the basis for a civil suit. This exemption has been written into the bill by your committee to avoid the possibility that anyone seeing an advertisement not complying with disclosure requirements would attempt to seek civil penalties.

EFFECTIVE DATE

In order to insure adequate time for the promulgation of sound regulations, your committee's bill provides that the legislation shall become effective 9 months after enactment.

Since some concern has been expressed with regard to the effect of the legislation on State law, it is perhaps advisable to briefly reiterate what is clearly set forth in the committee's report on this matter.

First, there is no intention to preempt State consumer credit legislation unless the State law is inconsistent with the Federal law, and then only to the extent of such inconsistency. Second—and of equal, if not greater importance—is the fact that the annual percentage rate required to be disclosed under the bill is not an interest rate and is in no way to be construed as interest rate within the meaning of various State usury laws. The definition of the term "finance charge" which provides the basis for the computation of the annual percentage rate clearly evidences this fact. The finance charge is the aggregate of various charges imposed by the creditor and can under no circumstances be deemed comparable to an interest rate under State usury laws.

TITLE II—RESTRICTION OF GARNISHMENT

The basic statement of congressional policy upon which the restriction of the garnishment of wages is based is found in title II, section 201 of the committee's bill. It provides:

SEC. 201. The Congress finds that garnishment of wages is frequently an essential element in predatory extensions of credit and that the resulting disruption of employment, production, and consumption constitutes a substantial burden upon interstate commerce.

As originally introduced, the bill provided for a complete prohibition against the garnishment of wages. However, your committee had adopted an amendment which merely restricts such garnishment to 10 percent of an employee's earnings above $30 a week, while prohibiting an employer from discharging an employee by virtue of a single garnishment of wages. The committee adopted this amendment because they believe that a total prohibition of garnishment would unduly restrict honest and ethical creditors while permitting those fully capable of paying just debts possibly to escape such responsibilities.

Furthermore, your committee exempts from the restriction on garnishment debts due to a court order arising essentially out of domestic relations cases, that is, for example, child support or alimony, and debts arising out of failure to pay State or Federal taxes.

Evidence received by your committee clearly establishes the connection between the rocketing increases in personal bankruptcies and harsh garnishment laws. Since 1950, personal bankruptcies in this country have risen by over 1,000 percent—from 18,000 in 1950 to 208,000 for the fiscal year ending June 30, 1967. Well over $1 billion in consumer debts were canceled by virtue of these personal bankruptcies in 1967 alone.

There are those who contend that if we restrict the garnishment of wages, there will be a sharp cutback in consumer credit. However, available evidence demonstrates that this argument is false. States—such as my own State of Texas, Pennsylvania, Florida, and New York—have either abolished the use of garnishment or have laws similar to the one proposed here by your committee. The levels of consumer credit in those States are as high, if not higher, than they are in States having the harshest of garnishment laws.

Endorsement of the limitation on the garnishment of wages has been received both from industry and from the trade union movement. Major steel corporations, such as United States Steel, Republic Steel, and Inland Steel, have written to the committee supporting a restriction on the garnishment of wages. Their view was concurred in in testimony received by your committee from I. W. Abel, president of the United Steelworkers of America, and Pat Greathouse, vice president of United Automobile Workers of America, speaking both on behalf of the UAW and the Industrial Union Department of the AFL–CIO.

The limitation on the garnishment of wages recommended by your committee, while permitting the continued orderly payment of consumer debts, will relieve countless honest debtors from going bankrupt in order to preserve their jobs or retain sufficient income to decently support themselves and their families.

TITLE III—COMMISSION ON CONSUMER FINANCE

Finally, your committee's bill calls for the establishment of a bipartisan National Commission on Consumer Finance, which will study the structure and functioning of the consumer finance industry, as well as consumer credit transactions generally, reporting back to the Congress and the President on its findings and recommendations.

As we have previously indicated, consumer credit is a rapidly growing and very vital factor in our domestic economy. We must understand more about it in order to legislate intelligently in this area. The proposed Commission should provide us with much of the basic facts we will need in order to fulfill our responsibilities in the years ahead.

H.R. 11601, the Consumer Credit Protection Act, is a landmark piece of legislation. It is an expression of the concern of Congress for the welfare of the people, for the protection of the poor and unsophisticated. It will protect consumers and insure equality of opportunity in the marketplace for businessmen seeking to meet the credit needs of our people.

While, as I have expressed to the House, I do not believe the bill is perfect in all respects, though I sincerely hope that we will be able to perfect it in the course of this debate, I urge its adoption by the House.

Mr. Chairman, I include several arti-

cles and one editorial which are pertinent to my discussion and this bill:

[From the New York Times Magazine, Jan. 28, 1968]

IF YOU ARE WILLING TO PUT UP YOUR BODY FOR COLLATERAL—JUST CALL "THE DOCTOR" FOR A LOAN

(By Fred J. Cook)

They call him "the Doctor." You will meet him, if such is your misfortune, in the swankiest nightclubs, his curvaceous young bride dangling on his arm. "Meet my friend, the Doctor," the maitre d' will say, performing the introductions. "The Doctor" is always most charming. A man in his fifties, he dresses like the owner of a million-dollar wardrobe. It is hard to imagine that he is in reality a hybrid—a species of spider-vulture who spins a web in which to enmesh his victim so he can pick clean the bones.

Though names cannot be used in this portrait, the Doctor (a nickname for unknown derivation) is no figment of the imagination. He exists. He is, authorities say, one of the largest and most vicious loan sharks operating in New York, just a step down the ladder from Carlo Gambino, probably the most powerful of the reigning chieftains of the city's five Mafia families. Detectives who get up with the Doctor in the morning and follow him through his daily routine until they put him to bed at night know the pattern of his days by heart—and are completely frustrated because he operates the safest and most remunerative racket in the underworld.

He has no visible means of support, but he has put up his new bride in an expensively furnished mansion in one of the finer residential sections of the city. He never "works," as other humans know the term, but when he has been stopped and questioned by police, he has never had less than $7,000 in sweet cash upon his person—and sometimes he has had as much as $15,000. "You can never charge him with vagrancy," one prosecutor says, with a sour smile. Unlike a master bookie, he has no fixed headquarters, no elaborate telephone setup, no army of runners. He simply circulates. And in the best and most expensive places. And among the "best" people.

The far reach of such an operator was brought home to New Yorkers recently when former Water Commissioner James L. Marcus was indicted on charges of participating in a $40,000 kickback scheme on a city contract. According to investigators, Marcus was in deep financial trouble on several fronts, not the least of which was a reported 850,000 loan-shark debt to Mafia mobster Antonio (Tony Ducks) Corallo. Corallo was arrested with Marcus as his alleged partner in the kickback scheme. Later, two men were charged with taking part in a plot to murder a Government witness in the Marcus case. The episode, as reported, is similar to innumerable less publicized events in at least two ways: (1) The shark's victim was an intelligent, experienced person—professional people and substantial businessmen are the loan shark's favorite targets; (2) the victim found that when he was over a barrel with a loan shark, he was over a barrel with the Mafia—and that is being over a nasty barrel indeed.

The popular conception of the loan shark as a two-bit hoodlum lending $5 on Monday and collecting $6 the next—the typical "six for five" operative—is an anachronism bearing virtually no relation to current reality. As Sgt. Ralph Salerno, the now-retired racket expert of the city's Bureau of Criminal Investigation (B.C.I.), told the New York State Commission of Investigation in its loan shark probe three years ago: "No self-respecting loan shark . . . would ever want to admit even to his best friend, that he has loaned less than $100."

At the same hearings, then Assistant District Attorney Frank Rogers, of New York County, testified: "A loan shark that we know lent a million dollars in the morning and a million dollars in the afternoon." Loansharking is so remunerative, he said, that one mob boss had pyramided $500,000 into $7.5-million in about five years—and there were, in New York County alone, "at least 10 men who are comparable to him."

The conclusion of all the expert witnesses was that loan-sharking is, on a national scale, a multi-billion-dollar resource of the underworld and that, while its gross take is less than gambling, it is preferred to gambling because it is so safe it almost defies prosecution.

This safety factor (which breaks down only when the shark is caught using violence to enforce collection or committing some other overt crime, as is charged in the Marcus case) is probably the reason that top mob bosses have been more openly connected with loan-sharking than with more risky enterprises, such as gambling and narcotics. Vito Genovese, the onetime boss of bosses, now in Federal prison, had nakedly obvious ties to loan-sharking, and the same is true of one of his principal deputies, Thomas (Tommy Ryan) Eboli. B.C.I. Deputy Inspector Arthur C. Grubert testified before the Commission of Investigation that his bureau had identified 121 master sharks in the five Mafia families of New York. He broke the figure down this way: 51 in the Genovese family; 37 in the Gambino family; 18 in the Profaci family of Brooklyn, now run by Joseph Colombo; 12 in the Luchese family; three in the family of Joseph (Joe Bananas) Bonanno.

Grubert made it clear that he was talking about only the two top echelons of the loan-sharking pyramid. There are, all investigators agree, four operating levels. On the top level is the family boss. Just under him are his trusted principal lieutenants. The lieutenants have their own subordinates to whom they funnel money for investment, and these third-echelon underlings, besides lending out much of it themselves, split up the rest of the money and pass it down to the fourth and lowest level, the working bookie and street-corner hoodlum. Sergeant Salerno gave a graphic description of the way it all works. He said:

"A big racket boss could have a Christmas party in his home, to which he invites 10 trusted lieutenants. He doesn't have to write their names down. He knows their names. They are friends of his. . . . He can take one million dollars, which is not an inconceivable amount of cash, and distribute that, $100,000 per man to these 10 men. All he has to tell them is, 'I want 1 per cent a week. I don't care what *you* get for it. But I want 1 per cent a week.'

"He does not have to record their names, He does not have to record the amount. They are easy enough to remember. And if you stop to think that, 365 days later, at the next year's Christmas party, the only problem this gang leader has is where he is going to find five more men to hand out half a million dollars that he earned in the last year on the same terms. . . ."

This usurious interest (the gang's chieftain's 1 percent a week becomes 52 per cent a year) is known in the trade as vigorish—or "the vig." (There is a theory that the term derives from the word "vicarage" and refers to the contributions given the vicar by his parishioners.) Naturally, the rate goes up as the money is filtered through the various echelons, and each takes its cut. On the second level, where the principal lieutenants dwell, the vigorish may amount to 1.5 or 2 per cent a week, and on the lowest operating level, where most ordinary loans are made, it will be 5 per cent a week—260 per cent a year. And the underworld, ruthless and insatiable, has a whole arsenal of neat devices by which even this horrendous figure can be hiked.

The Doctor is one of those top-level lieutenants who would be invited to the big chief's Christmas party. Only in his case, he would probably not be given a piddling $100,000 to put to work, but something more like a million. "He is a big, big money mover," says one detective. "They trust him. He has hundreds of thousands of dollars working at any one time."

Rarely, if ever, does the Doctor participate in the direct lending of his hoard of cash. He works through his subalterns, parceling out his share of the underworld treasury among as many as 30 underlings on the third echelon of the pyramid; they make the actual loans and collections and, in turn, put some of the money to work through street-corner bookies and hoods. Under such circumstances, life for the Doctor becomes one unvarying round of seemingly innocent social contacts.

Since he is a late-nite man-about-town, the Doctor hardly ever rises much before noon. He may then have a late brunch with his bride, daughter of a Mafia chieftain, and then he will get into his Cadillac and begin his rounds. His first stop is almost invariably at the home of his former, divorced, wife with whom he apparently maintains amicable relations. Detectives theorize that the former wife's home is probably a contact point at which he picks up messages or cash that may have been left for him. After a short stay here, the Doctor drives on to a small business office that he maintains as an ostensibly legitimate front. Detectives have been unable to discern any real business being conducted here, and they deduce that the office serves as another contact point.

After the office stop, the Doctor's routine may vary slightly, depending upon the day of the week. Monday is especially busy in the loan-shark racket. It is the day when new loans are being laid out, when collections are made, when the misdeeds of defaulters must be weighed and penalties assessed. The Doctor regularly visits his favorite Italian social club, where he sits around chatting with old cronies; but it is noticeable that, on this one day of the week, his stay is always more protracted and his talk longer and more earnest.

After the business at the club has been transacted, it's off to the plushier bistros of Manhattan where the Doctor circulates, much like the lord of the manor, with maitre d's bowing and scraping and bartenders bobbing their heads in welcome and subservience. They all know they had better. Many are so deeply in hock to the Doctor themselves that they will probably never again be able to call themselves free men, and in some instances the pit has been dug so deep that the Doctor is in fact the secret owner of the business. A favorite rendezvous in the past, a plush restaurant just off Park Avenue in the midtown section, was forced to close eventually because his silent partnership became too loud and the State Liquor Authority revoked the liquor license.

"You can watch all this activity, and it's most frustrating," says a detective who has camped on the Doctor's trail. "He goes into a place, has a drink, chats with the bartender who is a 'steerer' of his [sending along loan customers]. Perhaps he picks up a message or some cash that has been left. How can you tell? It's all very casual, very hard to detect. Perhaps he wanders off to the men's room, and, just by chance, one of his lieutenants follows, and a word is dropped or money changes hands. There is little you can do about it."

It all adds up to a pretty gay way of life for the Doctor.

"He's a real swinger," a detective says, "and he's very vain. He goes to a health club regularly for exercise. And he's always been young-chick-crazy. Until he married his young wife, you'd see him almost every night with a different babe, all stacked. Now he makes the rounds with her."

The doctor has one other noticeable trait. He is famous for his nasty temper. "He has a very short fuse," the detective says, "and he'll get into a fight at the drop of a hat. This generates fear, it's failing that is really very valuable to him in his business. All he has to do is to show up at a restaurant where some guy owes him money, and the guy begins to quake."

There is one other angle to the Doctor's business, and this, too, is highly remunerative. Underworld informants picture him as the secret proprietor of floating crap games. A free spender who likes to gamble is put in touch by a steerer; a fancy limousine picks him up at his apartment or hotel and whirls him away to the spot selected for the evening's pleasure. The game, being an underworld enterprise, is apt to be rigged to the eyeteeth; but even if it is not, the law of averages can generally be counted upon to leave the eager roller with a flat wallet. Then comes the pièce de résistance. The fever is still upon the sucker; having lost all, he wants to gamble more "to get even." And would you believe it? There at his elbow, just waiting to be of service, is one of the Doctor's sharks. Need another $500, buddy? Gladly, gladly, says the shark, turning it over.

The shark, of course, knows his customer; he's already checked his credit rating; he knows he can't lose. If the gambler's luck changes, he pays back the shark on the spot—$600 for the $500 he has just borrowed. If, as is more likely, he blows the extra $500, too, he must pay up $600 within 24 hours. "This is one of the neatest rackets going," a detective says, "They aren't interested in the profits of the game so much as they are in the loan-sharking at the game. That's where the real money is. It's easy to run $10,000 into $15,000 in a single night loan-sharking."

Inevitably, with a business as intricate as the Doctor's, it becomes necessary, as it is not in a more streamlined operation, to keep some detailed records. It is fairly simple for the family boss who has parceled out $1-million in chunks of $100,000 to each of 10 principal lieutenants to keep his accounts in his head; but when you split up hundreds of thousands of dollars into hundreds of chunks, the transactions become too complicated. Even an agile brain cannot retain the details without the help of a written record. Authorities have been successful in obtaining one such account sheet of the Doctor's. It contains a long column of figures that look as if they were taken from a bank's daily ledger. Scanning the column at random, one notices amounts ranging from $13,000 to $43,000, each representing a loan. Some of the loans are identified only by nickname or initial; others have names spelled out beside them—including names of subsidiary Mafia figures to whom the Doctor apparently had funneled some of his money.

"We're sure this sheet represents loan-sharking business," the prosecutor who has it says, "but when we questioned the Doctor about it, his alibi was that this was just an ancient record, representing transactions from years and years ago when he was in the bookmaking business."

Even when authorities get an indubitably current record, it is extremely difficult to make much sense, still less a legal case, out of the mysterious chicken scratches. One investigative unit recently came into possession of a red-covered loose-leaf pocket notebook containing the record of transactions of a bookie-shark on the lowest level of the Doctor's ring. The flyleaf carries an unexplained notation: $15,000.

"This apparently was the money entrusted to him to lend out," a detective says.

The $15,000 item is followed by these other unexplained entries: $7,300, $3,900, $700. Out at the side of the page, the last sum is broken down into three other amounts: $250, $350, $100—apparently representing three smaller loans that made up the $700.

Who got the money? There is no way of telling.

"The guy who had this book carried it in his head," the detective says. "He knows who got the $7,300, who got the $3,900; he doesn't have to put down names."

Some of the inside pages of the notebook do contain more information. In transactions involving week-by-week payments over periods of several months, the shark had to keep a careful record. But even here the entries tell little. These are designations like "Brother," "Billy," "Fred." Just who they are is anybody's guess. One of these accountings shows that $500 was lent to be paid back at a rate of $50 a week for 12 weeks—a mere $600 for $500. Regular payments were made, except for one week. However, the borrower paid $100 the next week, was never delinquent again and the account was marked closed at the end of the 12 weeks.

Not all borrowers were so lucky. One account in this book deals with a loan that started out at $11,600. The borrower—whose name appeared beside the figures—made regular payments at the start, but then the burden obviously became too heavy. His payments lapsed for weeks. Penalties were assessed. These and the accumulations of . . . vigorish boosted the indebtedness, despite what had been paid, to $16,808. There the account ends— permanently. The man who borrowed but could not pay was found murdered in a city alleyway, and investigators trying to solve the case are operating on the theory that he paid with his life for having had the bad judgment to cost the syndicate money.

Such gory episodes point up a fact of life: the borrower is always at the mercy of the shark, and the shark, backed by all the awesome, terroristic power of the Mafia, is utterly ruthless. Coupled with his ruthlessness is a devilish cunning that is always devising new ways of getting people in his power—and then driving them right through a wall.

Take the case of the prosperous bar owner who tried to do his daily good deed, found himself caught in the middle and was almost devoured by a shark. The bar owner had a good, free-spending customer whom he had known for quite some time. One day the customer confided that he was in a financial bind and needed to borrow some fancy cash. So the bar owner, trying to do a favor for a patron, passed him on to his favorite loan shark. The customer and the shark made their deal, and for a time everybody was happy. But then the customer, evidently unable to pay, skipped the city—and the sharp ivories of the loan shark closed on the bar owner who was informed he was responsible for and had to make good the loan.

"If you introduce someone to a loan shark," says one investigator, "you make yourself responsible for the payments. If the friend you've recommended takes off for Florida or Samoa, leaving the debt unpaid, they come to you to collect. It is just like co-signing a note in legitimate business. This is one way many bartenders and bar owners find themselves suddenly in deep, deep trouble."

The trouble gets just as deep as the loan shark in his generosity chooses to make it, for the shark makes up the rules of the game as he goes along, and the other player, the borrower, hasn't a thing in the world to say about it. If a borrower defaults for a couple of weeks or a month, the shark can assess any penalty that comes into his usurious mind—and the borrower has to pay or flee the country or risk being dumped in some dank gutter.

Frank Rogers, in his testimony before the Commission of Investigation, cited a case that began with a $6,000 loan to a businessman. The borrower made three payments, then missed two. For this heinous offense, the loan shark decided that the $6,000 would now be converted into $12,000, with the accompanying double vigorish. When the hapless borrower could not begin to pay this suddenly doubled load, the shark upped the principal to $17,000, then $25,000. "Just by simple mandate from the loan shark," Rogers testified, "you are in an irreversible situation. He says, 'This is the loan,' and that is it."

Once a victim has been driven completely through the wall by such devices, the shark sometimes grins his suddenly friendly smile and says, "O.K., I'm now your partner. I own half your business."

This doesn't mean he's really forgiving anything; he's simply stopped piling it on. But he still expects his vigorish on the old loan—and half his new "partner's" profits besides. The situation then rapidly deteriorates to the point of utter hopelessness, which is what the shark wants. Then he may say magnanimously, "Look, we will swap even. We will forget the loan, you forget the business. It is now all mine." The entire process, Rogers said, sometimes takes less than six months.

Such takeovers, Rogers told the investigation commission, run the gamut "from nightclubs to optical stores to brick companies." And, as testimony before the commission showed, to Wall Street brokerage houses and banks.

The loan shark, then, is the indispensable "money-mover" of the underworld. He takes "black" money tainted by its derivation from the gambling or narcotics rackets and turns it "white" by funneling it into channels of legitimate trade. In so doing, he exacts usurious interest that doubles the black-white money in no time; and, by his special decrees, by his imposition of impossible penalties, he greases the way for the underworld takeover of entire businesses. Perhaps the best single illustration of how it all works was put on the record by the Commission of Investigation in its probe of the First National Service and Discount Corporation.

This was an underworld loan-sharking operation that was actually incorporated as an ostensibly legitimate business. It had a suit of offices at 475 Fifth Avenue, and its front man was an operator grown as Julio Gazia, alias Julie Peters. He described himself frankly as "a Shylock, a five-percenter." Some of the largest names in the underworld and its affiliated loan-sharking ventures weave in and out of the story of First National.

The original loan of $21,600 was supplied by Thomas (Tommy Ryan) Eboli, strong man of the Vito Genovese syndicate, and by Charles (Ruby) Stein. Stein, with his partner, Nicholas (Jiggs) Forlano, is known as one of the largest loan sharks in the city, with direct ties to the highest echelons of the Mafia. When additional money was needed for loans, it was obtained from Mike Genovese, brother of Vito, and Joseph (Joe Ross) De Nigris, known as a reliable "old soldier" of the Genovese family and a close aide of Eboli. Money from these underworld sources was lent to Julio Gazia and First National at 1.5 and 2 per cent a week—and was put out by Gazia at a minimum of 5 per cent a week. With money turned over and over from paid-up loans, First National lent approximately $400,000 in 25 months and reaped a gross profit of at least $150,000, probably much more.

Borrowers testified before the commission that they lived in abject terror of what would happen to them or their families if they did not pay. The wife of one borrower, subjected to a blitz campaign of threatening and obscene telephone calls, collapsed and had to be hospitalized. The others had good reason for their fear, the commission reported, for Gazia employed two hoodlum-enforcers—Anthony Scala, who liked to be known as "the leg breaker," and Anthony (Junior) De Franco.

An attorney who had become a partner of Gazia in the First National caper gave the commission an inside view of some of the goings-on. On one occasion, Gazia lent $22,000 to the proprietor of an optical company, who agreed to pay $1,100 a week "vig" on the loan. Later another $6,500 was lent. This raised the "vig" to $1,425 a week, and the optical company executive found eventually that he simply couldn't pay it. Though he had paid Gazia and First National $25,000 in interest, he still owed the entire principal of the loans, $28,500—and the $1,425-a-week "vig" went on and on, endlessly. He tried frantically to borrow from friends and failed.

At this point, the underworld called a "sit-down"—a meeting presided over by an underworld baron of acknowledged stature. Presiding as a justice in a kangaroo court, the underworld chieftain hears the evidence and decrees what shall be done—what lump sum the loan and accumulated vigorish can be settled for (this is never less than three or four times the original principal) or, in lieu of that, what retribution shall be exacted from the defaulter. In the case of the optical company owner, Eboli himself presided at the sit-down, held in a Greenwich Village restaurant, and he decreed that an aide, Dominick Ferraro, should take over the optical company and go to West Virginia to operate its plant there. In the course of a few months, the new "management" looted the concern of every dime in the till and drove it into bankruptcy.

Why do supposedly sensible men get themselves into such binds? The optical firm owner who lost all gave the commission a succinct answer: "I needed the money."

It is a refrain that is heard again and again. Certain kinds of businesses are especially vulnerable. In the garment business, an uncertain and cyclical industry, the owner of a dress factory often finds himself caught in a sudden squeeze; either money is tight or he does not have the kind of credit he needs at a bank—so he goes to a loan shark. Many a tavern owner begins business after spending years as a cook or bartender. He does not have much capital. By the time he has rented and furnished his place, he is running short of funds with which to lay in the costly supply of varied liquors that he needs to woo a well-paying clientele—so he goes to the loan shark. In the construction industry, capital can be tied up in long-term projects; when the crush for cash for a new venture becomes acute, a sum like $1-million may be needed the day after tomorrow—and so the construction company executive, too, goes to the loan shark.

There are an infinite number of entrapment techniques. Take a typical case. The steerer at a bar introduced the resident loan shark to the son of a wealthy businessman. The son had junior executive status in his father's business, was a bit of a playboy and was drawn by the shark's sinister character and reputation. It did something for his ego just to be seen in the company of such an eminent Prince of Darkness.

The shark and Junior began to bet together. It started on the $10 level. Then Junior wanted to move up to the $100 class, but he didn't have that kind of money. Kindly Shark, slapping him on the back, reassured him: "O.K., old buddy, don't worry about a thing. I'll back you." The betting grew apace. Soon Junior was gambling $1,000 a clip with the bookie to whom Kindly Shark had introduced him.

Before he met K.S., Junior had been betting $10 a week on Saturday football games. That was his speed. Within 90 days after meeting K.S., Junior was betting $4,000 each Saturday. The inevitable happened quickly. Came a series of disastrous weekends when all Junior's teams could do was lose—and he had, of course, no money with which to pay the thousands he owed. Now Kindly Shark's teeth showed. It was no longer: "Don't worry about a thing, old buddy." It was: "Pay up, old buddy—and damn quick." In desperation, Junior embezzled a large sum of money from his father's firm with which to square himself with the underworld.

Worldly-wise individuals are also caught in this trap and forced into paths of crookedness. Sergeant Salerno told the investigation commission of the case of a "nationally known broadcaster, a sports broadcaster, who became involved with the Shylocks. This man was party to a sit-down, and the conversation that took place at that sit-down—you would think that this man was a chattel, a piece of baggage; they were going to buy or sell him. . . ."

Two loan sharks among his creditors, Sergeant Salerno said, bought up all his indebtedness for "a very low percentage on the dollar." Then they used his services to recoup their investment. "He ended up steering affluent people, who knew his reputation, knew who he was, to a crooked dice game in order to earn a percentage of what they would be fleeced of, to be applied against his indebtedness."

Such is the unsavory picture. What can be done about it?

There must certainly be increased public understanding of the problem. Prosecuting officials have shouted themselves hoarse in the past, but the public still seems to think of the loan shark as an accommodating fellow who is offering a valuable service. The Commission of Investigation was told of one contractor who borrowed $1-million from a second-echelon loan shark for a construction project. The contractor began to list for the loan shark all the collateral he could put up to guarantee the loan.

The shark wasn't interested. "Your body is your collateral," he told the contractor, and with these words, for the first time, the contractor understood the kind of a deal he was entering.

The public must be made to understand, officials say, that when a man borrows from a loan shark, his body is, indeed, his collateral. There is a lien on his life. "Anyone who borrows from a loan shark is leaving himself open to strong-arm methods," one prosecutor said. "People should borrow only from legitimate sources; otherwise, they are borrowing, not just money, but a sackful of trouble."

Public understanding and cooperation—is needed to make the laws work. Before the State Commission of Investigation's probe in 1964–65, there was no legal limit on the amount of interest that might be charged a corporation and no limit on what could be charged an individual on loans over $800. The loan shark was not only safe, he was legal—as long as he did not beat up someone to enforce collection or become directly involved in some form of embezzlement.

As a result of the investigation commission's exposure of the loan-sharking racket, new and more stringent laws were passed. Now it is illegal to charge a corporation an annual interest of more than 25 percent, and it is illegal to charge an individual, no matter what the size of the loan, more than 6 per cent. But prosecution is still difficult: it takes a witness to make a case, and the witness who is willing to testify against a loan shark, with the terrifying shadow of the Mafia looming behind him, is a rare species and exceedingly difficult to find.

It sometimes happens, but all too seldom, that a victim is driven to such a degree of desperation that he flees into the arms of the law. One such rarity occurred in late November, 1967, when Berthold Kahn, of Spring Valley, N.Y., became so hopelessly entangled with loan sharks and their vigorish that he could see no way out. Threatened, in fear of his life, he sought out the Federal Bureau of Investigation in New York.

F.B.I. agents listened to his story, but they had no jurisdiction. Since the loan sharks involved came from Brooklyn, the agents suggested to Kahn that he see District Attorney Aaron E. Koota, of Kings County. Koota and his assistant, Irving P. Seidman, in charge of the Rackets Bureau, have been waging a long and vigorous campaign against loan sharks and the underworld's infiltration into legitimate businesses. But, like other investigative agencies, they have had their problems in getting essential witnesses.

Kahn arrived at Koota's office virtually quaking with fear about 4:30 P.M. on Friday, Nov. 24. He wanted to telephone his wife, he said; and, when he did, what she told him only increased his terror. In his absence, she had received a telephone call from some tough-talking characters. They informed her that her husband had not kept an appointment he had made with them, and they declared they were going to come out to his house that night to teach him a lesson.

This incautious announcement of intent was all the authorities needed. Seidman got in touch with New York State Police, and Brooklyn detectives and State Police staked themselves out in Kahn's home. They waited until 3:30 A.M. when, true to their promise, three hoods came pounding on the door, shouting to Kahn to open up and asking him if he wanted his arms and legs broken. Having heard all they needed, the detectives moved in and arrested the trio on extortion charges.

With the arrest, Kahn and his family breathed a huge sigh of relief. They had cleared at least the first, terrifying hurdle, but it will be many days and weeks before they feel entirely safe. They can never be certain that some of the arrested hoods' friends won't come calling—though actually, authorities say, this rarely happens after an arrest has been made. Once the law has interested itself in a particular case, the loan sharks tend to stay away. After all, why risk bothering with a man on whom the police are probably keeping a protective eye? Why risk the danger of an assault rap or even a murder rap, when you can go out tomorrow and keep turning over 5 per cent a week—260 per cent a year? The loan shark does not readily give up his vigorish, but he is, after all, a businessman, and there are occasions when it is better to take the smaller loss in pursuit of the greater profit. That greater profit will not be threatened unless there are many, many more cases like the one in Spring Valley.

"This case just goes to show what can be done, how law enforcement authorities are prepared to cooperate and act any time we can get the help of the public," District Attorney Koota says. "But we have to have that cooperation. It is the only way we can ever stop this racket. If we had that, we could put these racketeers out of business tomorrow; and if we don't get it, this will continue and get worse."

[From the New York Times, Jan. 29, 1968]

FEW LOAN SHARKS ARE HOOKED BY THE NEW LAWS—PROSECUTORS SAY IT IS HARD TO OBTAIN CONVICTIONS—RACKET REPORTED SPREADING—MAFIA ROLE CHARGED

Law enforcement officials said yesterday that they were virtually helpless to deal with the spreading problem of loan-sharking despite recently enacted stricter laws designed to stamp out the racket.

Alfred J. Scotti, chief assistant district attorney of New York County, said there were fewer than a dozen loan-sharking prosecutions a year in Manhattan, one of the racket's most fruitful feeding grounds.

In Brooklyn, another section of the city where loan sharks operate actively, there are relatively few arrests for the crime, according to Elliott Golden, that borough's chief assistant district attorney.

The two officials, and other law enforcement authorities who supported them, made their observations in interviews after the Joint Legislative Committee on Crime focused new attention on loan-sharking last week at a hearing at which Michael Metzger, a New York County assistant district attorney, called it the "principal vehicle by which the underworld may infiltrate otherwise legitimate areas."

LINKED TO MARCUS CASE

Loan-sharking, authorities have said, is an element in the charges against James L. Marcus, the former city Water Commissioner, who is accused of accepting part of a $40,000 kickback on an $835,000 reservoir cleaning contract. These authorities have said that Mr. Marcus was forced into the kickback scheme after he fell into debt to loan sharks.

The problem faced by law enforcement officials in combating the loan shark racket is not that they do not know who the loan sharks are.

"We are quite familiar with the identities of those involved," Mr. Scotti said with a faint smile.

Nor is the problem the law itself, which investigators and prosecutors agree is now adequate to deal with the challenge of usury, the statutory name for loan-sharking. The law, passed in 1965 after an inquiry into loan-sharking by the State Commission of Investigation, made it illegal to charge more than 25 percent interest a year on loans.

The problem, the law enforcement experts said, is to collect evidence of loan-sharking that will stand up in court and win convictions. At the present time, the officials said, this is virtually impossible.

Loan-sharking seldom comes to the attention of the police, as most other crimes do. This is because loan-sharking involves a transaction in which two adults—the lender and the borrower—participate willingly, unlike a robbery, a rape or an assault in which the victim is an unwilling participant.

In this respect, loan-sharking is somewhat similar to the sale and purchase of narcotics. And like the narcotics trade, neither party to a loan-sharking transaction wants anyone else to know it has taken place.

As a result, Mr. Scotti explained, "people who borrow from loan sharks rarely come forward on their own."

The key to the control of loan-sharking, according to most investigators and prosecutors, is the wide ruse of wiretap and other eavesdropping devices.

"Court-ordered eavesdropping should be made available to law enforcement officials," Mr. Scotti said. "This is indispensable. It is imperative."

"If we had that, we could get them," Mr. Scotti, a small, animated, white-haired man said, snapping his fingers, "like that."

Mr. Scotti ranks loan-sharking second only to gambling as the prime source of underworld revenue, and he said the racket, which exacts interest rates up to 700 per cent and in which the Mafia is estimated to get at least $30,000 a year on every $10,000 it lends is growing.

"It is becoming an increasing outlet for unlawfully acquired money," he said.

Law enforcement authorities have detected not only a growing level of loan-sharking activity but also some significant changes in its character.

Years ago, they noted, loan sharks preyed primarily on poor people unable to borrow from banks or other legitimate lending organizations because of a lack of collateral.

Loan-sharking then, the officials said, was strictly a financial operation backed by terror. Money was loaned, usually at the traditional six-for-five rate (paying back $6 for a $5 loan). If it were not repaid promptly, the delinquent borrower was threatened, beaten or even killed to provide an example to other borrowers.

Such strongarm tactics are still common. In Brooklyn recently, a delinquent borrower was stripped of his clothing, taken out in a boat and threatened with being thrown overboard unless he agreed to pay the money he owed the loan sharks.

But new tactics have been added to the loan shark's repertory of terror, the law enforcement officials said.

ALTERNATIVES TO PAYMENT

Today, one official said, the loan sharks and their Mafia bosses adopt the position that if a man cannot repay his loan promptly, "what use can we get from him?"

Instead of beating the victim or threatening his family, the loan shark's strongarm men persuade him to help them. If the victim is in the meat business, for example, they force him to buy a load of stolen or tainted meat. If he is in the trucking business, they make him agree to point out a shipment of valuable goods for easy hijacking.

"Once he's in that far," said one assistant district attorney, "he's in for good. He does their bidding. It's a kind of financial blackmail that results in a moral slavery."

The result is that a man who had no intention of becoming a criminal when he borrowed a few hundred or a few thousand dollars from a loan shark begins an irreversible plunge into a series of criminal activities dictated by his loan-shark masters, the official said.

"I think," he commented, "this can happen to a public official. It can happen to anyone."

[From the New York Times, Jan. 30, 1968]

TRUTH IN LENDING

As the House of Representatives takes up the long-stalemated truth-in-lending bill, the need for a strong, comprehensive law is heightened by the steady growth in the volume of consumer credit. Buyers and borrowers must have the protection of a law requiring full disclosure of the true cost of obtaining credit. These safeguards are particularly necessary for the least educated and the poorest, who can ill afford mistakes in managing their money.

The bill as it comes to the House floor would be improved if the members strike out two amendments adopted in the Banking Committee. The first would exempt retail stores and mail-order houses from telling their customers the interest rate on an annual basis for so-called revolving charge accounts. An interest charge of 1.5 per cent a month on the unpaid balance sounds rather low. Yet, on an annual basis, this is 18 per cent.

Equally objectionable is an exemption in the bill providing that credit terms do not have to be detailed if the interest charge is less than $10 per transaction. As a practical matter, such a provision would exempt most loans and purchases of less than $100. This is exactly the size of transaction in which persons with the smallest incomes need protection.

On the plus side, an amendment successfully offered in committee by Representative Halpern, Republican of New York, strengthens the bill by restricting the garnishment of wages. The first $30 of a worker's wages would be exempt from attachment by a private creditor, and no attachment could exceed 10 per cent of his remaining wages. No one would be harmed by such a modest restraint except those dubious merchants who prey upon the poor by selling shoddy merchandise on "easy" credit.

The CHAIRMAN. The time yielded by the gentleman from Texas has expired.

Mr. WIDNALL. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, I rise in support of H.R. 11601, the Consumer Credit Protection Act of 1968. Without equivocation, I think the Committee on Banking and Currency can be proud of the bill it has reported. The vote in committee to report the bill with committee amendments was 30 to 1, indicating the wide bipartisan support for a measure of this kind.

I think it is also worth noting that this legislation is truly the product of congressional initiative—the kind of initiative that has been sadly lacking for many years here on Capitol Hill. This measure originated here in the Congress many years ago and did not receive what we would call strong executive branch support until fairly recently. This is as it should be because the House of Representatives and the Senate are closest to the people and no major domestic issue is closer to the people than various facets of what is called "consumer protection."

A truth-in-lending bill passed the Senate last year by a 92-to-0 vote, and many observers thought at the time that the House would merely rubberstamp the measure sent to us to enable another dramatic bill-signing ceremony at the White House. This was not the case because the House Committee on Banking and Currency took a fresh look at this area of consumer credit protection and reported a bill infinitely stronger than that which passed the Senate. I think a great deal of credit for this should go to the chairman of the Subcommittee on Consumer Affairs, the gentlewoman from Missouri, Congresswoman SULLIVAN, and the ranking minority member of that subcommittee, the gentlewoman from New Jersey, Congresswoman FLORENCE DWYER. The bill as reported would, to summarize:

First. Safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit;

Second. Restrict the garnishment of wages to prohibit attachment of more than 10 percent of a worker's wages, after exempting $30 a week from his earnings, and forbid an employer from firing a garnished worker for his first garnishment;

Third. Provide for truth-in-credit advertising by requiring rate disclosure, as well as all credit terms whenever a reference is made to any credit requirement in an advertisement;

Fourth. Require sellers and lenders, whenever credit life insurance is mandatory, to disclose the cost of such insurance along with other information regarding total finance charges;

Fifth. Require mortgage lenders to disclose annual rates and total finance charges including closing costs in transactions involving both first and second mortgage credit. S. 5, the Senate bill, exempted first mortgages but included second mortgage credit;

Sixth. Provide that creditors must furnish a written estimate of the approximate annual percentage of the finance charge on open end credit plans whenever a customer requests it orally or in writing, and specifies a repayment schedule and other essential credit terms as may be prescribed by regulations; and

Seventh. Require disclosure of payments and credits not deducted during a billing period before a finance charge is added.

Mr. Chairman, I think it is unfortunate that this bill comes to the floor with certain among us pointing to what they call loopholes in the bill. I am referring to the manner in which the committee decided to treat revolving or open end credit. Let me say this: There are a few features of this bill which I disagree with also such as the creation of a Commission on Consumer Finance, but I certainly have resisted any temptation to smear the entire bill for the fact of exciting interest in those one or two portions of the bill with which I disagree. I think it should be apparent to all that the President of the United States in his state of the Union message is satisfied with the truth-in-lending bill as it passed the Senate when he urged the House to complete action on the truth-in-lending bill which had already passed the Senate. It is fair to conclude that he would undoubtedly be that much more happy with the stronger bill reported from our committee.

I would also like to take this opportunity early in the debate to clear the air of certain misconceptions that special interests have created. Many Members of the House have received mail from small loan companies, furniture dealers, and banks, claiming that they want House passage of a truth-in-lending bill treating everybody alike. I think it is only fair to point out that these three groups have opposed for many years any truth-in-lending legislation whatsoever. At this late date, they have changed their positions and are pleading with us to treat all retail credit alike. On the issue of revolving or open end credit, a majority of the Committee on Banking and Currency saw good reason to make a clear distinction between short-term revolving credit and long-term revolving credit. We made a distinction with regard to disclosure because there is a clear and definite distinction. Ninety-two Members of the Senate and a majority of our committee realized that there was no way accurately to predict or to compute in advance the annual percentage of carrying charges on short-term revolving or open end credit. In her original bill, the gentlewoman from Missouri recognized this when she required disclosure in advance of dollars and cents finance charges on bank loans and installment credit but not on open end credit. If one cannot accurately predict in advance the dollars and cents finance charges on open end credit, how can one predict the annual percentage rate of those same charges? The answer is that you cannot. On the other hand, on those forms of open end credit and installment debt which carry repayment terms exceeding 18 or 19 months, figures prove that one can fairly accurately predict in advance the annual percentage finance charges.

Banks, furniture dealers, and small loan companies ask us to treat all retail credit alike in that if they have to disclose their finance charges on an annual basis they feel that everyone else should be similarly obliged. There is nothing in this bill as reported from the committee which prevents banks, finance companies, small loan companies, or furniture dealers from shortening their terms of repayment and thereby avoiding the need to disclose an annual percentage rate on finance charges. This bill does not attempt to regulate the forms of retail credit available to the American consumer. There is no question in my mind, however, that an indirect result of this legislation will be to encourage shorter term retail credit. Bank credit cards are free to reduce their terms of repayment from 30 months to 19 months, thereby coming in under the definition of open end credit where a periodic or monthly rate can be disclosed. Most, if not all, bank credit cards encourage longer repayment terms because the longer the repayment terms the higher the credit costs to the credit card holders and the higher the return to the banks. Moreover, when the banks say treat us all alike one should remember that there is nothing in the bill as reported or in the original Sullivan bill which would require disclosure of bank discounts to retail establishments which use bank credit cards. If everybody is treated alike, because of the discount mechanism, Congress would be giving a substantial competitive advantage to the rapidly growing bank credit card operations.

With regard to the pleas of furniture dealers to treat us all alike neither the committee bill nor the original Sullivan bill ever treated furniture dealers and open-end credit plans alike. Most retail furniture dealers employ straight installment contract terms for credit in connection with the purchase of furniture. The carrying charges on installment credit can be accurately computed in advance both as to dollars and cents and as to annual percentage rate. There has never been any argument over this either in the Senate or in our committee. Many furniture dealers, however, charge considerably higher annual carrying charge rates than do large department stores. Their terms of repayment quite often are 36 months and as we all know, the longer the period of repayment the higher the total carrying charges are to the customer. Moreover, when the furniture industry asks us to treat all retail credit alike by requiring annual rate disclosure across the board, they are doing so with their tongue in their cheek because they know that for the House to take this action would be to give them a built-in competitive advantage over open end or revolving credit. The reason for this is simple. With regard to installment credit, the only disclosure requirements in this bill would be at the time the customer signs a contract. Thereafter, on his monthly bills there would be absolutely no disclosure whatsoever. On open end credit, on the other hand, not only are there eight separate items of disclosure on the original agreement or contract, but the bill would require substantial and extensive disclosure on each and every monthly bill the customer receives. Now I think most reasonable men would agree that the average shopper purchasing furniture does not bother to read the fine print on a three- or four-page installment contract. Once the signature is on the dotted line, the customer would never again be reminded of the annual carrying charges he is paying. If we treat all retail credit alike, as the furniture dealers ask us to do, I assume the furniture people in this country would be only too glad to have the same disclosure requirements on monthly bills apply to them as will apply to open end credit. I point this out because it is my considered judgment that the bill as reported takes special care and applies special standards to open end credit as opposed to other forms of retail credit such as installment credit.

Furthermore, we should keep in mind that the open end credit that has caused so much debate constitutes approximately 3 percent of the total consumer credit outstanding in the United States today. If the House treats all retail credit alike, it can be safely predicted the following will occur:

First. Most department stores will switch to either long-term revolving credit or straight installment credit with much longer terms of repayment and much higher cost to the American consumer.

Second. Because a requirement to annualize carrying charge rates would exaggerate and overestimate the rates actually being paid, department stores would make certain that their carrying charges equaled the rates Federal law forced them to disclose and this would add tens of millions of dollars to the cost of retail credit.

I want to briefly emphasize the role that the minority played in this legislation. When the Subcommittee on Consumer Affairs was hopelessly deadlocked for many weeks, it was the ranking minority member, Congresswoman DWYER, who suggested a compromise to high officials of the administration in an effort to break the deadlock and get a bill to the floor. This compromise package is essentially what the House is considering today. There can be little question that the two major areas of improvement of this bill over that which passed the Senate last year is the addition of disclosure requirements on credit advertising and the section dealing with administrative enforcement. Recently, the New York Times carried a story referring to the first year's experience under the Massachusetts truth-in-lending bill. That experience indicated that most consumers did not even know there was a truth-in-lending bill on the books and that the legislation had little if any concrete effect on buying habits. There was one major exception. The disclosure requirements in Massachusetts over credit advertising have had a significant effect in rooting out those advertisers who traditionally practice misleading and deceptive credit advertising. I am of the opinion that the bill before us will also have the same result in that the section dealing with credit advertising will eliminate from the scene those merchants who generate sales by misleading and deceptive credit advertising.

Finally, Mr. Chairman, I think the situation confronting the House today is very similar to the situation we faced late last year on the meat inspection bill. The Committee on Agriculture tried to do an honest job in bringing out a measure which was equitable yet sufficiently strong to deal with the subject of meat inspection standards. I want to call to the attention of the Members of the House to a front-page story in this week's National Observer entitled "U.S. Inspectors Fudged Facts To Pass Meat Law." It is a startling and frightening story of what can happen to the deliberative process of the Federal legislature when fraudulent charges are made in an effort to stampede the Congress into quick and shortsighted action. This seems to be a popular pastime these days in connection with consumer protection legislation and to a great extent we are witnessing a repetition of this tactic in connection with the bill before us today. Fortunately, the press and the public itself has seen through these charges in that most fair-minded people have recognized that there are good arguments on both sides of these issues.

While the minority will have certain important amendments to offer at a latter time, I wholeheartedly endorse H.R. 11601 as reported.

I urge the House to overwhelmingly pass this measure.

Mr. PATMAN. Mr. Chairman, I yield 18 minutes to the gentlewoman from Missouri [Mrs. SULLIVAN].

Mrs. SULLIVAN. Mr. Chairman, I want to first say how extremely helpful the chairman of our full committee, the Honorable WRIGHT PATMAN, has been throughout the many months that this bill has been before our committee. He gave me solid support and great encouragement, too. No one could have given better cooperation. He has been fighting for this kind of legislation in Congress for nearly 40 years.

NO LONGER A LOST CAUSE

Mr. Chairman, as the principal sponsor of H.R. 11601 and as chairman of the Subcommittee on Consumer Affairs, which conducted extensive hearings on the legislation, I am proud to have my name associated with the many features of a bill which should give to consumers greater confidence in the honesty and competitiveness of the credit industry, and greater self-assurance in their use of credit. If enacted without crippling amendments, such as the two committee amendments which drive gaping loopholes into the bill's effectiveness, this measure will stand as the most important consumer bill passed by Congress in years.

Yet of all of the lost causes for which Members of Congress have battled and persevered with seemingly no chance of success, this legislation now before the House—H.R. 11601, which contains truth-in-lending provisions as part of its title I—represents what was for most of the past 8 years, one of the most forlorn of hopeless legislative causes. Soon, I trust, this long battle will end in victory for the American consumer—and, I might add, for legitimate American business, too.

It is no longer a question of whether truth in lending will pass Congress and become law. The question instead is: What form will the legislation finally take? Will we give the consumer the whole truth in lending, or just a part of the truth? The decisions made in the House this week will go far toward answering that question, if you give us a good strong bill to take to conference.

The Senate last July 11 passed a truth-in-lending bill, S. 5, by a unanimous rollcall vote of 92 to 0. As the vote itself would indicate, it was not a very strong bill and had only limited application. Its draftsmanship was excellent and the technical work on it outstanding, but the bill itself represented more compromise than content.

OMISSIONS FROM SENATE BILL

For instance—

It did not apply to first mortgages, which represent the largest category of all consumer credit and the largest credit transaction the average family ever makes.

It did not apply to the advertising of credit terms, where the full truth is now seldom found and where half truths and outright lies have abounded.

It provided no administrative machinery for enforcement—any consumer who felt aggrieved would have had to institute his own legal action to obtain redress.

It exempted the extremely fast-growing and highly profitable forced tie-in sale of credit life insurance from inclusion in the finance rate the seller or lender must reveal to the buyer.

It ignored the issue of garnishment, which is the main factor behind the worst types of credit abuses among the poor and uneducated.

And, in those credit transactions in which it did apply, S. 5 contained two extremely serious permanent loopholes dealing with revolving credit and with transactions up to $110, and one very technical temporary provision which, until January 1, 1972, would have compounded the confusion among consumers in trying to learn about the rates of credit charges by using a strange term, "dollars per hundred per year on the average unpaid balance" instead of the percentage rate.

The greatest significance about the passage by the Senate of S. 5 last July was not the content of the bill. Rather, Senate passage of truth-in-landing legislation flashed a signal to Congress and to the country that former Senator Paul H. Douglas' long crusade could now, finally, be achieved; that is, that under the leadership of Committee Chairman JOHN J. SPARKMAN, and Subcommittee Chairman WILLIAM PROXMIRE, the Banking Committee in the other body would no longer veto congressional action on truth in lending, as it had done from 1960 through 1966. This was a signal my subcommittee had awaited ever since the Consumer Affairs Subcommittee was established in 1963, and we immediately got busy on this legislation.

STRONG HOUSE BILL INTRODUCED AND THEN STRENGTHENED FURTHER

Nine days after the Senate passed S. 5, a bipartisan group of five members of my subcommittee joined me in introducing H.R. 11601, which took all of the good features of S. 5 and incorporated them into a much broader, comprehensive bill to provide real protection to the American consumer in his use of credit. It was the strongest consumer credit bill ever introduced in the Congress.

And now, I might add, we are bringing that same bill before the House with most—not all, but most—of its strong consumer protections still in the legislation. Many of those provisions were changed in subcommittee or in the full committee to conform to the information we developed in 2 solid weeks of morning and afternoon hearings, but most of the basic disclosure sections of H.R. 11601, as originally introduced, are still in the bill and, in some instances have even been strengthened.

Thus, we included first mortgages along with other types of consumer credit, because the status of a mortgage as a first mortgage does not necessarily insure that it is a good and fair one. The legitimate mortgage finance industry will have no problems in complying with this provision, but the gyp outfits will suffer long overdue exposure of their unconscionable rates.

We included the advertising of credit—that is, if you purport to give the prospective customer specific provisions of your credit terms in your advertisement, it had better be the full truth.

Unlike S. 5, the truth-in-lending provisions of H.R. 11601 are not "self-enforcing"; instead we provided necessary administrative enforcement by appropriate Government agencies—the same agencies which now have regulatory jurisdiction over the businesses which would be covered by the disclosure requirements of this bill.

We also brought the ever-expanding credit life insurance tie-in sale into the coverage of the rate disclosure requirements of the bill, if a credit firm insists you must take out credit life insurance with them as part of the transaction. If this insurance is optional, however, they merely have to list the cost in dollars and cents.

Instead of prohibiting garnishment, as proposed originally in H.R. 11601, we severely restricted the predatory use of this legal weapon by sellers or lenders whose only investigation into the credit eligibility of a customer is usually to find out whether he is employed and garnishable, without regard to his ability to pay the debt. The testimony we received in our hearings on title II of the bill, relating to garnishment, was overwhelmingly convincing of the need for legislation, particularly the testimony we received from four outstanding U.S. district court bankruptcy referees.

And we proposed the establishment of a National Commission on Consumer Finance, composed of three House Members, three Senators, and three public members, to make a thorough investigation into the entire consumer credit industry to see how well it is functioning in meeting the needs of the American people and what changes and improvements are needed to raise the effectiveness and also the standards of this vital and growing industry. From a long-range standpoint, this may well be one of the most important provisions of the bill.

COMMITTEE AMENDMENTS DRIVE TWO GLARING LOOPHOLES INTO THE BILL

We defeated in committee an attempt to substitute the Senate's euphemism of "dollars per hundred per year on the average unpaid balance" for the required annual percentage rate on credit transactions for the period of the first 3 years or so after the law takes effect. The figures. I am told, would come out exactly alike—that is, 12 percent would be translated into "$12 per hundred per year on the average unpaid balance." The Members have received some inquiries on this technical point from bankers in their districts. I assure them that the language we have in the bill and in the report makes abundantly clear that the annual percentage rate we require under H.R. 11601 is not an "interest" rate as defined in State usury laws. Therefore, I feel that the substitute term of dollars per hundred would only confuse consumers and serve no useful purpose. If there is any valid basis for the concern, however, we can certainly iron it out in conference.

We have thus ended up with a bill which suffers from only two serious deficiencies in protecting the consumer. Those two deficiencies were inserted as House committee amendments. Since they were lifted almost verbatim from the Senate bill, it is urgent, therefore, that we defeat those two committee amendments before passing the bill in the House. Otherwise, we will not be able to take those two issues to conference. The Senate committee may have had good and sufficient reasons to place those two loopholes in the bill, as a way of ending a 7-year stalemate within that committee on any legislation at all. But we have no good reason for including them in the bill we pass—no reason other than to weaken the legislation. If the House will give its conferees an effective bill to take to conference, we will do our best to fight it through.

THE REVOLVING CREDIT EXEMPTION

One of those two loophole amendments is the one on open end or, as it is now popularly known, revolving credit. This is the amendment of the big department stores and catalog houses. The Nation's largest retailers have rapidly been converting their traditional 30-day charge accounts into an important source of further income through service fees customarily set at a rate of 18 percent a year. Few customers know, or stop to figure out, that the modest service charge of 1½ percent a month on their unpaid balance is at a rate of 18 percent a year. And the department stores which run this kind of credit program are determined to keep the customer from finding out. Up until yesterday, there seemed to be a solid front among all of the major retail chains on this issue—those which grant revolving credit—but Montgomery Ward, Spiegel's, and Sears Roebuck have now taken another look. I shall discuss that later.

If this were a battle between business on one hand and the consumer on the other, I might not be nearly as optimistic as I am about our ability to defeat this committee revolving credit amendment on the floor. But a strange and wonderful thing has been happening in support of the consumer's right to know all of the facts about his credit costs.

Most of the banks in this country, and furniture stores, and appliance dealers, and hardware stores, and music stores, and radio-TV dealers, are united behind the sponsors of this bill who opposed this department store amendment. For it would provide the department stores with a tremendous competitive advantage over most other merchants and most of the lending industry. Under the bill as amended in committee, and under the Senate bill, too, the furniture store selling a set of furniture at the same price and on similar credit terms as the department store, but financing it through installment rather than open-end credit, would have to give the annual rate of its credit charge while a department store qualifying for the revolving credit exemption would merely give a monthly rate only. If the two stores charged the same rate, the furniture store would have to say its rate was 18 percent a year while the department credit clerk was pleasantly assuring the customer the rate in that store is only a low 1½ percent a month.

If you do not think this would make a big difference to the average customer, Mr. Chairman, read what the furniture dealers told us in our hearings. They have tested this out among customers at random. To the average customer—to most customers—a rate of 18 percent a year sounds fantastically high while the very same rate expressed as 1½ percent a month sounds low, reasonable, and just dandy.

Is this Committee going to discriminate so flagrantly between different types of stores selling the same merchandise? Are we going to take the side of the biggest retailers against the smaller independents—and against the banks and all consumers, too? I cannot believe that the Committee will vote to do so.

This proposal will come before us as a committee amendment. If defeated in Committee of the Whole House on the State of the Union, as I trust it will be under the 5-minute rule, that will take care of this loophole, and we will be able to fight it out with the Senate conferees. But if the amendment carries in Committee of the Whole, we will then have a rollcall vote on it. The issue in that vote will be as clear cut as any vote can be: the public, the local banks, and most independent business on one hand versus one classification of retailers—the department stores—on the other.

THE LOAN SHARK EXEMPTION

The other loophole amendment also present a sharp and clear-cut issue: it is the loan shark amendment under which anyone extending consumer credit of up to $100 or $110 would be able to hide the rate he is charging for that credit, just so long as the dollar cost of the credit charge is $10 or less.

The minority leader told us last week he is terribly concerned about loan sharking and wants to put an anti-loan-shark amendment into the bill. The place to start in doing that is to take out of the bill the committee loan-shark amendment already in it which keeps the borrower from having any idea what rate he is being charged on a loan of $100 or so, or on a credit purchase of that amount. A $100 loan for one week at $10 interest is 520 percent. The committee amendment exempting such transactions from rate disclosure would defeat the purpose of this bill.

It is not a "small business" amendment, such as the Senate apparently thought it was passing. It is clear that some of the Members of the other body thought it exempted only those credit transactions costing 10 or less—not $10 credit charges on transactions up to $110. By the time we took this up in the House committee, we had no such misunderstanding about it. Its purpose to to hide the comparative cost of credit on the usual small loan. How are people supposed to know they are being overcharged if they do not know the percentage rate?

Mr. Chairman, we must, as I said, remove these two special interest anti-consumer committee amendments from the bill. We will have full opportunity to do so either in Committee of the Whole House or on a rollcall vote.

If we succeed in that objective, as I hope we will, we will take to conference a bill which this House and its conferees can proudly defend as a real truth-in-lending measure. And we will earn the gratitude of every consumer, and of those businessmen—the great majority of businessmen in this country—who believe in the integrity and surging vitality of an economic system in which competition can be based on honest quality, price, and service, rather than on customer uncertainty, confusion, and deception.

The credit industry should be particularly grateful. Out of the operations of this legislation should come needed help to the decent elements in this vital industry in overcoming unfair and dishonest competition from an unscrupulous minority engaging in practices which too often discredit credit and dishonor its ethics.

RESPONSIBLE MAJORITY OF CREDIT INDUSTRY RECOGNIZES NEED FOR LEGISLATION

Despite past misgivings of some leaders of the credit industry over the possible interference of truth-in-lending legislation with customary methods of doing business, that industry, on the whole, has been helpful to my subcommittee and to the full Committee in the development of technical aspects of this legislation. No industry wants regulation for the sake of regulation; but this industry, like all responsible industries beset by fringe operators who give a bad name to an essential service, has demonstrated a willingness to accept a significant number of long overdue reforms which can be accomplished only through legislation.

This bill would strengthen the overwhelming majority of those in the credit industry seeking to improve services to the public, not cheat the consumer.

The legislation should also encourage more consumers to use credit with care and responsibility, as it becomes more generally recognized that the "renting" of money, to use Calvin Coolidge's homespun description, or the deferred payment of purchases, cannot be cheap at a time when interest rates are the highest in generations.

Without the vast resources of the credit industry and the many new techniques it has developed for financing the purchase of goods and services, our record-breaking gross national product would quickly evaporate into a fraction of its present size. Homebuilding would stagnate, automobile sales plummet, the vast array of appliances and devices for improved living and recreation now within the reach of the average family, would be reserved to the very wealthy.

But too many Americans have found "easy credit" far easier in terms of availability than in their ability to repay. The personal and family tragedies caused by overextension of credit are reflected in the alarming rising flood of personal bankruptcies.

This bill, by itself, will not curb the excessive appetite of credit addicts for luxuries they cannot afford. But, by spotlighting the true costs of various forms of credit, and limiting the ability of predatory credit outfits to use the process of garnishment as a bargain-priced substitute for reasonable investigation of the financial responsibility of potential customers, irresponsible practices in the use of credit can be sharply reduced. Of course, this assumes that the legislation as finally enacted will require full disclosure of consumer credit costs under uniform standards, and will retain restrictions on garnishment.

DELETIONS FROM H.R. 11601

Four controversial provisions of the bill, as originally introduced, were deleted from the measure in subcommittee, on my motion, after hearing demonstrated a lack of adequate support for them from both administration and consumer witnesses, and reflected uniform opposition from business.

These provisions were inserted in the bill originally for the very purposes they did serve; that is, for an airing of issues in the field of credit utilization, which have been neglected, but which nevertheless deserve public attention. I am convinced that these proposals, as included originally in the bill or in some other form, will eventually become law. Our hearings succeeded in stimulating some significant interest in them, even if not enough to achieve passage. But these hearings should speed the day when they will receive greater legislative attention. However, the proposals referred to were not regarded by me, or by any of the cosponsors of H.R. 11601, as attainable in this legislation at this time.

1. A FEDERAL USURY CEILING

One was the proposal for a Federal ceiling on the percentage rate of credit charges. This idea was suggested by Chairman WRIGHT PATMAN, foe of unconscionable interest rates. The arbitrary figure used in H.R. 11601 for discussion purposes was 18 percent. Such a limit would probably close down most of the small loan firms in the country, which charge fees ranging far higher than 18 percent, up to legal ceilings in some States of 42 percent, and even higher rates in States which do not regulate such charges. The purpose of the 18-percent figure was not to close down legitimate businesses, but to educate us all to the realities of credit's high costs, with the hope that a viable and fair ceiling might be devised and eventually enacted. Let us hope that the States can take care of this problem by proceeding to revise and reform their generally outmoded or ineffectual laws on maximum rates.

2. STANDBY CREDIT CONTROLS FOR NATIONAL EMERGENCIES

The second proposal deleted in subcommittee called for the creation of machinery for standby controls over consumer credit, to be used only in periods of grave national emergency. When such a law was recommended to the House in 1966 by our committee, as an amendment to the Defense Production Act—where it belongs—it was defeated on two grounds: first, that we were not in a national emergency; and second, that no hearings had been conducted on the proposal. It is my view that the authority for standby credit controls, which would be needed instantly in a war situation, should be enacted not when we are engaged in a battle for our national survival—when calm appraisal by the Congress of the details of such legislation would be impossible to achieve—but before an emergency requiring them even begins to appear over the distant horizon. Like some of our other defense weapons we hope we never have to use, economic defenses for emergency situations should be enacted and placed on the shelf—ready to use instantly if disaster should strike.

Our hearings developed no great clamor for these standby economic defense powers—quite the contrary. But they also brought out clearly the lack of effective machinery in our existing laws for confronting a possible extreme danger to our economic survival from the sudden inflationary impact of a great national emergency. I felt that the immediate objectives of placing this provision in H.R. 11601 were served in the hearings, and therefore moved to delete this section from the bill.

3. MARGINS ON COMMODITY FUTURES

The third controversial proposal dropped in subcommittee from H.R. 11601 dealt with the regulation of margins on commodity futures trading. This is a vastly neglected issue involving the use of small downpayments, or "earnest money" on futures contracts worth many thousands of dollars, traded in by professionals and numerous amateurs betting on a rise or fall in the prices of dozens of different basic commodities—not just agricultural commodities, but also many essential defense materials. Excessive speculation at very low margins can and does influence the prices of such commodities, causing wide and unstabilizing swings in these prices during any periods of market dislocation, yet no Federal agency has a word to say about the margins which are set by the various privately run exchanges.

The stock market was—disastrously—free of margin regulation prior to the enactment of the Securities and Exchanges Act of 1934, giving margin control powers to the Federal Reserve Board; all of the futures markets, however, are still exempt from any Federal margin regulation. This issue remains to be solved. The hearings on H.R. 11601 contributed to public awareness of the problem, but not enough so to bring about legislation at this time. Thus, I moved to remove this provision also from the bill.

4. "CONFESSION OF JUDGMENT" NOTES

The fourth deletion from H.R. 11601 dealt with a proposed ban on "confession of judgment" notes. These are instruments of financial self-incrimination which are imposed by some segments of the credit industry, usually on trusting but naive consumers who innocently sign away their legal rights as a required, but not understood formality, of a credit transaction. Despite later utter lack of good faith by the seller or lender, or even outright cheating on the quality of the goods purchased on credit, the customer is left with no legal right of self-defense against the alleged debt, and is often gouged to the last penny of the obligation, plus, in many instances, a multitude of added-on charges, fees, and penalties representing outright financial cruelty.

Essentially, this is a problem for State laws to solve. But, like many of the other problems in the consumer credit field, action at the State level has been excruciating slow. I sincerely hope the information brought out in our hearings on the legal trappings of credit entrapment, so widespread in consumer credit transactions involving the poor and uneducated, will help to end such practices as the use of confession of judgment notes.

THE CONSUMER MUST FIGHT FOR HIS RIGHTS

In connection with this legislation, I strongly urge the leaders of our many voluntary nonprofit organizations, public agencies, newspapers and other mass media, and all whose interest in political issues is primarily from the standpoint of the public interest, rather than special economic interest, to alert the consumers of this country to the many protections they already enjoy by law, to encourage them to seek and obtain the help which is available to them and educate them on how to fight for their rights in the credit marketplace. Agencies engaged in aspects of the war on poverty must become particularly alert to their opportunities to help individual families protect themselves from the predatory racketeers which infest the fringe of the credit industry and which zero in on those least able to defend themselves.

H.R. 11601—if enacted by Congress without destructive amendments such as the revolving credit and $10 exemptions recommended as committee additions to this bill—can provide substantial additional help to all consumers, from highest to lowest economic levels, in utilizing credit with greater selectivity and effectiveness. The greatest need for this help, of course, is at the lowest income levels, where the words "credit" and "gouge" are often synonymous to the user-victim. If H.R. 11601 can succeed in this objective, all who participate in its enactment can be proud of having had an opportunity to serve in the cause of economic decency.

Mr. PATMAN. Mr. Chairman, will the gentlewoman yield?

Mrs. SULLIVAN. I am happy to yield to the chairman, the gentleman from Texas.

Mr. PATMAN. The gentlewoman referred to two important amendments which must be defeated. Am I correct in assuming that one of them relates to the language on pages 10 and 12, sections 203(b)(7) and 203(c)(5) about the $10?

Mrs. SULLIVAN. The exemption for transactions in which the credit charge is $10 or less—that is, loans or purchases up to about $110.

Mr. PATMAN. Yes; and the other one relates to the language on page 13, line 12, and on page 14, lines 10 through 13, dealing with the change from an annual percentage rate to a periodic percentage rate for revolving credit.

Mrs. SULLIVAN. Yes.

Mr. PATMAN. So we must restore the word "annual" and strike out the words "per period" on page 13, and restore the original language in lines 10 and 11 of page 14. Is that correct?

Mrs. SULLIVAN. Yes. If I may clarify the point for the Committee of the Whole House, Mr. Chairman, the language of the original bill on annual rate for revolving credit has a line stricken through it now.

The language that is shown in italics on those pages to which the gentleman refers are the amendments that were adopted in committee. These are the amendments I am asking the Committee of the Whole to vote down.

Mr. PATMAN. On pages 13 and 14.

Mrs. SULLIVAN. Yes; that is on the revolving credit exemption, and on pages 10 and 12 are the amendments on the $10 exemption. Probably we will ask that where two or more amendments relate to the same thing, they be considered en bloc when the time comes.

Mr. PATMAN. Mr. Chairman, I thank the gentlewoman.

Mrs. KELLY. Mr. Chairman, will the gentlewoman yield?

Mrs. SULLIVAN. I am happy to yield to the gentlewoman from New York.

Mrs. KELLY. I wish to take this opportunity to compliment the gentlewoman from Missouri for the part she has played in bringing this bill to the floor. Her role was strong and strenuous. She devoted tremendous time and effort to the hearings and was determined that we have a good truth in lending bill.

I realize the gentlewoman would want me to say she alone is not responsible for this bill, but we all know the great work she has performed on this issue, as she has done on all legislation for the consumer.

I really hope the members of the Committee will support her in the arguments she has presented so ably and so well in her excellent speech.

I thank the gentlewoman for yielding.

Mrs. SULLIVAN. I thank the gentlewoman from New York for her kind words. She has been a strong supporter of truth in lending and has introduced her own bill on this subject.

Mr. Chairman, I urge the adoption of this bill and I urge the Committee to vote down the two amendments I described when we reach them in the bill under the 5-minute rule.

Mr. PATMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Texas [Mr. GONZALEZ].

Mr. GONZALEZ. Mr. Chairman, I am honored to follow the gracious and distinguished Congresswoman from Missouri, Mrs. LEONOR SULLIVAN, and to endorse her position on closing the important loopholes in the Consumer Credit Protection Act. As a member of Chairman SULLIVAN's Consumer Affairs Subcommittee, I can testify to her zeal and leadership in behalf of the American consumer.

I am a cosponsor of H.R. 11601, and have been privileged to participate in the hearings on this important legislation. I feel distinctly honored to be associated nationally with full and complete disclosure of interest rates both in contracts and advertising, for this caps a fight I have been engaged in since my service in the Texas State Senate.

While I wholeheartedly support the strongest consumer protection provisions, I have a special interest in wage garnishment. My position has been for total and outright banishment of this unnecessary collection process. My native State of Texas has constitutionally prohibited all garnishment since 1876.

Total prohibition works well in Texas. It protects the wage earner; it has not hampered the growth of the consumer credit industry.

Despite my consistent and active support of total garnishment as originally contained in H.R. 11601, the full committee amended the bill to prohibit garnishment of 90 percent of a worker's wage, after exempting the first $30 weekly. However, I accept this compromise as reasonable. H.R. 11601 now restricts commercial garnishment to 10 percent of a worker's wage above $30. This restriction does not effect court support judgments, nor does it effect State or Federal tax assessments.

I will have more to say in support of prohibiting garnishment later in the debate. At this time I just wish to reiterate my enthusiastic support of consumer credit protection.

Mr. FINO. Mr. Chairman, at this time I yield 2 minutes to the gentleman from Pennsylvania [Mr. WILLIAMS] for the purpose of asking the gentlewoman from Missouri a question or two.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I thank the gentleman from New York for yielding this time to me.

On page 9 of the bill as it was originally presented, section 203, subsection (b) it states:

> This subsection applies to consumer credit sales other than sales under an open end credit plan. For each such sale the creditor shall disclose, to the extent applicable—

And then it goes on to list the things which must be disclosed under the type of credit which we know as installment credit. No. 6 thereof states "the amount of the finance charge," and, of course, this amount would have to be expressed in dollars and cents. Yet when I go over to page 13 where we get the provisions that must be disclosed by the creditor to a revolving charge account customer, which, of course, is an open end credit plan, I fail to find any place in here where the actual disclosure of dollars and cents in finance charges is required. Why is that omitted as far as open-end credit plans are concerned?

Mrs. SULLIVAN. If the gentleman will yield?

Mr. WILLIAMS of Pennsylvania. I yield to the gentlewoman.

Mrs. SULLIVAN. Opening a revolving, or open end credit account, is like opening a line of credit. The definition of an "open end credit plan" is found on page 8 of the bill, section 202(g) which says:

> (g) "open end credit plan" means a plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

This, of course, is completely different from an installment type of contract, where you know in advance what the credit charges will be in dollars and cents.

You cannot predict in advance what the dollars and cents credit costs will be on a revolving account, but you can—as we do—require them to tell you each month what the charges were for the previous month. And how those charges were determined.

Mr. WILLIAMS of Pennsylvania. That is the point I am making. Unless you know the dollars and cents that the credit is going to cost you in advance, how will you figure the annual interest rate?

Mrs. SULLIVAN. As I argued with the gentleman during the hearings and also in committee, I think any sixth grade student can tell us how they figure and apply interest rates. We have had this argument time and time again. The claim is made that 1½ percent is not 18 percent per year. The only thing I can tell you is if anyone in this House will put down the figure of $100 as the balance that is due and the department store is going to charge them a 1½-percent service charge on that $100, that equals $1.50 for that payment for that month for a service charge.

Now, we figure the old way that we were taught to figure interest, and multiply 18 percent of $100 and divide that result by 12, because this is a monthly bill, and it comes to the same $1.50. There cannot be any question about 1½ percent a month being 18 percent a year. It is the nominal annual rate. Just as 2 percent a month would be 24 percent a year.

Mr. WILLIAMS of Pennsylvania. Well, permit me to say in answer to the response by the distinguished gentlewoman from Missouri that if it is that simple in the form of dollars and cents, then it should be included in this bill. However, I do not agree it is that simple.

Mr. FINO. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman. I rise in support of H.R. 11601 and it is a bill for which we have waited a very long time.

Mr. Chairman, I would like to begin by stating that this legislation in the opinion of the minority is the toughest truth-in-lending bill that has ever been debated by either House of the Congress of the United States.

Now, Mr. Chairman, the distinguished gentlewoman from Missouri [Mrs. SULLIVAN] made much of the fact that the former Senator from Illinois, a Senator Douglas, who was a pioneer in the advocacy of this type of legislation and who is the past principal advocate in truth in lending has praised the Senate truth-in-lending bill as a milestone.

Mr. Chairman, as I indicated, our bill is even tougher and more comprehensive than the Senate bill.

In my opinion this is a piece of legislation of which we can be proud. It does represent a big forward step toward protecting the American consumer. In a nutshell, the bill which our committee reported out and which is now before us for consideration, does the following:

First. It requires full disclosure of financial charges in both credit transactions and offers-to-extend credit.

Second. It provides for truth-in-credit advertising.

Third. It requires mortgage lenders to disclose annual rates regarding the financial charges on both first and second mortgages.

Fourth. It prohibits the garnishment of a workers' wages in excess of 10 percent and exempt $30 per week of his earnings.

Mr. Chairman, several of these provisions are not contained in the Senate bill; namely, truth-in-credit advertising and disclosure of rates and charges on first and second mortgages.

Mr. Chairman, it is my opinion that our bill is as strict as we can feasibly make it. And, I say to the Members of this House that we should not try to enlarge its scope further until we see how its essential provisions work and not do anything further until we have had an opportunity to see this legislation work. In other words, we can always come back next year and amend and modify and change the legislation in order to meet the changing conditions or the objections that might be found to it.

Mr. Chairman, I would like to elaborate for a minute on this bill and the Senate bill as well, which excludes revolving charge accounts from the requirement of stating interest in annual figures.

Mr. Chairman, our committee decided that annual percentage rate statements would not—and I repeat—would not accurately reflect the credit charges actually imposed upon such transactions. Our decision hinged upon the fact that most revolving credit arrangements give customers a free ride for a month or two so that monthly interest rates actually apply to several months and are thus distorted if put on an annual basis.

Let me say, however, that this exclusion is only to apply to a narrow range of revolving charge accounts. It is not our committee's intention to let most types of credit activities escape from annualizing disclosure under the provisions of this bill.

Our committee has said that only ordinary revolving credit plans are to be exempted from the annual requirement. With this strict interpretation in mind, I believe that the revolving credit provision of the compromise bill now before us is a sound, good bill, and I hope that it will be maintained by this House and supported by this House.

No doubt many people will say that this bill is not perfect, and they are right. No bill is ever perfect. But I believe that this bill represents a good, basic attack on the problems of truth in lending, and I further believe that it is a good beginning solution of a problem which has been debated back and forth for many years.

As the Members of this House well know, this problem has been with us a long time. The Senate took 7 years to bring a bill before that body, and before they passed it.

Not only does it set up reasonable guidelines for representing the features of credit transactions, but it sets up criteria for credit advertising and it includes a workable enforcement section.

This bill is no instant solution for all the turmoil arising from consumer credit problems in this country, but it clearly will be of major importance in assisting the American people, the American consumers, to make better and safer use of consumer credit, and that certainly should be our basic objective.

Certainly after many years of deliberation and debate and hearings—and we had weeks and weeks of hearings before our committee—the time has finally come for action, and I urge the House Members to pass this bill as it was reported by the committee. We went through all of the arguments that the gentlewoman from Missouri [Mrs. SULLIVAN] will present to this House tomorrow. We debated the pros and cons, and after due deliberation a majority of the committee came out and supported this type of legislation now before us.

So let us not try to legislate on the floor of the House tomorrow with amendments that will probably cause great difficulties and turmoil with respect to this legislation. We do not need any additional amendments to this bill. I believe it is a good bill. We might have some difficulty when we get over to the Senate side on a conference, because this is a much stronger bill than was proposed and passed by the Senate, but let us not unnecessarily complicate this legislation with amendments that will be proposed tomorrow.

As I said earlier, and I repeat here now again, this bill, H.R. 11601, is a sound and strong piece of legislation in which we can take pride. This measure represents a big step in the right direction to safeguard the American consumer. I urge the House to accept this legislation when it comes up for a vote tomorrow.

Mr. McCORMACK. Mr. Chairman, would the gentleman yield?

Mr. FINO. Mr. Chairman, I would be very happy to yield to the distinguished Speaker.

Mr. McCORMACK. I thank the gentleman for yielding.

It has been said that the revolving credit provision, as reported out of the committee, creates discrimination in that it benefits or exempts some of the large credit houses, and includes practically all of the business that are competitive.

Would the gentleman explain the operation of this provision in reference to those who are included and those who are excluded and whether or not it makes it competitively more difficult for those who are included over those who are not included?

Mr. FINO. We must first bear in mind the revolving credit provision applies to only 3 percent of all the credit.

Second, our committee in determining that this was the best approach did so on the basis of the testimony before the committee and all of the testimony before our committee with charts. I do not profess to be an accountant or an expert on figures, but all of these charts indicated that if you were to take into account a revolving credit account in no event will it ever reach the figure of 18 percent per annum—never.

What we would be doing if we were to adopt the suggestion of the gentlewoman from Missouri in annualizing this to 18 percent then is that we would be telling all these department stores that you are so concerned about—go ahead, charge 18 percent even though it does not come to 18 percent.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. FINO. I yield to the gentlewoman.

Mrs. SULLIVAN. First of all, some of these revolving credit accounts come out to an effective rate of more than 18 percent, but all we are asking for is the nominal rate of 12 times the monthly rate. It is figured on a monthly balance which may change each month, but the rate is always the same. They do not wait until the end of the year to bill their customers. They bill them monthly. But whether they say they charge 1½ a month or at a rate of 18 percent a year, it would come out to absolutely the same figure.

Most of the department stores in this country and the big catalog houses charge at least 1.5 percent per month, and that is 18 percent a year.

Mr. FINO. The gentlewoman and I are in complete agreement that the charge is 1.5 percent per month. The only time that we part company is on the gentlewoman's contention that 1.5 percent per month times 12 is 18 percent. The testimony, as the gentlewoman knows, in the hearings, and she chaired all the hearings—the testimony before the committee clearly indicated that in no event do the charges on revolving credit accounts come to 18 percent.

Mrs. SULLIVAN. I would not agree to that statement. We have a staff report in the hearings which disputes that statement. In any event, may I just read this telegram. Perhaps you have received this same telegram, which is from Mr. Ashley D. DeShazor, vice president for credit of Montgomery Ward. He testified for all of the catalog houses before our committee and for the retail association.

His telegram says:

> If the requirement to disclose the monthly rate is regarded as inadequate and an annual rate is to be required, then all grantors of revolving charge credit should be required alike to disclose the nominal/as opposed to effective/annual rate which is the periodic rate multiplied by the number of payment periods in a year.

This is all that we have been asking for over the past 7 months. If the gentleman has received the same telegrams from these big catalog houses that I have received, it is clear that the biggest houses have now had a second look at the legislation and they are no longer happy with the amendment that was put in by the committee by a vote of 17 to 14. This is significant, because Mr. DeShazor testified for it.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. FINO. I yield to the gentleman from Pennsylvania.

Mr. WILLIAMS of Pennsylvania. I do not believe that the entire program was read. If you read the early part of that telegram a different position is taken.

Mr. FINO. Will the gentleman from Pennsylvania please, for the benefit of the Members, tell the House who that telegram is from.

Mr. WILLIAMS of Pennsylvania. The telegram is from Ashley D. DeShazor, vice president of credit, Montgomery Ward.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield at this point for just a moment?

Mr. FINO. I yield to the gentlewoman.

Mrs. SULLIVAN. I called Mr. DeShazor last night when I received his telegram because it seemed to me that several of the words in the telegram were garbled or not properly recorded. I said to him, "Before I repeat this telegram, I want to understand what you are saying the last sentence apparently clarifies it." I said "I would like to release this telegram, and reading this last sentence explains what you mean. And I will not do it without your consent." He said, "You have my consent."

You can call Mr. DeShazor and verify that. I am herewith attaching my full statement on this last night and the telegrams I received, as follows:

STATEMENT BY MRS. SULLIVAN

I've just received telegrams this afternoon from two of the big Chicago mail order houses notifying me for the first time that they do not favor the revolving credit exemption in the truth-in-lending title of H.R. 11601. These wires came from Spiegel's and from Montgomery Ward.

Spiegel's believes the amendment is "unfair and discriminatory." This, of course, is exactly what I have been saying. Montgomery Ward sent me a telegram which I found very hard to understand without calling the man who sent it to me, Mr. Ashley D. DeShazor, Vice President for Credit.

What it comes down to is that the revolving credit exemption contains conditions which Mr. DeShazor now says cannot be met by some revolving credit plans. Unless all revolving credit plans without exception can have the benefit of a monthly rate, he told me that his firm now favors an annual rate for all revolving credit based on the "nominal" rate as determined by multiplying the monthly rate times twelve.

This is an extremely significant breakthrough among the large retail chains. Added to all of the protests Members of the House have received from bankers, independent merchants of all kinds, and from consumers, I do not see how more than a handful of Members would now be willing to vote for a special interest exemption in this bill which benefits only some of the department stores and just some of the big chain retailers. I have just called Sears Roebuck and they say they feel now the same way about this as Montgomery Ward.

I am attaching these telegrams and statements.

CHICAGO, *January 29, 1968.*

Representative LEONOR K. SULLIVAN,
House of Representatives,
Banking and Currency Committee,
Washington, D.C.:

Regarding the truth-in-lending legislation pending in the House of Representatives, Montgomery Ward, which has both traditional installment time payment contracts and revolving charge plans, takes the position that it favors disclosure of annual rate on time payment contracts since such disclosure is commercially feasible and can be accurately stated. With respect to revolving charge acounts, Montgomery Ward is opposed to a requirement of simple annual rate disclosure since it is impossible to predetermine an effective annual rate on retail revolving charge accounts. Monthly rate disclosure is full and accurate disclosure. If the requirement to disclose the monthly rate is regarded as inadequate and an annual rate is to be required, then all grantors of revolving charge credit should be required alike to disclose the nominal—as opposed to effective—annual rate which is the periodic rate multiplied by the number of payment periods in a year.

ASHLEY D. DE SHAZOR,
Vice President, Credit, Montgomery Ward.

WASHINGTON, D.C.,
January 29, 1968.

Hon. LEONOR K. SULLIVAN,
Rayburn House Office Building,
Washington, D.C.:

Contrary to the information contained in the news story on page two of today's Washington Post not all mail order houses in Chicago are supporting the Senate definition of revolving credit as contained in the committee adopted bill reported from the House Banking and Currency Committee. Spiegel Incorporated believes that the committee adopted definition of revolving credit is unfair and discriminatory. The committee adopted definition treats one group of retailers in one manner and another group of retailers in yet another manner. Spiegel believes that uniformity is essential to any statute adopted by the Congress involving costs of credit disclosure. We urge that the House delete the Senate definition of revolving credit and adopt procedures which afford all retailers equal treatment.

CYRUS T. ANDERSON.

RELEASE GIVEN TO MRS. LEONOR K. SULLIVAN BY MR. LARRY O'CONNOR, VICE PRESIDENT AND GENERAL COUNSEL, SEARS, ROEBUCK & CO., CHICAGO, ILL., JANUARY 29, 1968

Sears believes that all grantors of open end credit should be afforded equal treatment in credit legislation.

For seven (7) years the retailing industry has maintained that it is impossible to predict the simple annual rate of any open end credit plan. Congressional recognition of this fact appears throughout the hearings and Committee reports of both S-5 and H.R. 11601. It follows that the only possible annual rate for open end credit that is capable of being precalculated is a nominal annual rate using the formula of 12 times the monthly charge. This creates three choices for handling open end credit:

1. Exempt all open end credit from annual rate disclosure; or

2. Require the disclosure of only the monthly charge; or

3. Require the disclosure of both the monthly charge and the nominal annual rate.

Whichever alternative Congress decides to adopt, it is our opinion that it should be applied equally to all grantors of open end credit.

Mr. WILLIAMS of Pennsylvania. Would you care for me to read the telegram in its entirety?

Mr. FINO. Yes, I would like for the gentleman to read the telegram.

Mr. WILLIAMS of Pennsylvania. The telegram reads as follows:

Regarding the truth-in-lending legislation pending in the House of Representatives, Montgomery Ward, which has both traditional installment time payment contracts and revolving charge plans, takes the position that it favors disclosure of annual rate on time payment contracts since such disclosure is commercially feasible and can be accurately stated. With respect to revolving charge accounts, Montgomery Ward is opposed to a requirement of simple annual rate disclosure since it is impossible to predetermine an effective annual rate on retail revolving charge accounts.

Mr. FINO. I thank the gentleman.

Mr. HANNA. Mr. Chairman, will the gentleman yield?

Mr. FINO. I yield to the gentleman from California.

Mr. HANNA. I want personally to thank the Speaker for bringing to the Committee the question he has asked. I wish to assure the Speaker and this House that I shall clearly disclose to them the reason that Montgomery Ward is now for the annual interest rate disclosure, why Sears, Roebuck is now for it, and why Spiegel has always been for it. They are for it, and I assure you and will prove to you not for what the interest rate discloses, but for what it covers; they are for it not for what it does for the consumer but because of what it does for them. But if there is any specific gain to be had out of this legislation, I assure you I will show you that it is for these specific people if we adopt that specific plan.

Mr. FINO. I thank the gentleman.

Mr. MINISH. Mr. Chairman, will the gentleman yield?

Mr. FINO. I am happy to yield to the gentleman from New Jersey.

Mr. MINISH. I thank my good friend from New York.

Did I correctly understand the gentleman to say that Senator Douglas prefers the bill that is now before the House?

Mr. FINO. Senator Douglas came out in strong support of the Senate bill when it came out of the Senate. He thought it was a good, sound bill. And this bill, as I indicated in my opening remarks, is a much better bill than the Senate bill.

Mr. MINISH. Mr. Chairman, will the gentleman yield further?

Mr. FINO. Certainly.

Mr. MINISH. I would like to quote from the hearings:

Mr. MINISH. Do I understand that to mean that you support the House version of the bill?

Mr. DOUGLAS. Yes; I prefer the House version except I don't think you need to have everything in the House bill.

But on the point specifically dealing with consumer credit—your bill—and I am happy that Congressman Gonzalez and you and Congressman Annunzio, my old friend, are cosponsors of this bill. Your bill is superior to the Senate bill. And I think if you got Senator Proxmire here, he would say so, too. He had his back to the wall. He was fighting for his life against a hostile committee, remember that. It is marvelous that he got it through over the privileged opposition.

Mr. FINO. I thank the gentleman for his contribution.

Mr. HALL. Mr. Chairman, will the gentleman yield?

Mr. FINO. I yield to the gentleman from Missouri.

Mr. HALL. I appreciate the gentleman's yielding. I simply seek information. Many of us have not been privy to all of these hearings, such as the committee has, and I am sure they have done excellent work. But from reading the report, we know there are several methods of computing financing or carrying charges, and it gets a little confusing to see the different types of carrying charges for the so-called disclosure at monthly or even annual rates. Would not different figures occur in using the different computing methods such as the first, the Merchants rule; or, second, the U.S. rule, or, third, the constant-ratio formula?

Mr. FINO. I would assume so.

Mr. HALL. Under that circumstance, and again under the disclosure provisions of this bill, would different figures appear in the applying of different computing methods for finance charges or annual rates? I think this is all we need to know.

Mr. FINO. I think there would be a difference between the monthly rate and the new rate, more particularly when we are dealing with the open-end or the revolving account, where payments are being made during a period of months and purchases are being made during the same period of months. That is why the department stores indicated it would be very difficult to say that the rate would be 18 percent at the end of the year.

Mr. HALL. I understand there would be a variation. It would be hard for one skilled even in integral calculus to determine the result when payments are being made and purchases are being charged to various accounts in varying amounts. Finally, this leads to the question as to what computing method does this legislation call for in calculating finance charges?

Mr. FINO. I am sorry; my attention was distracted for a moment.

Mr. HALL. What computing method does this legislation call for in calculating the annual finance charges? That is the meat of the coconut, as far as a decision about supporting this legislation in title I is concerned.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. FINO. I yield to the gentleman from Pennsylvania.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I thank the gentleman for yielding.

I think I can answer that question by referring to page 15, the point the gentleman from New York [Mr. FINO] has been making, that in order to compute the annual interest rate as it applies to a revolving charge account, certain factors must be known in advance, which are not known in advance with this type of charge account.

On page 15, subparagraph (5), it says:

Any creditor under an open end credit transaction shall furnish any party to the transaction with a written estimate of the approximate annual percentage rate of the finance charge on the transaction determined in accordance with regulations issued by the Board, if the party making the request specifies or identifies the repayments schedule involved and such other essential credit terms as may be prescribed in the regulations issued by the Board.

So all this bill provides is that the purchaser will make available to the merchant in advance the necessary information. Then the merchant shall compute the approximate annual interest rate and furnish that to the customer.

Mr. FINO. Mr. Chairman, at this time I yield 3 minutes to the gentlewoman from Massachusetts.

(On request of Mr. FINO, and by unanimous consent, Mrs. HECKLER of Massachusetts was allowed to speak out of order.)

DAVID G. OUELLET, SEAMAN, U.S. NAVY, DECEASED—AWARD OF MEDAL OF HONOR

Mrs. HECKLER of Massachusetts. Mr. Chairman, I rise on this occasion to call to the attention of my colleagues one of the most significant acts of heroism of the Vietnamese war, acknowledged today by the U.S. Government, by the Secretary of the Navy, in the presentation of the Medal of Honor to David George Ouellet, a constituent of mine, who paid the ultimate price for the safety of his comrades in Vietnam. Over 500,000 men have served or are serving in Vietnam; 26 of those brave men have been singled out for this special award.

David Ouellet served in the Navy and was trained in river patrolling. After serving in the training school, he was sent to Vietnam and there he performed one of the most heroic acts of this unfortunate war. The citation accompanying the award, which was awarded today posthumously to his parents, Mr. and Mrs. Chester J. Ouellet, of Wellesley, Mass., states:

For conspicuous gallantry and intrepidity at the risk of his life above and beyond the call of duty while serving with River Section 532, in combat against the enemy in the Republic of Vietnam. As the forward machine gunner on River Patrol Boat (PBR) 124, which was on patrol on the Mekong River during the early evening hours of March 6, 1967, Seaman Ouellet observed suspicious activity near the river bank, alerted his Boat Captain, and recommended movement of the boat to the area to investigate. While the PBR was making a high-speed run along the river bank, Seaman Ouellet spotted an incoming enemy grenade falling toward the boat. He immediately left the protected position of his gun mount and ran aft for the full length of the speeding boat, shouting to his fellow crewmembers to take cover. Observing the Boat Captain standing unprotected on the boat, Seaman Ouellet bounded onto the engine compartment cover, and pushed the Boat Captain down to safety. In the split second that followed the grenade's landing, and in the face of certain death, Seaman Ouellet fearlessly placed himself between the deadly missile and his shipmates, courageously absorbing most of the blast fragments with his own body in order to protect his shipmates from injury and death. His extraordinary heroism and his selfless and courageous actions on behalf of his comrades at the expense of his own life were in the finest traditions of the United States Naval Service.

Despite our differences in posture on the war in Vietnam—whatever position each of us may hold—we join in respect for and gratitude to the servicemen who represent us and serve us.

We join today in paying honor and respect to the family of this outstanding seaman, who is an inspiration to each and every one of us.

It is with great honor and with personal sadness that, as the Representative from his district, I call this tragic and heroic feat to the attention of the Congress.

The CHAIRMAN. The time of the gentlewoman from Massachusetts has expired.

Mr. PATMAN. Mr. Chairman, I yield 6 minutes to the gentleman from New Jersey [Mr. MINISH].

Mr. MINISH. Mr. Chairman, while I view any legislation in the area of consumer credit and education as a step forward, and of course support such legislation, it is unfortunate that the legislation before the House today is not a complete bill, but rather one that deals with only a portion of the problem concerning the American consumer.

I had hoped that H.R. 11601 would not have been saddled with amendments that would strike the very heart from the legislation. But unfortunately two amendments adopted by the Banking and Currency Committee have stripped this bill of much of its total effectiveness.

It should be made clear that there are many sections of this bill that will prove of great benefit to consumers and wage earners, such as title II, which provides for restriction on the garnishment of wages. The measure provides a restriction on garnishments to 10 percent of earnings of an employee above $30 a week, and at the same time, prohibits an employer from discharging an employee by reason of a single garnishment of the employee's wages.

Levels of personal bankruptcy have risen at truly an alarming rate. While such bankruptcies were at a level of 18,000 per year in 1950, for the fiscal year ending June 30, 1967, personal bankruptcies had risen to 208,000. Personal debts canceled by virtue of such consumer bankruptcies reached about $1.5 billion in that year. During hearings on H.R. 11601, the committee heard testimony, accompanied by supporting evidence, that clearly established a cause-and-effect relationship between harsh garnishment laws and high levels of personal bankruptcies. Statistics obtained from the bankruptcy division of the Administrative Office of the U.S. Courts further support this conclusion. In States such as Pennsylvania and Texas, which prohibit the garnishment of wages, the number of nonbusiness bankruptcies per 100,000 population are nine and five, respectively. While in turn, States having relatively harsh garnishment laws, the instance of personal bankruptcies range between 200 to 300 per 100,000 population.

Thus, I think it can quite clearly be seen that the garnishment section of H.R. 11601 is an important section of the bill.

I would be remiss and a victim of a guilty conscience, if I did not express my strong disapproval of two sections of this legislation that were adopted as committee amendments. The first provision would exempt from the annual disclosure requirements most department store revolving credit accounts. The second objectionable provision provides an exemption from any rate disclosure requirements of transactions in which the credit charge is $10 or less.

The question thus arises in connection with this legislation is not who and what is covered by this legislation but rather who and what type of transactions are not covered by the bill but have been blessed with preferential treatment at the expense of the consumer.

Although revolving credit represents only about 5 percent of the outstanding consumer debt, it is one of the fastest growing areas in the total consumer picture and it is estimated that in only a few years it may equal roughly 50 percent of consumer debt. With this in mind, it does not seem equitable either for those businesses covered by the legislation or to the consumer to grant a blanket exemption to all revolving credit, merely because the department store and certain other retailers do not wish to state their interest charges on an annual basis. It seems strange to me that we are dealing with legislation that requires only some credit extenders to tell the truth about their rates on credit transactions, while large sections of our business population receive a total exemption from such rate requirements. In short, these businesses are saying "we do not want to tell the truth."

The same reasoning applies to the exemption for transactions in which the credit charge is $10 or less. This amount of credit charge would, in most cases, represent a credit extension of some $110. By exempting these smaller amounts on the financial scale, we are turning our back on the poor- and moderate-income groups. Since it is those on the lower economic scale who are most victimized by unscrupulous lenders and creditors, it is imperative that the legislation have its greatest thrust in that income area. But as a result of this committee amendment, which I strongly opposed, the legislation does not go to that point nor seek to help those individuals.

It is my hope that the exemptions for revolving credit and for finance charges of less than $10 will be defeated so tnat we can have a whole truth-in-lending bill.

Mr. WIDNALL. Mr. Chairman, I now yield 10 minutes to the gentlewomen from New Jersey [Mrs. DWYER].

Mrs. DWYER. Mr. Chairman, this is a bill of critical importance in many ways, especially to the 200 million American consumers who deserve protection against deceptive practices and who have a right to make an informed choice when it comes to borrowing money or buying on credit.

It is also a unique bill in one significant respect. It is the only major bill of a highly controversial character—in my memory—in which the controversy is centered on a minuscule 3 percent of the bill. I refer to the short-term type of revolving credit, or open-end credit, which today accounts for about 3 percent of the nearly $96 billion of outstanding consumer credit.

Except for a few relatively minor points, it is this modest corner of the credit world which accounts for most of the dispute. Otherwise, there is virtually universal agreement that the truth-in-lending bill reported by our Banking and Currency Committee should be enacted into law without further delay. After all, the American people have already waited 10 long years for the protection this legislation will provide. Their impatience for action, I suggest, was reflected in the fact that the Senate approved similar legislation by a vote of 90 to 0, and our committee reported the bill favorably with only one dissenting vote.

Since revolving credit is the issue, I suggest we concentrate on resolving the issue and passing the bill. It is an issue that should be readily resolved, for the controversy that has surrounded revolving credit is, in my judgment, largely groundless. It is based on the mistaken assumption that all forms of credit are alike and thus can be subjected to the same simple disclosure formulas. This assumption is inaccurate, and to accept it would be to compare apples and oranges. The result would be unworkable and inequitable.

Contrary to what you will hear in this debate, there is no "loophole" for revolving credit in the committee bill. There is no blanket exemption for revolving credit from the annual rate requirements of the legislation. There are no inequities involved in the revolving credit provisions. Any lack of uniformity in the treatment of various kinds of credit is more apparent than real. Where differences exist, they are required by the very reasons of equity, accuracy, and honesty which this bill is designed to serve.

Revolving credit, Mr. Chairman, comes in two basically different forms: long term and short term. Long-term revolving credit resembles installment credit. It is used in the purchase of more expensive items in department stores. As such, it competes with stores offering installment credit plans and therefore can and should be subject to the same disclosure provisions. The committee bill recognizes these facts and provides for disclosure of such revolving credit costs on precisely the same annual rate basis as other forms of installment credit.

Short-term revolving credit is different. In addition to comprising only a tiny share of total consumer credit, it is substantially limited to lower-cost items. Repayment schedules, so-called free periods, and other credit practices vary widely. Unless this credit information is known in advance, there is no way to determine the actual finance charge either as a dollar figure or as an annual rate.

Therefore, unless the Congress is prepared to force all creditors using this kind of revolving credit to conform to a single system of credit, there is no way of establishing a single annual rate which will cover all the variations.

Here again, however, the committee bill is based on the realities of the situation, not on the superficial appearance of uniformity. Full disclosure of the accurate costs of credit is the goal and the bill provides for just this—no more, no less.

First of all, the committee bill requires creditors offering revolving credit plans to disclose far more detail about their credit plans than other forms of credit. In addition, this information must be regularly disclosed at each billing period, a requirement not imposed on other creditors. Finally, and most important, each customer is guaranteed the right to obtain, in writing, a statement of the effective—by which I mean actual or real—annual rate of his own individual finance charges. All he has to do is ask and provide his creditor with a proposed repayment schedule and related credit information—without which information no accurate determination of the annual rate is possible. The consumer's right to full information about the costs of credit, including the effective annual rate, would, therefore, be more than adequately protected by the committee bill.

The key word, Mr. Chairman, is "effective." In the case of bank loans, installment plans, and similar kinds of credit, the customer repays a stated amount at each period—usually monthly—and so the stated annual rate is the same as the effective annual rate. With short-term revolving credit, there is no such regularity. Customers have wide leeway in deciding how and when and in what amounts to pay their bills, and the pattern of repayment they choose determines both the amount and the effective annual rate of their finance charges. No single arbitrary annual rate, therefore, would cover all revolving credit accounts. It can only be done on an individual basis—and the committee bill so provides.

Our position is very simple, Mr. Chairman. The hearings clearly showed that the effective annual rate of finance charges on short-term revolving credit is often less than 18 percent, even though the applied monthly rate is one and a half percent. The effective rate may be 12, or 14 or 16 percent a year. In any event, where the effective rate is substantially less than the applied 18-percent rate, we believe that accuracy and honesty requires disclosure of the effective rate, the real rate.

The problem becomes clearer—and the committee solution more compelling—Mr. Chairman, when we look at the alternatives.

Under the Senate bill, short-term revolving credit would be exempt from annual rate disclosure. Creditors would be required to reveal only the monthly rate, usually one and a half percent: This would place competitors in the banking and installment fields at a great disadvantage, if only for the reason that one and a half percent a month sounds a great deal less than the annual equivalents of 12 to 18 percent a year. Consequently, it would be unfair to many businesses and it would deny to consumers their right to compare the costs of alternate sources of credit. The committee bill, I repeat, removes this Senate exemption.

The proposal to require disclosure of a single annual rate for all revolving credit accounts—regardless of individual differences—would be similarly misleading. As we have seen, 1½ percent a month does not always yield 18 percent a year. To insist, when the effective rate is substantially less than 18 percent, that creditors disclose the higher and arbitrary figure would be a grave injustice to both creditors and customers. It would defeat the purposes of the bill. The only beneficiaries, obviously, would be those who seek an unfair competitive advantage.

Of potentially greater importance is this fact: If all department stores charging 1½ percent a month on their revolving credit accounts are forced to disclose an annual rate of 18 percent on all their accounts, then I predict it will not be long before such stores actually charge and get the 18 percent. It would be ironic, indeed, if truth in lending should be made the vehicle for raising already high finance charges. The American consumer would not be inclined to be grateful.

The same objections apply to the proposal to require disclosure for all forms of credit on a monthly rate basis. Here, too, the appearances of uniformity would only mask the substantial differences in effective interest rates and thereby deny consumers the availability of full and accurate information. Moreover, Mr. Chairman, I would remind our colleagues that this proposal—despite its honorable auspices—was never considered by our committee, either during hearings or in executive session.

So much for the substance of revolving credit. It would be useful also, to consider the politics of this issue.

The committee's solution to the revolving credit controversy was the product of careful and constructive compromise and the result of bipartisan cooperation. Of all the alternatives, it is the most widely acceptable to all parties at interest; it offers the greatest protection to consumers; and it is the most potentially effective, the fairest, and the most workable.

As such, it attracted the support of a bipartisan majority of the committee. Administration spokesmen have indicated they find the revolving credit compromise entirely acceptable. And the principal author of the Senate-passed bill has publicly stated his support of the committee bill.

To retreat now and jettison the committee compromise in favor of either of the more extreme and unworkable alternatives would only invite more controversy, create a lengthy impasse with the Senate, provide special advantages to a few, and introduce the danger that the final bill could not do the job which we and those we represent expect of truth-in-lending.

I should like to go on record, Mr. Chairman, on one other aspect of this bill. An amendment is being prepared, and I hope will be offered, to make "loan sharking" a Federal offense. When such operations involve or affect interstate commerce, I shall support such an amendment wholeheartedly. Through no fault of the bill, I believe it is obvious that it could not effectively stop the odious and criminal activity of loan sharking. It is also obvious that loan sharking is big, well organized, and entirely vicious. It can be stopped only by enlisting the authority of Federal law.

In the final analysis, Mr. Chairman, the purpose—the only purpose—of our bill is truth, and the truth will only be served by disclosure of the most accurate possible information about the cost of credit. We are not here to take care of special interests, or make adjustments to suit individual desires. Our only obligation is to the people and to the truth.

Mr. PATMAN. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. HANNA].

Mr. JOELSON. Mr. Chairman, will the gentleman yield?

Mr. HANNA. I yield to the gentleman from New Jersey.

Mr. JOELSON. Mr. Chairman, I want to express my strong support of the truth-in-lending bill, of which I am a cosponsor.

It is a sad fact of economic life that the poor and uneducated pay more interest on loans and installment buying than the more well to do and educated. It is essential that they be given full and frank information on interest charges.

Testimony before congressional committees has disclosed scandalous patterns of gouging of the unwary by the unscrupulous, and I am encouraged and impressed by the fact that my mail indicates that most financial institutions and retailers favor the truth-in-lending bill which requires the disclosure of specified information about loans or credit.

Not only should we protect consumers against fast talking, doubletalking promoters, but we should also protect ethical businessmen against this type of unfair competition.

Mr. DULSKI. Mr. Chairman, will the gentleman yield?

Mr. HANNA. I yield to the gentleman from New York.

Mr. DULSKI. Mr. Chairman, we have an opportunity here to enact strong and meaningful legislation to provide consumer credit protection.

This legislation is needed, but I disagree with two crippling amendments which have been approved by close votes in the Committee on Banking and Currency. I shall oppose those amendments when they come up for vote.

One amendment would exempt revolving credit from the requirement for disclosure of annual rate. Approval of this amendment would create a damaging loophole in the bill.

Revolving credit, familiar in particular to credit customers of large department stores, is no small item in our economy. It accounts for nearly $6 billion worth of credit sales annually to millions of consumers.

Further, the revolving credit loophole could very well become an escape hatch for other types of lenders who could simply convert from their present systems.

The second committee amendment I oppose would exempt from rate disclosure all credit purchases up to $100. I fear this exemption would hit squarely the people we are most anxious to protect, the low and moderate income families.

As amended, the amendment exempts from rate disclosure any purchase where the interest and credit charges total less than $10. The effect, of course, is to exempt all purchases and loans under $100.

Otherwise, I support H.R. 11601 as it came from committee.

I might observe that the provision which would end abuses in the garnishment of wages to collect debts is patterned after New York State law which has worked out well.

Mr. HANNA. Mr. Chairman, I would first like to acknowledge kudos to the gentlewoman from Missouri [Mrs. SULLIVAN], and the gentlewoman from New Jersey [Mrs. DWYER], for having given the appropriate leadership, as one would expect from the distaff side, on this great consumer problem. I believe that they, more than anyone else, deserve great credit for bringing this measure to the House.

I should also like to acknowledge the debt that is owed to our chairman, the gentleman from Texas [Mr. PATMAN] and the members of the committee who have been of great patience and who have given unstintingly of their time and effort in trying to make a bill that would be acceptable to the people of the United States and to the House of Representatives.

I will take my time here to try to bring a little light to this subject, which is greatly confused, not only by those who are trying to help it in the House, but those who are trying to help it from without the House.

It seems to me that the compromise bill that we have brought before the House represents a strong and affirmative first step in the direction of defining the role of responsibility of the Federal Government in assuring adequate information for use by the American consumers in shopping for credit.

A CONTEXT OF CONFUSION

I am for this bill as amended by the House committee. But let us talk about the confusion which surrounds this issue which is thicker than pea soup and far less palatable. It is, in large measure, a result of impassioned cries which are being sounded from nearly every corner by parties at interest. There is a great misunderstanding concerning the principal issue that will be in contention tomorrow—open-end revolving credit. This confusion is a result of the countless chorus of interest groups, all of whom are singing a different tune.

Consumer groups, big bankers, big retailers, small retailers, big furniture dealers, small furniture dealers, and a polyglot of other interest groups are all registering their position on this issue. Some support the committee, but even their support is suspect and limited. Many oppose the committee's position feeling that the committee bill does not provide as much as is required to satisfy their narrow definition of self-interest.

Mr. DEL CLAWSON. Mr. Chairman, I think the gentleman is making a very fine talk here and discussing something that merits the attention of the House and all the Members of the House.

Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] Sixty Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 8]

Abbitt	Eckhardt	Mink
Andrews, N. Dak.	Erlenborn	Monagan
Ashley	Foley	Moss
Brademas	Fountain	Passman
Brock	Fraser	Resnick
Brown, Mich.	Gubser	Rhodes, Ariz.
Cederberg	Halleck	Robison
Clark	Hansen, Wash.	Rosenthal
Clausen, Don H.	Hathaway	St. Onge
Cleveland	Hawkins	Shriver
Conte	Kupferman	Smith, Iowa
Corbett	Leggett	Springer
Corman	Long, Md.	Taft
Cramer	Lukens	Talcott
de la Garza	McClory	Tunney
Diggs	McCulloch	Van Deerlin
	McFall	Whalen
	Mills	

Accordingly the Committee rose; and the Speaker having resumed the Chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 11601, and finding itself without a quorum, he had directed the roll to be called, when 381 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The Chair recognizes the gentleman from California [Mr. HANNA].

Mr. HANNA. Mr. Chairman, when the point of no quorum was made, I was trying to clear up some of the confusion on the issue of revolving credit. To do so let us break down this issue. Basically there are three approaches to the question of disclosure of revolving credit:

First. Uniform disclosure of annual rate on all credit transactions.

Second. Uniform disclosure of the monthly rate on all credit transactions.

Third. Some combination of the two adapted to fit the varying characteristics of the credit transaction—the committee position.

Each of these positions has been emphatically argued by groups who believe their self-interest is best served by the given approach. There is nothing wrong with the way these groups have presented their position. Quite the contrary, this is a practice to which we have all grown accustomed. It is customary that interested groups should come forward to register their views. It is appropriate that the committee of the Congress should give each of these groups the full opportunity to register their position. This has been done. But let us not for a moment mistake the pronouncements of any of these groups who purport to espouse the general welfare, as being anything more or less than a position based on narrow self-interest.

Let us stop for a moment and analyze each one of the three approaches that I have enumerated in terms of the support they have. In doing so let us remember two basic facts:

First, that all revolving credit is not exempt from annual disclosure. It has been said that revolving credit encompasses 3 percent of all consumer credit. That is true. However, we are being misled because revolving credit plans under which the debtor pays less than 60 percent of the obligation are, by virtue of the provisions on page 8, lines 14–17 of the bill, required to disclose the annual interest rate. The committee adopted this approach to provide, where practical and meaningful, uniform disclosure.

The second and more important thing is this: that the 1½-percent rate that the gentlewoman from Missouri [Mrs. SULLIVAN] has been discussing is not an interest rate at all. It is an application of a rate that depending upon when it is applied and to what it is applied can be used to impose an effective annual rate of more or less than 18 percent. I will demonstrate to you that if you take 1½ percent and make it 18 percent, you are not telling the consumer the truth at all.

Who is for this? The leaders of the consumer groups long ago swore a blood oath that they would support an annual disclosure of all credit transactions on an annual interest rate basis. This is the rock on which Senator Douglas broke himself for 7 years. Now they have rallied under this banner, and it has become sacrosanct. You cannot without your own peril take a position opposite to this, as being the right answer in truth in lending. The missionary zeal of these groups is so overwhelming that they have been willing to sacrifice everything—even the passage of a truth-in-lending bill—without which their argument has no context or practical meaning—to secure their objectives.

I respect these groups for their dedication to what they believe is in the national interest. However, I am unwilling to agree that their well-intended position should be embraced by this House. I do not believe that Congress would be discharging its responsibility if it failed to look behind this issue.

The consumer groups, if you look behind them, have suddenly some curious allies. For years they were attacking all the bankers and retailers for their opposition to the uniform annual disclosure. Now, suddenly we are receiving telegrams from Sears, Roebuck and Montgomery Ward and other big catalog houses saying that we ought to go along with Mrs. SULLIVAN.

I will tell you the reasons these people have changed their position and are for the bill and you can judge for yourself what credence should be given their statements. All you have to do is to find out if their credit yield is higher than the 18-percent disclosure requirement Mrs. SULLIVAN has called for. If it is, they back Mrs. SULLIVAN. If they are for the committee bill and against Mrs. SULLIVAN it is because their yield is lower than the 18-percent-per-annum rate Mrs. SULLIVAN wishes to legislate.

Because the committee bill creates a division within the revolving credit, the high-cost lenders cannot in most cases, take advantage of the exemption given unpredictable balances. This is because the high cost of their credit makes most of them go beyond the time period of 1 year to pay 60 percent of the bill. Therefore, they are not included under the committee definition of revolving credit. Because of this they are exposed. Hence, their opposition to the committee bill.

Specifically Spiegel's credit plan is notoriously high cost. It is the largest, single house in the United States. Its repayment plan is so stretched out that only 30 percent of outstanding debt gets paid in a year and they cannot be protected by the House bill. They do not even come close to the 60-percent cutoff required. Thus, Speigel's has, right from the first, urged annual rate across the board so they can hide their high effective charges behind a statement of nominal rate.

This is Spiegel's, and from the very outset they said—

We are against the committee bill and for Mrs. SULLIVAN.

Montgomery Ward, like Spiegel, does not fall within the 60-percent figure. Their credit is cheaper than Spiegel's but more expensive than Sears and Penney's. For a time, Ward's flirted with the committee position. They finally had to face the choice—disclose an annual rate or shorten their terms and reduce their revenue. Faced with a declining competitive position and public antipathy for their involuntary insurance scheme, they opted to keep their terms, and therefore go along with the requirement that others disclose the same nominal rate, a ploy to hide Ward's higher costs.

Yesterday Sears announced support for uniform disclosure on a monthly or annual basis. Sears has shown great sensitivity at the State level to the question of different billing systems. It may well be that this sensitivity has led them to conclude that an exposure of their billing practices, though they are not as vulnerable as Ward's and Speigel's, would be more to their disadvantage than a statement of annual rate.

Ward's, Sears, and Speigel's all prefer annual rate disclosure to revealing the true rate of yield generated by their credit plans which charge 1½ percent against the beginning balance. An example will suffice to clarify the rationale of their position. It is taken from Consumer Reports buying guide, "Facts You Need Before You Buy in 1968," page 398.

If the monthly finance charge is applied to something other than the unpaid balance, (Spiegel's, Ward's and Sears all do this), interest rates can run considerably higher. A charge of 1½% per month added to the initial purchase price in a one-year credit deal comes to 33% interest. Some department stores, including Montgomery Ward and Sears, Roebuck & Co., charge a percentage of the opening balance on their monthly bill—the balance before subtracting any payments made or credits for items returned during the previous months. Interest is assessed on the entire balance. Thus, if the bill looks like this. Opening balance, $100; payments, $50; returns, $10; and balance due, $40.

Under the approach followed by Speigel's, Ward's, and Sears the service charge is levied against the opening balance. Hence, if the service charge is 1½ percent times $100, or $1.50, the charge is $1.50. When it is compared with the balance due or $40, it actually comes to $3.75 per $100 per month. The annual interest rate on that month's transactions is 12 times $3.75 or 45 percent.

So I am telling you that you are not getting at the problem if you simply multiply 1.5 percent times 12 percent and conclude the rate is 18 percent. It is not as simple as that. And anyone who thinks it is, is fooling himself and may unwittingly contribute to the deception of the American consumer.

The bank credit card systems are almost all forced to state an annual rate by the committee bill. They have a long-term pay-out period designed to insure a high yield. Since they are in direct competition with retail credit cards, they naturally would benefit if the retailers are required to make the identical disclosure that they already make. So that gives you the bank position. That is one of the most important things to know about why the banks are taking the position they are taking about the committee amendment.

Also the banks would have less flexibility than the retailers should the committee version prevail. Ward's, for example, could forgo some revenue, shorten their terms, and qualify for the exemption that is given under the bill. But the banks could not raise their prices in order to cover the loss in revenue.

The furniture dealers have a different reaction. Most of them sell strictly on installment credit. The same is true of the automobile dealers. They fear competition from those who extend revolving credit, and hence they support the uniform annual rate requirement so that they can discourage those who would use revolving credit, at a lower rate and at the quick turnover, in order to give the consumer a better deal on the interest that he will pay.

There is a further complication in the bank plans. In addition to the revenue, they have two ways that they can get more. If they use the check credit type of revolving plan, they levy a flat charge of 25 cents per check written. This assures them of the basic cost of handling even before the service charge comes up.

In the case of the bank credit card, they discount the retailer accepting the card on a certain transaction. In other words, on a retail sale of $100, the bank will make a discount of about $2.50 to $3. Before the bank begins to levy service charges they already have the $2.50 to $3 on the discount. Because of this high cost to the average bank to handle money, they do not make much profit even with this discount.

I am not saying that they are not justified in trying to get these charges. What I am trying to explain to you is why they have taken the position they have on the legislation. Naturally the banks want the retailers to disclose on an annual basis. Such a requirement to highlight the bargaining advantage the banks gain due to the fact that they have some charges that are not covered under the simple annual interest rate formula proposed by Mrs. SULLIVAN.

We have already seen some of this happening in bank credit check plans, where they add 25 cents per check and then advertise only 1 percent per month—not 1½ percent, as they already have part of their percentage on the discount. They can then lower the rate advertised.

What I am trying to tell you, gentlemen and ladies, is that if you think you are solving the problem of the consumer by going to a simple annual interest rate disclosure, you are simply fooling yourselves. And what is sadder, you are fooling the consumer, too.

MONTHLY RATE ACROSS THE BOARD

This would have the effect of making a 1½ percent charge and a true monthly rate of 1½ percent appear equal. Thus, it would be to the advantage of those applying the charge, in the most expensive way to the consumer.

Even so, it is a better system than annual rate across the board, for the simple reason that any differences in effective rates will be magnified 12 times on the annual basis. For this reason, it is harder to make a case against monthly rate across the board than annual rate across the board.

Monthly disclosure across the board has the support of most high-cost lenders, as well as a number of others who support the committee position, but feel they cannot make a dramatic case against monthly disclosure and do not want to appear obstructive.

The concept of a monthly rate is a reaction to the argument for annual rate comparability. It provides comparability while still avoiding disclosure of high annual figures. This approach was sponsored in a sincere effort to find an equitable solution.

THE COMMITTEE POSITION

The revolving sellers who contend that their practice of billing against the adjusted monthly balance does not produce an annual rate approaching 18 percent per year support the committee bill.

Many others who use a system similar to Sears, who qualify for the exemption granted by the committee and who are willing to defend their rationale for using the beginning balance system, support the committee.

Most small independent retailers with revolving credit support the committee bill because they feel they do not have the advertising resources to explain away the nominal rate should annual disclosure across-the-board pass. They operate in communities where customer goodwill is important to them, and fear that if they start saying 18 percent their customers will become convinced they are actually getting an 18-percent yield.

I offer this detailed and pungent description of the situation to make it abundantly clear that this bill is vital, and I mean that literally, to the parties concerned, and to evidence that no one of these groups is moved by altruism on this gut issue. All are forwarding their own narrow interests. For this reason I propose that we turn our backs on this self-serving chorus in seeking a bill which offers a well founded and balanced approach to the issue.

DECIDING THE ISSUE

Clearly, the Congress will not decide this issue based upon the number of telegrams received from each respective interest group or the poundage of impassioned pleas encompassed in letters proporting to tell the whole truth about truth in lending. The Congress, more specifically, the House, today and tomorrow will decide the fate of the much needed and long-overdue truth-in-lending bill. Let us look back on almost a decade of deliberations to see what lessons can be learned from the past disappointments and failure to secure the much needed truth-in-lending package. It shall be my purpose during this debate to push for an approach, the committee approach, which I believe is basically sound, both from the standpoint of the consumer and the creditor. I will forward this approach knowing that no one, neither debtors nor creditors, will be fully satisfied with the committee version. I think this fact commends the bill to you. We have not as a committee catered slavishly to the interests of any group. We have, instead, sought to fashion a compromise on the fundamental issue of revolving credit which has so long divided this Congress and blocked noble efforts to secure enactment of this legislation.

It is not my contention that we are today writing a bill which can be etched in stone to be preserved for all time; that we are capable of foreseeing at this time any of the problems which are as yet unknown. Consumer credit is a burgeoning field which will require constant attention.

COMMISSION ON CONSUMER FINANCE

Mrs. SULLIVAN made a very important statement when she said that the part of her bill that sets up the Consumer Advisory Council may be, in its far-reaching aspects, the most important part of her bill. I think this commission ought to start its study by investigating the question of revolving credit.

What are the actual experiences of the marketplace? Not the beliefs that are held in the minds of some of our idealistic theorists. It is not what their theory is that is important; it is what is happening that is important.

What I am afraid is that we are going to vote on this simply out of our prejudices, following this banner or that banner, and never having addressed ourselves to the core of the problem that the consumer must face in a very complex marketplace.

Very few people understand this particular problem. I am sure it will take us some time and a lot more study before we understand it sufficiently to warrant putting a statute on the books dealing with it.

It is important that we do not put a legislative gloss over the issue of revolving credit. We must not cover over the issue making it impossible to get at it again for many years to come. Let us face this thing as it has now been faced by the committee, realizing that we do not have perfection. But when did we? We need much more study and much careful deliberation before we decide. It is my firm conviction that we would be serving no good end by rejecting the committee position on revolving credit.

IGNORED: THE BASIC ISSUE

The deplorable result of the almost total preoccupation with this single issue of revolving credit has been the obfuscation of a more basic inquiry into the question of yields and competitive positions of the parties involved. Much of the posturing and sloganeering which has been going on may be attributable to desire to obscure this level of inquiry. We should be seeking to give the consumer information on the quality of the marketplace in which he operates. We should answer the question: Can the cost of credit be justified to the consumer? Instead, we have allowed the debate to take a turn which plays into the hands of those most nefarious groups who have the most to gain from obscuring the issue and who, judging from their performance on the State level, have the most creative ability in finding ways of complying with only the letter and not the intent of the statutes.

I would hope that this more fundamental inquiry would not long be neglected.

Mr. PATMAN. Mr. Chairman, I yield 1 additional minute to the gentleman in order that he may answer a question from the gentlewoman from Missouri.

Mrs. SULLIVAN. Mr. Chairman, is the amendment of the gentleman from California [Mr. HANNA] commonly known in the trade as the Penney amendment because it was offered to the Senate originally by Penney's to tailor this requirement to their own credit system?

Mr. HANNA. Mr. Chairman, the gentlewoman from Missouri [Mrs. SULLIVAN] may be correct. I do not know what my amendment is called in the trade, but I would remind the gentlewoman that when she came to me and asked me to go along with this bill, I told her at that time I did not think I could support her bill, because I did not agree with it. I had not talked to anybody except my own conscience at that time, and that same conscience has been my sole base of reflection since that time.

I do not care what people call it. I am just telling the truth as I see it. If I am wrong and it would not be the first time, I will have only myself to blame. But that I am sincere and honest in my intentions I hope the gentlewoman will believe.

Mrs. SULLIVAN. Mr. Chairman, I am not saying the gentleman got it from Penney's, but it was the Penney amendment to this bill.

Mr. HANNA. Mr. Chairman, I understand Penney's is supporting this bill because the Penney rate falls below 18 percent. I have told the gentlewoman that, and that is the truth as far as Penney's is concerned. But this is no more the Penney amendment, than is her position the Spiegel position.

Mrs. SULLIVAN. Mr. Chairman, is there any reason why Penney's cannot tell their customers the distinct and unique advantages of its credit system?

Mr. HANNA. Mr. Chairman, there is no reason why Penney cannot tell the advantages they are giving their customers, but the danger is that the gentlewoman from Missouri [Mrs. SULLIVAN] will by virtue of her blanket approach on revolving credit be providing a cover for a lot of people who will not have to explain what their situation is.

That is exactly what I am trying to tell the House. That is the issue in this debate. Should those whose effective rate on revolving credit is less than 18 percent be required to say their rate is 18 percent while their competitions also disclosing 18 percent might, in fact, be getting a yield of 45 percent. I hope the gentlewoman can see that.

Mrs. SULLIVAN. Mr. Chairman, if the gentleman will yield, every giver of credit must explain how his credit charges are made, and he has the privilege of saying where they charge, at the beginning of the month or the end of the month, and so forth.

Mr. HANNA. Mr. Chairman, the bill of the gentlewoman [Mrs. SULLIVAN] does not require and, under the information we have now, probably could not require the effective interest rate and what charges really are in dollars. Until we have that, we cannot have truth in lending.

Mr. WIDNALL. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. HALPERN].

Mr. GURNEY. Mr. Chairman, will the gentleman yield?

Mr. HALPERN. I yield to the gentleman from Florida.

Mr. GURNEY. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. GURNEY. Mr. Chairman, I would like to add my support to a much-needed amendment to the truth-in-lending bill. The Sullivan amendment would remove the exemption of revolving credit facilities from the bill's general requirement of annual disclosure of credit rates. The amendment is needed to remedy the inequality of treatment given to the various institutions providing credit benefits. The consumer deserves nothing short of full disclosure of what he is being charged for credit.

Groups in my own State of Florida have expressed overwhelming support for the amendment. An excellent example of such support comes from the American Association of Retired Persons and the National Retired Teachers Association who have even been concerned about protecting their members in the purchasing power of their retired dollars. They have been in the forefront of the battle for truth-in-lending legislation. I would like to read to you their telegram:

> The Legislative Council of the National Retired Teachers Association and the American Association of Retired Persons, representing over 1½ million concerned Americans, urges you to support Congresswoman Sullivan's fight to include revolving credit and all transactions, regardless of the amount of the finance charge, in truth-in-lending bill (H.R. 11601) on an annual percentage rate basis.

Also expressing support for that amendment are many, many individual citizens, many consumer groups, and great numbers of Florida banks.

It is vital that the American consumer know in what degree he pays for the credit which he receives. He should be given full opportunity to compare the terms of facilities offering that credit. He is unable to do this if the credit information is not required on the same percentage basis for all institutions.

I request passage of this crucial amendment.

Mr. HALPERN. Mr. Chairman, I rise today with mixed feelings. I am enthusiastically pleased that this issue has finally come before the House. But I sincerely regret that H.R. 11601 is coming before us, with two undesirable weakening amendments which I, and other of our colleagues are discussing during this debate.

We have waited a long time for this legislation and many of us have worked for years to shape an effective bill aimed at the core of credit abuses. I know I for one have been identified with this issue since Senator Douglas' original bill, which I introduced in this House 8 years ago. The distinguished chairwoman, the gentlewoman from Missouri [Mrs. SULLIVAN], and others on the committee, who labored hard and long to develop meaningful consumer legislation deserve the highest praise and I wish to personally extend my heartiest commendation to this able and fine lady for her determined efforts to win the broadest, most effective bill possible.

I am privileged to have been identified as a coauthor of the original draft of H.R. 11601 and to have added an amendment which the committee adopted and which I believe makes an important phase of this legislation more equitable and workable. I will discuss that later. I only regret that certain other amendments did not tend to improve the bill, but rather drastically weakened it. To be specific, I strongly oppose the committee amendments to exempt revolving credit accounts and the so-called small transactions from requirements to disclose credit charges in terms of an annual rate. These two amendments, in my opinion take the guts out of this bill. I fervently hope they will be rejected by the Committee of the Whole.

Mr. Chairman, consumer credit has been increasing rapidly in recent years; consumer credit outstanding rose from $56 billion in 1960 to $95 billion in 1966. Imagine that, Mr. Chairman, $95 billion. This credit is essential to the growth of our modern economy; it finances a large part of consumer purchases of durable items as well as nondurable goods and services.

Yet, although the availability of credit has provided a valuable convenience to the consumer, it has also subjected him to great confusion with respect to the cost of this credit, the relative value of alternative sources of credit, and the comparative benefits of credit relative to cash purchases.

The purpose of this legislation is to require creditors to disclose the entire cost of the credit they offer in terms which are understandable to the average consumer; the original bill put before the committee was designed to require disclosure by all credit sources in a uniform fashion, so that the consumer might easily make comparisons between alternatives, and make his purchases on the basis of rational decisions, not haphazard and confused guesses, as to relative costs.

Yet, the ability of the consumer to make these rational choices will be severely diminished if the exemptions of revolving credit and $10 credit charge transactions from annual rate disclosure are allowed to stand. When faced with a decision on whether to make a purchase on a revolving credit account or to obtain a bank loan and then make a cash purchase, the consumer will be deprived of the one essential piece of information he needs to make a comparison: the percentage rate of his credit cost. With the bank loan charge stated in terms of an annual rate, and the revolving credit charge in monthly terms, how can the consumer choose the best alternative?

Similarly, how can we justify supplying the consumer with the annual rate charged on transactions with credit charges of more than $10, and withholding this information on all transactions with lower credit charges. We must bear in mind, Mr. Chairman, that an item with a credit charge of $10 is one with a total price of around $100. We are thus eliminating all purchases of $100 or less from the requirement to disclose an annual rate of credit cost. Such items comprise the major portion of a low-income consumer's budget. How then are we helping this segment of the buying public make rational choices or comparisons in his purchase plans? These are the people who most need the protection of consumer credit legislation. They are the last ones to be excluded as the amendment would do.

Throughout our hearings, Mr. Chairman, some have maintained the impossibility of presenting an annual rate on revolving credit accounts, and have piled mystery on top of complexity to thoroughly confuse the issue. I maintain, and shall further explain when we discuss these amendments, that a revolving credit charge account is no more complex than a bank savings account, and if an annual rate can be presented for the latter, it can as easily for the former. I similarly submit that the logic behind the so-called small transactions exemption is no more valid, and that, to preserve the integrity of this consumer protection legislation, both of these amendments should be rejected.

H.R. 11601, as originally written also contained a complete prohibition against the use of wage garnishment for debt collection purposes. Various highly reputable witnesses presented testimony during hearings on the bill which dramatically demonstrated the great personal hardship wrought by excessive use of garnishment as a collection instrument. Evidence was also cited which indicated incontestably the causal connection between the employment of wage garnishment and the alarming rise in the level of personal bankruptcies.

Yet a total prohibition of garnishment might justifiably be regarded as a denial to the creditor of his right to collect legitimate claims against a debtor. Thus, I have proposed an amendment which will not prohibit, but will limit the use of garnishment; this amendment should both mitigate the often calamitous effects of garnishment on the debtor and yet not interfere with the legitimate rights of the creditor.

The amendment would restrict garnishment to 10 percent of a debtor's income above $30 per week; exempt from this restriction would be claims for Federal or State taxes, or for family support. The amendment also prohibits an employer from firing an employee on the occasion of one garnishment of his wages; this provision would go far toward relieving one of the greatest burdens of garnishment, the vicious spiral of economic hardship followed by unemployment, crowned by the inability to find other employment due to a poor credit record.

Mr. Chairman, I would like to conclude by reiterating my unwavering support for strong consumer protection legislation. I believe that the disclosure provisions contained in H.R. 11601 would perform a valuable function for the consumer and for the economy as a whole, by enabling the consumer to make rational choices among credit charges presented in a truthful and uniform fashion. I maintain that we will be doing the consumer and the economy a disservice by exempting specific types of credit from these uniform disclosure provisions. And, I submit that the evidence demonstrates that a Federal law regulating the use of wage garnishment is urgently needed, and should be enacted at this time.

Mr. Chairman, I wish to reiterate my strong support of the principle behind this legislation and trust that this committee, in its wisdom, will remedy the weaknesses currently in the bill; namely, the revolving credit and small transactions exemptions. I believe that this must be done in order to protect those most in need of the aid intended by this consumer credit legislation.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. HALPERN. I gladly yield to the gentlewoman from Missouri.

Mrs. SULLIVAN. Mr. Chairman, I just want to take this opportunity to congratulate the gentleman from New York [Mr. HALPERN], for the great work and great help he has given us during this entire time of the consideration of this bill. As I said at the beginning, we hope that this will be a nonpartisan effort, and he has helped to make it nonpartisan. He has done a great deal of good all through this country. I want to thank him for it.

Mr. HALPERN. I thank the gentlewoman for those kind remarks.

Mr. PATMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Ohio [Mr. FEIGHAN].

Mr. FEIGHAN. Mr. Chairman, we have before us today for consideration one of the most significant legislative proposals of the 90th Congress. Truth in lending will directly affect a large portion of our economy as well as millions of our citizens.

The need for strong Federal consumer credit legislation is crucial, particularly to protect the unsuspecting consumer who does not look behind the price tag and promise of easy credit terms.

H.R. 11601, as reported out of committee, will be a significant first step toward alleviating the credit abuses. It will diminish appreciably the discrepancy in bargaining power between the seller and the buyer.

However, in its present form, the bill contains two undesirable exemptions. The first of these is a "revolving credit" exemption written into the bill in committee. This exemption would allow the large department stores, mail-order houses, and others who use "revolving credit" to express credit charges on a monthly rate rather than the annual rate disclosure required for other mercantile establishments. Such an exemption is unfortunate since the purpose of truth in lending is to require all credit charges to be computed and disclosed using the same system to enable the consumer to compare credit charges of different sellers. With the exemption, the consumer will not be afforded the full protection since "revolving credit" will be computed on a yearly basis.

The second exemption makes it unnecessary to disclose on a percentage rate basis—monthly or annual—any transaction, other than the open-end transaction, in which the credit service charge does not exceed $10. This would enable the neighborhood lending agencies to charge $10 a week or less on a loan by constantly refinancing the obligation.

The yearly interest rate on such a loan could be as great as 520 percent. This exemption will militate against the poor consumer who frequently borrows from the neighborhood lending agency because of his lack of credit standing. If this legislation is designed to protect the consumer from abusive practices of the creditor, the $10 exemption must certainly be eliminated. Small loans with exceedingly high interest rates are one of the more prevalent abuses. This predatory practice must be stopped.

The absolute necessity for strong Federal legislation in the consumer credit area has become increasingly obvious upon a review of the current efforts of the National Conference of Commissioners on Uniform State Laws. They are in the process of drafting a comprehensive uniform consumer credit code that hopefully will be adopted by all 50 States. They anticipate having a finished product before State legislatures by the beginning of the 1969 terms.

I welcome their efforts; however, so far, although quite elaborate, their proposed code lacks the strong remedies necessary to truly benefit the consumer. In fact, only in their last working draft, that is, this sixth draft, has the beginning of an effort to strengthen the code been made. This strengthening obviously resulted solely from a fear, on the part of the drafters, of Federal preemption, since the new sections, for the most part, are merely identical remedies to those contained in pending Federal legislation.

The commissioners have a tremendous opportunity to protect the consumer by providing the basis for uniform State legislation. I certainly hope they will continue their fine work in this area and strengthen their code so that it will not be necessary for the Federal Government to penetrate further into the consumer credit field in its vital role of safeguarding the rights of our citizens.

With the phenomenal growth of the use of credit in our society, it is imperative that the consumer be protected as fully and as soon as possible. Therefore, I strongly urge that the revolving credit and $10 exemption loopholes be closed and favorable action taken on H.R. 11601.

Mr. PATMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from New York [Mr. WOLFF].

Mr. WOLFF. Mr. Chairman the consumer credit protection bill, H.R. 11601, is an excellent bill as far as it goes, but it does not go far enough.

As it stands, H.R. 11601 excludes disclosure of annual interest rates under revolving credit and service charges $10 and under.

These omissions make the bill a halfway measure that will be even more meaningless in years to come.

Seven years ago, revolving credit accounted for only 2 percent of all outstanding consumer credit. Today, it accounts for 5 percent of credit sales—about $5 billion. By 1970, it is estimated that revolving credit will account for nearly half of all consumer credit sales, or about $50 billion at today's rates.

I do not think we want to pass a bill that will scarcely be worth the paper it is written on a few years from now.

I also wish to go on record in support of full annual interest disclosure on carrying charges or service charges of $10 or under. Exclusion of this provision is unrealistic as well as impractical. First, it deprives the buyer of his right to know; second, it discriminates against those businesses which provide full disclosure, and third, it hits hardest at those who can least afford it, the poor.

I see no reason why we cannot pass a bill that gives fair and equitable treatment to everyone, and I urge defeat of any amendments that weaken it.

Mr. PATMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from New Jersey [Mr. HOWARD].

Mr. HOWARD. Mr. Chairman. I urge that H.R. 11601 be strengthened to include full disclosure of annual interest rates on finance charges of $10 or under and on revolving credit accounts. Without this inclusion we are encouraging discrimination.

We are giving preferential treatment to certain businesses by exempting them from interest disclosure required of their competitors.

We are keeping from the buyer the information he is entitled to when he makes any kind of a purchase, whether it is a $25 tire for his car or a $300 television set.

A man purchasing a $25 tire with a carrying charge of $5 for 60 days actually pays an annual interest rate of 120 percent.

A woman buying a $75 baby carriage with a carrying charge of $10 for 90 days actually pays an annual interest rate of better than 50 percent.

One of the four rights of the consumer is the right to know. He has a right to know how much annual interest he is paying on a purchase, regardless of the kind of transaction involved in that purchase.

Full disclosure of credit charges should mean full disclosure. It should not mean disclosure for one type of credit and veiled interest rates for another.

Mr. PATMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from New Jersey [Mr. DANIELS].

Mr. DANIELS. Mr. Chairman, one of the most vital pieces of consumer legislation in recent years—truth-in-lending—is before us today. We must take full advantage of this important opportunity to enact such needed legislation by voting for a strong truth-in-lending bill that leaves no doubt whatsoever to its adequacy of protecting the consumer from deceptive and unscrupulous lenders, or those that deal in duplicity.

Let me say at the outset that the case for truth-in-lending legislation is more compelling today than ever before. Consumer credit has become more and more an integral part of the American way of life. Since 1960 the total of such credit—excluding mortgage credit—has risen some 69 percent to an all-time high of about $95 billion, or almost $500 for every person in the United States.

The benefits of credit in our way of life are clear, for it permits a family to enjoy a standard of life beyond its current savings and income. But its dangers are equally obvious; it can lead to financial ruin and poverty.

To be sure, the American credit-buying consumer knows the goods he is buying and their price. But the trouble is that the consumer is rarely aware of the dollar cost or the annual percentage rate paid for the use of credit. No one disputes that this lack of knowledge is a major contributor to the abuse and misuse of credit.

The reason for the lack of knowledge about the true costs of credit stems largely from the varying and confusing manner in which credit costs are stated. The array of practices defy comprehension of even the most intelligent citizen. For example, one finds such practices as add-ons, sales price versus cash price, discounts, term price differentials and differing service charges. And under these practices, arithmetical spookery abounds.

From all of this, then, there is little wonder why there has been a rising tide of consumer bankruptcies. Bankruptcies, in fact, have risen faster than consumer debt—80 percent since 1960. There were nearly 176,000 consumer bankruptcies in fiscal year 1966, and the estimate for this past fiscal year is 188,000.

In view of the increasingly widespread use and misuse of consumer credit, it has become increasingly clear that consumers must be given basic and comparable information on what credit costs them and in easily understandable terms.

The major question before us is whether we will ensure that the consumer has this basic and comparable information on all types of credit or just some. At the heart of this question, of course, is the controversial issue of whether to require department and retail stores to disclose the annual interest rates on their revolving credit plans, or permit them to state such rates on a monthly basis as is currently the practice.

Mr. Chairman, the resolution of this issue is very simple in my opinion. If we are to meet our rightful commitment to the adequate protection of the American consumer, we must and I repeat must, require all credit costs to be expressed on an annual basis. Anything less would flagrantly compromise the whole purpose of the bill before us, and amount to a sell-out by us of the consumer's interests.

The whole purpose of H.R. 11601 is to assure that the consumer has clearly understandable and readily comparable information on the various types of consumer credit proposals so he can then best decide which offer is the better "buy." Revolving credit is one type of consumer credit and, therefore, should be covered by H.R. 11601.

Let us examine for a minute what is involved in this revolving credit controversy. Exclusion of revolving credit from the Consumer Credit Protection Act would allow department stores and others using such credit to continue to state their credit costs at a monthly rate of some 1½ percent, instead of 18 percent on an annual percentage rate basis that everyone else would have to use. To allow this exception would be, to my way of thinking, nothing short of discriminating against certain kinds of lenders in favor of others.

Furthermore, I repeat that the object of this legislation is to afford an opportunity to the consumer to be able to compare the costs of one credit offer with another, using comparable terminology. To allow some lenders to express their borrowing costs one way, and others another, would be completely unfair and cannot be sanctioned if we want to properly protect the consumer.

As the able chairman of Consumer Affairs Subcommittee, the gentlewoman from Missouri, LEONOR K. SULLIVAN, has said:

> Testimony before our Subcommittee . . . showed that most consumers believe a monthly rate of 1½ percent on credit charges is very low. In shopping for credit, they almost always choose such a rate in preference to one of 18 percent a year. Of course, they are the same rate, but the customer does not realize it.

Mr. Chairman, it is for these reasons that I urge my colleagues to give close and careful consideration to this important piece of consumer legislation, and strongly urge them to cast their vote for an adequate and equitable truth-in-lending bill—one that covers revolving credit.

Mr. PATMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Rhode Island [Mr. TIERNAN].

Mr. TIERNAN. Mr. Chairman, the consumers assembly which met here in Washington last fall has demanded full disclosure on all service charges of $10 or less on any single transaction, and I support this demand.

Exemption of this disclosure from the consumer credit protection bill, H.R. 11601 amounts to exempting the poor from information they should have when buying on time because it is the poor who usually make small purchases on the installment plan. It is the poor who cannot afford to pay cash for a $25 or $50 item. And it is the poor who usually wind up paying more in service charges.

With your permission, I would like to insert into the RECORD the statement made by the consumers assembly, 1967, which appears in a pamphlet:

POOR PAY MORE

As written, the Consumer Credit Protection Act exempts from annual interest rate disclosure all service charges of $10 or less on any single transaction.

This exemption hits hardest at the poor who purchase $25, $50 or even $100 worth of goods on credit.

The annual interest rate equivalent for a $6 service charge on a $36 purchase repayable over six months is about 55 percent. At the least, the purchaser has a right to know.

The $10 exemption is an open invitation to the unscrupulous seller to break larger purchases into several transactions. It is an invitation to questionable practices.

There is no valid reason an annual rate cannot be disclosed on any consumer credit transaction.

The American consumer deserves an even break through full disclosure. The law should provide no less, and committe amendments which weaken the bill should be defeated.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that the gentleman from Pennsylvania [Mr. MOORHEAD] may extend his remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. MOORHEAD. Mr. Chairman, the consumer credit protection bill, H.R. 11601, should mean what it says—not protection here and there, but protection on all forms of credit. Today we have a chance to give the consumer a credit disclosure law without strings and without loopholes. If the consumer is to get the facts, let us see that he gets all the facts—not an annual interest rate from one lender, a monthly rate from another, and no rate for service charges $10 or under.

If the bankers can live with it, if the loan companies can live with it, if the installment stores can live with it the retailers with revolving accounts and others with straight carrying charges will find a way to live with it. Why give one group a competitive advantage over the others by exempting it from the annual percentage rate provisions of the truth-in-lending bill? Let us tell the consumer what it really costs to borrow money or use credit, regardless of where he gets it.

Mr. WIDNALL. Mr. Chairman, I yield such time as he may consume to the gentleman from New Jersey [Mr. HUNT].

Mr. HUNT. Mr. Chairman, any old truth-in-lending law is not enough for this country. This Nation has to have a truth-in-lending law that is fully adequate and effective.

And to be fully adequate and effective, truth in lending must cover revolving credit accounts—that type of credit where a customer may keep adding to his purchase while paying off the balance.

It is neither good, fair, nor proper to have truth in lending cover all major credit transactions, but exempt those under revolving credit as the current legislative proposal would have it.

I have several reasons for my view. First, revolving credit, while small in relation to other types of credit is growing rapidly. Second, exempting revolving credit from truth-in-lending coverage would further stimulate its growth for it would be substituted for other types of credit. Lastly, exempting revolving credit would be unfairly discriminatory, favoring revolving credit lenders over nonrevolving credit lenders.

Mr. Chairman, for the life of me I do not understand why there is the belief that revolving credit is so special that it requires exemptive treatment from truth in lending. What is involved, to my way of thinking, seems fairly simple.

Interest charges on revolving credit generally are stated on a monthly basis of about 1½ percent a month. This works out to 18 percent a year. It is no wonder then why anyone selling on revolving credit such as retailers and department stores would be reluctant to have to state their interest rate on an annual term.

Mr. Chairman, the American consumer is entitled to know what his interest charges are on all types of credit transactions according to a simple standard method of stating credit. For this is the only way he can intelligently compare prices on what his money is costing him.

If the consumer is going to pay 18 percent interest a year let him at least have the full opportunity to know it. He may very well make the choice to do so figuring it is worth the shopping convenience.

The point, however, is this: The consumer ought to know approximately what credit is costing him in comparison with what it might cost him from other sources.

The simple truth is that if we are going to make the Consumer Protection Credit Act a fully effective law, we must include revolving credit transactions under its coverage.

I remind my colleagues that our job is to help and protect the American consumer. If we are going to do this job properly we must have strong and effective truth-in-lending legislation. This objective can only be achieved by voting for a bill today that covers revolving credit. I strongly urge you to do so.

Mr. WIDNALL. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. WILLIAMS].

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I regard H.R. 11601 as an excellent truth-in-lending bill and an excellent consumer protection bill.

Mr. Chairman, we must make absolutely certain that anything that is passed in this House of Representatives will provide for truth in lending and provide for the protection of the consumer.

Mr. Chairman, I am in favor of the disclosure, the full disclosure, of annual interest rates any time that an annual interest rate can be computed in advance of the transaction. However, we have to recognize that with reference to some types of credit transactions it is not possible to compute the annual interest rate in advance.

Mr. Chairman, we have heard today that some strange and wonderful things have been happening. In the last few days these strange and wonderful things have indeed been happening. However, I want you to know that the strange and wonderful things that have been happening represent, in my opinion, a concerted effort to get this House of Representatives and to get this Congress to approve an 18-percent annual interest rate for credit. This strange and wonderful thing that has been happening has not been motivated as the result of any concern for the consumer, however, just the opposite is true.

Mr. Chairman, I am very happy that some of these large, some of these gigantic, retailers have come out against the provisions as contained in this bill as they pertain to revolving charge accounts, which are simply open-end credit accounts. I say this because it points up the fact that these people regard this bill as protecting the consumer to too great an extent. This is why these people have come out against the provisions of this bill. This is why they want the Sullivan amendment, and why these people are against the provisions of H.R. 11601.

They are against it because they cannot come under the provisions for open-end credit. They have got to come under the provisions for installment open-end credit.

Under installment open-end credit the merchant is forced to disclose the annual interest rate in advance.

Mr. Chairman, here are the provisions of H.R. 11601 which provides for this installment open-end credit plan, and remember, this is the type of plan under which disclosure of annual interest rates must be made and an installment open-end credit plan is one which has one or more of the following characteristics:

First. Creates a security interest in, or provides for a lien on, or retention of title, to any property—whether real or personal, tangible or intangible.

And, this is important—

Second. Provides for a repayment schedule pursuant to which less than 60 per centum of the unpaid balance at any time outstanding under the plan is required to be paid within 12 months, future payments in the order of their respective due dates.

Mr. Chairman, these people do not want 60 percent of the amount paid within 1 year. They want to stretch it out over a period of 2 or 3 years. This is what they are afraid of as under this provision they will not be able to have plans for periods of 24 months or 36 months so that they could collect additional interest.

Mr. Chairman, we have heard some discussion here today as to why it might be difficult to figure the annual interest rate on a revolving charge account.

I say to you that it is impossible to figure in advance the annual interest rate on such an account.

Mr. Chairman, I want to read to the Members of the Committee two paragraphs from a revolving charge account contract of a moderate-sized department store, not one of the national giants:

First. I may choose to use this account as a 30-day charge account by paying the total indebtedness within 30 days of the receipt of a bill without credit service charge for that month, or I may choose to pay the annual balance of my account monthly upon receipt of a bill according to the terms of this agreement, that is, one-third of my balance but not less than $20 or whichever amount is greater—if the balance appearing on the statement is less than $20, the full amount is due and payable—and to pay a credit service charge at the rate of 1½ percent on monthly balances of $500 or less, and 1 percent of any amount in excess thereof, on scheduled fixed amounts within $5 of the exact balance.

Obviously, Mr. Chairman, that cannot add up to 18 percent a year.

Now, I say this to you. There is no sixth-grade mathematics student in this country who can compute in advance the annual interest rate under those conditions. I want to say to you further that the world's greatest mathematicians could not compute in advance the annual interest rate on this type of transaction.

We have heard a lot about Penney's, and something in the bill was referred to as a Penney amendment. Many stores apply a 1½-percent interest charge on the balance of the previous month if the balance is not paid off in full. So if you have a balance at the beginning of June of $100, and it is not paid off in full, when you get your July bill you have a $1.50 interest rate applied. You are paying $1.50. On the other hand, J. C. Penney applies 1.5 percent interest to the balance at the end of the month, so that if $50 is paid off during the month of June, when you receive from J. C. Penney your invoice at the first of July, you have a 75-cent interest charge.

Now, under this bill, the way it was originally written, Penney's or anybody else that applied a 1.5-percent interest rate to any part of a balance would have been required to say 18-percent annual interest. So that even though Penney's was not getting anything like that, they would have been forced to say 18 percent.

That is one of the points Mr. HANNA was making, that under this bill people who do not give the consumer the benefits that they should be entitled to would be placed under the same umbrella as the stores that charge a higher interest rate.

Now, during the hearings before the Committee on Banking and Currency this morning on another bill I was handed a copy of a telegram from a Cyrus T. Anderson to Congresswoman SULLIVAN. Mr. Anderson is the Washington representative for Spiegel's, Inc., which is a subsidiary of Beneficial Finance Corp., and Spiegel's is one of the largest houses in the country.

In this telegram Mr. Anderson went on record as opposing H.R. 11601 as presently written concerning the definition of open-end credit, and states that it would discriminate against Spiegel's, and he is quite right, and I will cover that point a little while later.

I know many Members of the House are confused about who is on which side. I have received letters and telegrams from small loan companies who have historically opposed any sort of truth-in-lending legislation at all and they oppose H.R. 11601. Many of these small loan companies charge excessively high interest. I have received letters and telegrams from automobile dealers, and they too have historically been in opposition to any type of truth-in-lending legislation.

I have received some communications from banks saying that this legislation is discriminatory, but this legislation does not discriminate against 95 percent of the banks in the country. It discriminates only against those banks that have bank credit cards, and it discriminates against them because their repayment schedule is drawn out over too long a period, and under this bill they would be forced to disclose the actual annual interest rate that they are charging.

And then, of course, I am quite certain that if Senator Douglas was still on the scene he would be absolutely amazed that Spiegel's is now supporting in some way some amendment to this bill because Spiegel's has worked strenuously, ever since truth-in-lending has been proposed before this Congress, against any kind of truth-in-lending legislation.

Now, with final action inevitable, Spiegel is saying "treat us all alike"—"treat us all alike." They want everybody pulled in under the umbrella of their high interest rates.

I hold right here in my hand a direct mailing piece that is sent out to get people to make small loans. This is the opening sentence:

> Please accept this special invitation for a loan from Fairfax Family Fund—

I thought that "Family" was a very good touch.

As I say, it reads:

> Please accept this special invitation for a loan from Fairfax Family Fund Incorporated, a subsidiary of Spiegel, Incorporated.

It goes on to say:

> You can have $600 in a small loan.

It says:

> You can get ready cash by mail when you need it for any purpose. You do not have to go to an office. We will send it to you by mail.

The CHAIRMAN. The time of the gentleman has expired.

Mr. LLOYD. Mr. Chairman, I yield 3 additional minutes to the gentleman.

Mr. WILLIAMS of Pennsylvania. Right here on the repayment schedule for this loan from Fairfax Family Fund, Inc., the repayment schedule shows very clearly a 30 percent annual interest rate.

So it is very little wonder that Spiegel's wants everybody to be treated alike at this time.

Those who support the committee language are primarily people like J. C. Penney who are giving the consumers a break right now plus many very small retailers.

I have explained to you the difference between the adjusted balance system that is used by Penney's in placing interest on the balance at the end of the month and the system used by Spiegel's and many other stores where the 1.5 percent a month interest may indeed add up to 18 percent annual interest and such information would have to be disclosed under section 203(d)(5) in this bill. This is why Spiegel's and others are now opposing the provisions of this bill.

I would like to close with just this statement. Here is the whole story in a nutshell.

The question before us this afternoon and the question that will be before us tomorrow is, Is the House going to respond to the tune that is being played by some huge department stores and to the tune being played by some small lending companies and others who will have their credit operation protected and shielded by a national interest rate of 18 percent annually?

I urge you to support the provisions of the bill, H.R. 11601, which will prevent this.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Pennsylvania. I yield to the gentlewoman.

Mrs. SULLIVAN. I would just like to comment on one thing that the gentleman said. I think you said that 95 percent of the bankers are not affected by revolving credit.

Mr. WILLIAMS of Pennsylvania. I said that the banks that would be discriminated against by this legislation are the 5 percent of the banks in this country that are using bank credit cards.

Mrs. SULLIVAN. I think the gentleman is completely wrong on that, if I may say so in my judgment, because all of the banks that make any loans to anybody are going to be affected by having to show an annual and disclosed rate.

Mr. WILLIAMS of Pennsylvania. That is exactly right. But let me say this to you, that the fact of the matter is that most of the transactions in which the banks engage in this type of credit would come under the installment open-end credit plan and they would be forced to disclose the annual interest rate anyhow.

Mrs. SULLIVAN. May I say, yes, that is true in this type of credit. But what they are talking about, as to discrimination, is all of these other loans that they make to finance cars and to finance mortgages and they would be discriminated against if they had to show an annual rate and the department stores do not.

Mr. WILLIAMS of Pennsylvania. Under this bill, anyone financing automobiles or home mortgages or anything of that nature would be forced to disclose the annual interest rate. That is in the bill as it now stands.

Mr. LLOYD. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. WYLIE].

Mr. WYLIE. Mr. Chairman, today you have heard arguments for annual disclosure of interest rates for everyone, and they sounded persuasive. Just now you have heard arguments as to why revolving credit sellers should be exempted from the annual disclosure provisions, and they are most persuasive. I can well understand if the Members are confused about which might or might not be the best method.

I will be frank and tell you that I sat and listened during 2 weeks of hearings on this bill and I was confused.

I felt in the first instance that there should be a uniform disclosure across the board. Then I heard the revolving credit people come in and point out that they cannot in truth disclose on an annual basis across the board, that they have a peculiar system. The thought occurred to me, Why has not someone offered an amendment so that everyone could disclose on a uniform monthly basis?

The revolving credit people say they cannot disclose on an annual basis, and everyone is for uniformity. So why do we not have everyone disclose on a monthly rate basis?

I took this idea back to the people in my district who are concerned with truth in lending. The furniture dealers are in favor of an annual rate disclosure. The banks are in favor of an annual rate disclosure. I would differ with my colleague, the gentleman from Pennsylvania [Mr. WILLIAMS], who just talked about banks. I think they are required to disclose across the board on an annual-rate basis, and it is not just 95 percent. I agree with the gentlewoman from Missouri [Mrs. SULLIVAN] on that question.

I also took it up with the small loan people. I took it up with the retailers. In my district they all agreed that this is a proper approach because it provides for uniformity, and it also would allow the consumers to see what the true credit picture is. So, as far as I am concerned the people who support me in my district are supporting this amendment, and I cannot understand why it has not been offered before as a compromise.

The avowed purpose of this bill is to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of terms and conditions of finance charges in credit transactions or in offers to extend credit. This is a laudable aim and purpose, with which I dare say no one in this House will disagree. Certainly I do not disagree with this purpose, and I feel strongly that the consumer needs protection in the area of credit financing. The rapidly increasing number of personal bankruptcies and unintentional defaults on payments indicate to me that credit consumers are unable to determine precisely how much in debt they really are. We have gone overboard, in my judgment, in making easy credit available and encouraging people to buy when they cannot afford it. And yet consumer credit is essential to the U.S. economy.

Last year consumer credit, according to testimony by the Under Secretary of the Treasury, the Honorable Joseph W. Barr, totaled $95 billion, and this was exclusive of mortgage credit.

The real purpose of this legislation should be to provide some form of credit disclosure for all credit transactions which will be uniform in application with a common denominator so that anyone by a simple statement of credit terms could understand it. The consumer must be informed to the extent that he can make a selection from all credit sources available as to the cheapest or best for his own personal needs.

During the course of the hearings it became evident to me that an array of lending practices, intentionally or unintentionally, are beyond the comprehension of most consumers and only serve to confuse. In testimony relating to credit practices, such terms as "add-ons," "discounts," "precompute," "service charges," "finance charges," "interest," "price differentials," "unpaid balance," "first-in and first-out," and others were used which would confuse even the most sophisticated in finance.

Yet, as I said, consumer credit is essential to our economy and is here to stay. I think the system is weakened by the jumbled mass of words connected with it which become gibberish to the average consumer.

So it is both practical and essential that there be uniformity in credit disclosure. With that I agree. House bill 11601 as originally introduced by the gentlewoman from Missouri [Mrs. SULLIVAN] sought to do this. It is to her credit that it was sought. She has been very able and conscientious and has worked hard on this bill. I commend her.

As originally introduced, H.R. 11601 would require disclosure of all credit costs on an annual-rate basis. This would satisfy for closed-end or contract credit, commonly referred to as installment credit. Closed-end or installment credit may be said to be characterized by a schedule of payments provided for in the contract.

But there has sprung up in our economy the so-called open-end credit. It evolved because it is not practical to "loan money" so to speak, to consumers for a specified period of time so they could purchase soft goods or goods with a so-called short "life expectancy." Mostly it is used by large department stores such as Federated, Sears, Montgomery Ward, Speigel's, and Penny's. Yet each of them may use a different form of revolving credit, as we have been told. However, as the gentleman from California [Mr. HANNA] put it, an exception for revolving credit "takes into account the realities of the marketplace." Revolving credit is here to stay. To require revolving credit sellers to disclose on an annual rate basis would require them to do something they cannot do. They cannot be certain that a customer will or will not pay his bill within a month and their charges are quoted on a monthly basis—always with a free period.

The true annual rate, then, will depend upon the timing of purchases and payments. The only true and meaningful method of disclosing the rate on revolving credit accounts in advance is in terms of a percentage per month. Recognizing this difference in types of credit, the bill reported by the committee adopts a dual form of disclosure which would require the majority of lenders and retail sellers to disclose credit costs in terms of annual percentage rates, whereas other creditors would be permitted to disclose finance charges in terms of what might otherwise appear to be a lower monthly percentage rate.

It is section 202(h) which creates the double standard for rate disclosure. This provision establishes two important standards for exempting creditors from the annual percentage rate requirement in revolving credit transactions. They have been mentioned before. In effect, the bill says that creditors who offer revolving credit plans which, first, do not provide for the creation of a security interest in property; or second, provide for customer repayment schedules in which at least 60 percent of the unpaid balance in the account is required to be paid out within 12 months are exempted from the annual percentage rate requirement and may instead make disclosure on the basis of monthly percentage rates. It has been argued that all extenders of revolving credit could convert to revolving credit today. The small businessman, I submit, cannot convert to revolving credit because the overhead would be too great. I am concerned about the small businessman who does not offer revolving credit to his customers, but who, instead, does business on the basis of traditional equal monthly payment installment credit. Under either one of the proposals here today he is required to make a disclosure on an annual percentage rate basis. It seems clear that he is at a serious competitive disadvantage with the creditor who, because he has a higher volume of business and more sophisticated accounting practices, may offer revolving credit at what appears to be lower monthly percentage rates. There is little doubt that the average consumer will construe a monthly percentage rate of finance charge as being lower and more attractive than an annual percentage rate of finance charge.

It seems abundantly clear to me, then, that the primary thrust of a Federal credit disclosure law should be to establish a uniform standard of credit disclosure which will provide consumers with a single, unvarying test for comparing credit costs which will be uniformly and equitably applied to all creditors and all types of consumer credit. The purpose of this measure is to promote the informed use of consumer credit. How can this be achieved by the enactment of a Federal law which establishes a double standard of disclosure? Clearly, consumers are going to be confused by monthly percentage rate quotations in some cases and annual percentage rate quotations in other cases. The historic thrust of this legislation has been to avoid just exactly this result.

There is logic for recommending the calculation and disclosure of credit charges on a monthly basis, even beyond the discriminatory aspect which I have mentioned. Banks and retail sellers historically have calculated and disclosed revolving credit finance charges on a monthly basis.

Credit unions historically have employed the monthly charge for rate calculation and disclosure. The consumer is billed for and makes payments for purchases and services on a monthly basis. The average American budgets his personal economy on a monthly basis. What is more logical than to require the disclosure of all consumer credit charges in a Federal statute to be on a uniform monthly basis?

It is for these reasons that an amendment to H.R. 11601 should be adopted to delete the double disclosure standard and to substitute in lieu therefor a uniform disclosure requirement which will apply equitably and fairly to all creditors and which will provide consumers with a single unvarying test for measuring and comparing such costs.

I will offer such an amendment at the proper time, and I urge its support.

Mr. BLACKBURN. Mr. Chairman, will the gentleman yield?

Mr. WYLIE. I yield to the gentleman from Georgia.

Mr. BLACKBURN. I wish to commend the gentleman from Ohio for the fine work he has done in his efforts on behalf of this Nation. I wish to associate myself with his remarks.

Mr. WYLIE. I thank the gentleman.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that the gentleman from New Jersey [Mr. HELSTOSKI] may extend his remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. HELSTOSKI. Mr. Chairman, the moment of truth is at hand.

We are at the point today of deciding whether we will strike a strong or weak blow for the interests of the American consumer. It all depends upon whether we vote for a truth-in-lending bill that either covers revolving credit or does not.

I feel strongly that a strong blow for the interests of the American consumer can only come if we vote to include revolving credit under H.R. 11601, and thus give the consumer the clearest picture and understanding possible of all credit costs.

To my way of thinking it is as simple as that.

How can we justify passage of H.R. 11601—when it does not apply equally and fairly to all credit transactions? It is shocking that H.R. 11601, which is such a practical necessity, creates a double standard by singling out and exempting revolving credit from the disclosure of an annual rate of interest that is required for other credit transactions.

A very large amount of consumer credit purchasing is carried on through the medium of the revolving credit account, and this area is, perhaps, less free from deception in the selling of credit than most other forms of lending.

A majority of revolving accounts carry a true interest rate of about 12 to 18 percent per year. Buyers, however, are led to believe that they pay about 18 percent interest. What buyers do not know and what lenders do not tell them is that the consumers pay 18 times the number of months the credit account is opened.

Merchants contend that it is difficult to compute and state an annual interest rate for revolving credit because of variable balances and time periods. This task may be difficult but it can be done.

We should keep in mind that the very purpose of the revolving credit account method is to keep the consumer's account considerably active—to keep him buying on credit. If merchants find this method of operations so profitable, as it obviously is, they can afford the trouble of disclosing the true interest charges.

Exemption of revolving credit favors the big retailing firm—who does a large amount of business in this way—over the small one. This is unjust and unwarranted. We must rectify the inequitable omission of revolving credit.

The time has come now for us to adequately and completely defend the beleaguered American consumer who buys on credit. For far too long the consumer, in many instances, has been at the mercy of unscrupulous persons who by design have kept hidden the actual cost of items by not fully revealing their true cost when purchased on credit.

The interests of the American consumer can no longer be neglected. His interests need the protection only actual legislation can provide.

Unfortunately consumers are generally unaware of the actual financing charges which they are paying. Financing charges are almost invariably quoted on an add-on basis and are further disguised by additional loan charges, such as investigation fees. Conversion of the information now given to the consumer in a percentage rate is beyond the ability of even the more intelligent consumer.

Although it is true that the great majority of lenders in this country are honest and forthright, we are all aware of abuses, and all of us have received complaints from constituents who have felt cheated and deceived in a credit transaction. It has always been the policy in our great Nation to attempt to protect all people, and so long as deceptive practices are used, although in a small element of the economy, legislation must be enacted to curb the abuses.

Even where deceptive practices are not used, however, it is quite frequent for a lender or seller utilizing the installment sale procedure to eliminate or not use at all any rate of finance charge or interest. This is the easiest way to obscure the cost of credit. Very few individuals can translate the number of payments into an interest rate, and the concept of truth-in-lending will place the burden on the seller or the lender to disclose to the buyer or borrower the approximate rate at the time the transaction is entered into.

The consumer must be made fully aware of the amount of finance charges he is paying, for full information is necessary not only for his protection but for the efficient functioning of any market. Disclosure of financing charges, which truth-in-lending legislation will accomplish, would make the market more competitive with respect to the cost of credit.

The concept of truth-in-lending is a good one. It is not an attempt to regulate rates, but rather an attempt to create truly a free enterprise system by eliminating deceptive and misleading practices, and practices which do not fully advise or inform the consumer. Through competition, as we all well know, our Nation has become great, and the citizens of our Nation have been able to share in its greatness.

Mr. Chairman, I urge all of my colleagues to vote for a strong Consumer Credit Protection Act—one that covers revolving credit.

Mr. PATMAN. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. BINGHAM].

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. BINGHAM. I am glad to yield to the gentlewoman from Missouri.

Mrs. SULLIVAN. I should like to say at this time, Mr. Chairman, that without the help of the gentleman from New York during the hearings and all through the discussion of this bill we would have had a hard time to get through and to get through with a good bill. He has been most helpful, and I am very happy we had him on our committee during its consideration of truth in lending.

Mr. BINGHAM. I thank the gentlewoman for those remarks. I was about to say it had been a real pleasure and a privilege to work under her leadership on this measure. The consumers of America are fortunate to have such a spokesman as Congresswoman SULLIVAN. She has fought steadily throughout, from the beginning of consideration of this measure, for the greatest possible protection of the consumer.

I should like to say also it has been a pleasure to work under the guidance of the distinguished chairman of this committee on this measure.

I am pleased to rise in support of H.R. 11601 today and look forward with real anticipation to its passage.

The American consumer is finally finding his political voice and learning to exercise his political muscle effectively. It is a most welcome development, indeed, which is bringing about enactment of measures—such as the truth-in-packaging bill, the National Product Safety Commission, the Meat Inspection Act—which have long been needed to give the consumer both the product safety and the product information to which he is entitled.

It has long been recognized that the average buyer suffers greatly from a lack of information and understanding in the field of consumer credit financing. As our economy prospered, and disposable personal income reached new heights, the use of consumer credit rather than cash for financing the purchase of desired articles became a well-accepted practice for most families. The outstanding total amount of consumer credit soared from $5.6 billion in 1945 to $95.8 billion in 1967. The annual interest and service charges on this debt currently cost American families more than $13 billion a year.

But as rapidly as the amount of consumer credit expanded, so did the opportunities for deception, misleading interest rates, hidden charges, and all manner of gimmicks and come-ons designed to prevent the buyer from figuring out how much he would be paying for the financing of his purchases. Costs were stated in such a confusing manner, and for such disparate items, that it became impossible for even the well-educated consumer to compare credit costs between a discount house and a department store. For the unsophisticated, the timid, the poor who never ventured out of their own neighborhoods, it was a field day for any fast-talking salesman who spoke in terms of only $12 down and $3 a week.

The abuses and calculated confusions of those who extend consumer credit have been well documented ever since Senator Douglas conducted his first eye-opening hearings 7 years ago. The 2 weeks of official Banking and Currency Committee hearings this year, plus the testimony Congressman HALPERN and I heard in New York City, provide even more convincing proof of the need for adequate legislation to protect the many unwary consumers who enter into long-term credit contracts they never really understand. The President tersely summed up the situation in his consumer message to the Congress, when he stated:

As a matter of fair play to the consumer the cost of credit should be disclosed fully, simply, and clearly.

On July 11, 1967, the Senate, thanks to the vigorous and persevering leadership of Senator PROXMIRE, passed a truth-in-lending bill which is not too dissimilar from that which we are considering today. Before getting into the substance of what is before us today, I would merely like to say that I think that too much hyperbole has been wasted on the Senate bill. I find the cries of "sell-out" and "worse than no bill at all" uttered by some of the critics of S. 5 to be foolish and far wide of the mark. While I think S. 5 needs real strengthening in certain areas, and I will try to get such provisions included in the House bill, it is basically a sound, effective piece of legislation implementing the basic public policy that the consumer has a right to full disclosure of the nature and extent of his credit charges on any purchase.

However, in several respects I think the bill we have reported out of the House Banking and Currency Committee is much stronger and I would like to touch on these before I mention my disagreements with the committee.

One of the most significant differences between S. 5 and H.R. 11601 is the latter's extension of the truth-in-lending principle to credit advertising. The basic requirement is for full disclosure of all essentials of the credit transaction, such as downpayment, finance charge, full cash price, and schedule of repayments. Even the briefest glance at any of our Sunday papers would show the frequency with which credit terms are included in advertisements along with other selling points of particular merchandise. Since so many potential customers are induced to make their purchases by persuasive advertising, it is axiomatic that those ads need to spell out the financing details of the transaction if the consumer is to be fully informed and capable of comparing one item with another. The impact of advertising is so overwhelming on consumer choices in this day and age that it is essential that the same high standards of full disclosure be applied in this area as are applied to the final commercial transaction between buyer and seller.

A second major difference between the committee and Senate bills is in the area of garnishment. The Senate bill was silent on the subject. Our bill restricts garnishment to 10 percent of wage earnings above $30 a week, and prohibits discharge of an employee because of a single garnishment on his wages.

Mr. Chairman, I heard considerable testimony on this point from witnesses here in Washington as well as from witnesses in New York City. I was deeply impressed by the evidence of personal hardship and distress suffered by many low-income wage earners, enticed into buying goods they could not afford by unscrupulous merchants who knew they always had recourse to attaching a man's salary and cared little whether anything remained to support that man's wife and children. Moreover, we heard extremely useful testimony from several referees in bankruptcy which pointed up the correlation between harsh garnishment laws and high levels of personal bankruptcies.

The provision we have included in the House version adopts, I am proud to say, the humane approach taken by New York State to the problem. A man can no longer be fired just because a creditor—often without the knowledge of the employee—has attached his wages. Instead, he can continue working and supporting his family, while paying off his debts in an orderly fashion, rather than being forced into unemployment and bankruptcy. Many representatives of labor, business, and public service organizations have supported restrictions on garnishment, and I cannot urge approval of these provisions too strongly as humane, compassionate, and economically sound.

Despite my overall satisfaction with the bill reported out by the House Banking and Currency Committee, there are two sections to which I must state my strong opposition.

Our guiding principle in fashioning a truth-in-lending bill has been to assure to the consumer sufficient, clearly understandable, information which would enable him to compare different consumer credit proposals with one another in order to make an intelligent judgment on which was most suitable for his economic situation and needs. Yet, H.R. 11601 includes an exemption which, I am convinced, would completely undermine this principle. The "revolving credit" exemption would allow its users—large department stores, mail-order houses, some credit card systems—to disclose their finance charge on a monthly percentage rate basis instead of the yearly percentage rate basis required for all other forms of consumer credit. What we are doing by inclusion of such an exemption is denying the most important credit information which the consumer needs to discriminate in the vast majority of his day-to-day credit transactions.

Furthermore, revolving credit has been growing at an extraordinarily fast rate. With this kind of statutory favoritism, it is clear that the trend toward this type of credit will be even further accelerated.

Moreover, this exemption needlessly discriminates against all other givers of credit who must state their credit rates on an annual percentage basis. Those falling under the general disclosure provisions of the bill would be laboring under a grave competitive disadvantage.

Later on in the debate, I am sure we will enter into a very detailed discussion of this provision but sufficient to say for now that the intricacies of the revolving credit mechanism in no way require such an exemption. What is most important is that the interests of the consumer in obtaining full—not half—truths about the credit he is paying for affirmatively require deletion of this exemption.

I am also strongly opposed to the elimination from the bill of those credit transactions in which the finance charge amounts to less than $10. Many of the credit needs of the very people who most need the protection of this bill will escape from the protection of the bill by this exclusion.

It is in these relatively small transactions that some of the greatest abuses appear in terms of excessively high interest rates; therefore, it is in precisely these areas that purchasers or borrowers should be informed as to the true interest rate that will be paid.

The other day in my home city of New York, I noticed an advertisement in the subway for small loans, in which the monthly payment required was specified but the annual interest rate was not. For example, the advertisement stated that a customer who borrowed $100 for 6 months would only have to pay back $108 in six monthly installments. This finance charge of $8, which would be excluded from the requirement that an interest rate be disclosed, actually amounts to an annual interest rate of 32 percent.

The possibilities for abuse and evasion of this provision are tremendous. The exclusion makes no sense in either logic or economics and I urge its rejection.

Mr. Chairman, I should like to comment on some of the issues that have been raised and some of the discussion thus far in the debate, which, frankly, has taken a turn which seems a little bit Alice in Wonderland to me. We have seen speakers take the well today, including my good friend from California [Mr. HANNA] to give the impression to the Committee that the proposals submitted by the gentlewoman from Missouri [Mrs. SULLIVAN] for strengthening the committee bill, are a devious plot being proposed by large mail-order houses and department stores.

I would consider it useful at this point to recall that the strong position here—that is, the position of requiring annual interest rates uniformly—is supported first of all by the consumer groups of this country. I do not know whether the gentleman from California [Mr. HANNA] is telling the consumer groups they do not know what they are talking about, but that is the way it sounds.

This position is also vigorously supported by the AFL–CIO and the major unions.

It has been supported for some time now by the furniture dealers and others who would suffer from the discrimination contained in the committee bill, such as the banks. And now, finally, the major department stores are realizing that their interests would not be well served by the kind of discriminatory provisions contained in the committee bill.

Why is that so? There is no sinister secret about that. They would find it difficult in their billing to make different provisions for the types of open end credit plans which would fall within the definition requiring an annual interest rate and those which would not. So it would be complicated and difficult for them to comply with the provisions of the committee bill. They say, "Rather than struggle with that, OK, let us have an annual interest rate for everything."

We have heard a lot said this afternoon about the fact that one cannot figure the interest rate on open-end transactions.

I will admit that you cannot figure just what the earned interest rate is going to be. It has been said here that it never goes above 18 percent and it is always below that. That is not so, ladies and gentlemen of the Committee. As the testimony brought out, sometimes it can go way above 18 percent. In one of the examples pointed out by Mr. HANNA, he said it would run 45 percent on a certain type of transaction. This is where a payment is made on the account during the month and the particular store does not give credit for that payment in figuring the interest rate. So we have to take it for granted that the earned interest rate can be above or below 18 percent a year.

But look. Every single thing that has been said in criticism of the 18 percent a year can be said about 1½ percent a month. Every single statement that has been made here criticizing the 18 percent a year can equally apply to the 1½ percent a month. If you cannot figure the interest rate, then how can you say it is 1½ percent a month? Yet they are willing to say 1½ percent a month, but they do not want to say 18 percent a year. Why not? One reason and one reason only. For the consumer, 1½ percent a month sounds cheap. He thinks he has a bargain creditwise. And 18 percent a year sounds like a lot. That is the only reason why they do not want to say 18 percent a year.

What are we asking them to do in the Sullivan amendment here? We are just asking them to say, when they say that the finance charge is 1½ percent a month, to set it out as 18 percent a year. That is all. It is not asking very much. It does not complicate anything. It merely calls to the attention of the consumer that he will really be paying at the rate of 18 percent a year.

Now, something has been said here about the Penney Co. I am not sure because I have not talked to the Penney Co., but I think they have a system of billing which is different from some of the others. They do give credit for payments made during a month, but they still say 1½ percent a month. Why do they object to saying 18 percent a year?

In any event, the Penney people can explain the nature of the way they handle it. Mr. Chairman, there is an amendment in the committee bill on page 14 which I have had the honor to sponsor which requires those who do not give credit for payments made during the month in figuring the finance charge to say so and to disclose that fact. Penney's is protected by that provision.

We have heard the proposal suggested by the gentleman from Ohio [Mr. WYLIE]. It is logical, all right, and it sounds plausible, but who in the end would be taken care of? The business people would be taken care of. They would be happy with uniformity, putting it on a per-month interest rate basis, but who is going to be hurt? The consumer is going to be hurt, because every witness who testified on this subject said without any difference of opinion that the consumers think 1½ percent a month is cheap and they think 18 percent a year is expensive.

What then is the ultimate proposal that comes forward? "Let us have it uniform on a per-monthly basis." Ladies and gentlemen of the Committee and Mr. Chairman, we cannot at this stage of the game change the whole way in which we refer to these things. We learned in school about interest rates. They are annual interest rates. We have payments given in the figures on an annual, not a monthly basis. We cannot change the whole way of looking at it in this country and try to get everyone to think in terms of a per-month interest rate.

To me it would be worse than having no bill at all, no credit protections, if lenders do not indicate interest rates on an annual basis. This is what the country understands. This is what the consumer understands. This is where he gets the true picture of it. It would be a tragedy if we moved toward uniformity by moving to a monthly interest rate.

The strange thing about it, Mr. Chairman, is that Mr. WYLIE's proposal does not even deal with the difficulties that arise in stating a precise interest rate.

Mr. Chairman, as I said before, if you can say that a rate is 18 percent a year, you can also say that is 1.5 percent a month.

Mr. Chairman, the gentleman from Ohio tries to get over all of the difficulties by saying that by quoting a monthly interest rate no one gets in any difficulty despite the fact that it is not exactly 1.5 percent a month. In other words, it can be more or less, depending upon what payments are made and so forth.

Mr. Chairman, I think this would be a total sham; it would be a reduction of the bill to the point of being truly an absurdity.

Mr. HOLIFIELD. Mr. Chairman, will the gentleman yield?

Mr. BINGHAM. I yield to the gentleman from California.

Mr. HOLIFIELD. In the event of a revolving account where the charge is made on the last day of a month, on an amortized balance, and let us assume they are charging 1.5 percent a month, and let us further assume that there is a charge of $90, and there is paid at the end of the first 30 days a $15 payment thereon. That leaves a balance of $75. And, at the end of another 30 days there is a payment of $15. Each time the consumer pays 1.5 percent interest on the remaining balance as of the last day of the month?

Mr. BINGHAM. No; excuse me. That is not so. In most of the plans the balance—the 1.5 percent is charged on the balance at the beginning of the month and does not provide for giving credit for payments made during the month. Penney's does. That is the distinction between Penney's and some of these other companies. But many of them do not give credit for payments made during the month. They charge the 1.5 percent on the balance at the beginning of the month.

Mr. HOLIFIELD. Whether it is the 1st of the month or the 31st of the previous month? In other words, there has to be a time element involved. And the periods of time involved have to be 30 days apart?

Mr. BINGHAM. Yes; 1 month.

Mr. HOLIFIELD. So, you are begging the question when you say it is based upon 31 days or a month.

Mr. BINGHAM. There may be a whole lot of difference.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. PATMAN. Mr. Chairman, I yield the gentleman 3 additional minutes.

Mr. HOLIFIELD. Mr. Chairman, I was hopeful that the gentleman from New York would be able to obtain some additional time because I do wish to explore this subject further.

Permit me to give the gentleman an analogy along this line: If you buy a $90 item and if you pay 1.5 percent a month on it, and if every 30 days there is a $15 payment due, and you pay that off at the end of 6 months, that is your revolving credit. Then, say, there are no additions to that account for the purposes of this discussion, how much interest has the man paid at the end of 6 months?

Mr. BINGHAM. He has paid 1.5 percent a month on the outstanding balance each month at the rate of 18 percent a year.

Mr. HOLIFIELD That is true.

Mr. BINGHAM. But he has not paid 18 percent on $90.

Mr. HOLIFIELD. That is true. But when you advertise the fact that you are charging 18 percent annually and he applies that to the $90, would he pay up to 18 percent on the $90 charge?

Mr. BINGHAM. It seems to me that the gentleman from California is forgetting the fact that a rate is a rate. It is just like arguing that 88 feet per second is not the same as 60 miles an hour. It does not matter whether the rate is 60 miles an hour or whether you are traveling at the rate of 88 feet per second. They are the same.

Mr. HOLIFIELD. Mr. Chairman, if the gentleman will yield further, the yield to the seller at the rate of 1.5 percent is not a yield of 18 percent a year to the seller?

Mr. BINGHAM. That is right.

Mr. HOLIFIELD. It is a yield on a 6-month basis of 7.42 percent, if you double that by 12 months, you have a rate that the receiver gets of 9.45 percent, not 18 percent?

Mr. BINGHAM. Depending upon the way the gentleman has set up his example and question the interest rate would be as the gentleman says. However, you could set up another interest rate, as the gentleman from California [Mr. HANNA] says, of 45 percent.

Mr. HOLIFIELD. Mr. Chairman, if the gentleman will yield further, let us take the example of a small merchant without a computer and say that a man comes in on the 15th of the month and makes a payment of $15 and, say, that he is 15 days ahead of time or, say, he is 15 days late, how in the name of God can the small merchant tell this man or customer in advance the annual rate?

Mr. BINGHAM. All he has to tell him is what the rate per month is, times 12. In other words, he gives him the same answer on an annual basis as he gives him on a monthly basis.

Mr. HOLIFIELD. I am not against full disclosure. But I am trying to figure out how the small merchant can comply to the formula, a small merchant who does not have a lot of bookkeepers and computers.

Mr. BINGHAM. There is no problem involved.

Mr. HOLIFIELD. You are telling me that if he sells that item and he charges 1.5 percent on the unpaid balance, all he has to do is to say "We are charging 1.5 percent a month on the unpaid balance," which when carried out to the end of the year would be 18 percent?

The CHAIRMAN. The time of the gentleman has expired.

Mr. BINGHAM. Mr. Chairman, would the gentleman yield me additional time?

Mr. PATMAN. Mr. Chairman, I have an agreement with the other side, but I will yield 1 additional minute to the gentleman.

The CHAIRMAN. The gentleman from New York is recognized for 1 additional minute.

Mr. BINGHAM. Mr. Chairman, I have asked for the additional time because it was my time, and I would like to answer the question the gentleman posed.

If the gentleman will look at the language in the middle of page 13 of the bill, he will see that what is being discussed here is the difference between what is called the percentage rate per period, which is what the committee bill says, and what we want to say is the annual percentage rate. And your small retailer who is now in a position to say 1½ percent a month can say 18 percent a year just as easily, and he does not have to make any calculations; all he has to do is add to what he now has, which is the percentage rate per period, or month.

Mr. HOLIFIELD. And he does not have to change it if the payment comes in advance, or if it is overdue?

Mr. BINGHAM. No; he does not.

Mr. HOLIFIELD. I thank the gentleman.

Mr. BINGHAM. Mr. Chairman, passage of the truth-in-lending bill is long overdue. We owe the American consumer enactment of the strongest and most comprehensive bill possible. By closing these two important loopholes, on revolving credit and $10 finance charges, we will be enforcing the American consumer's right to know exactly how much he is paying and thus exercise an informed judgment as to what he can afford to buy and where he can obtain the most favorable credit treatment.

President Johnson cogently stated the case for this bill when he said:

> The Truth-in-Lending Act of 1967 would strengthen the efficiency of our credit markets, without restraining them. It would allow the cost of credit to be freely determined by informed borrowers and responsible leaders. It would permit the volume of consumer credit to be fully responsive to the growing needs, ability to pay, and aspirations of the American consumer.

I heartily concur and urge the House to approve this important piece of legislation.

Today's editorial in the New York Times reads as follows:

[From the New York Times, Jan. 30, 1968]

TRUTH IN LENDING

> As the House of Representatives takes up the long-stalemated truth-in-lending bill, need for a strong, comprehensive law is heightened by the steady growth in the volume of consumer credit. Buyers and borrowers must have the protection of a law requiring full disclosure of the true cost of obtaining credit. These safeguards are particularly necessary for the least educated and the poorest, who can ill afford mistakes in managing their money.
>
> The bill as it comes to the House floor would be improved if the members strike out two amendments adopted in the Banking Committee. The first would exempt retail stores and mail-order houses from telling their customers the interest rate on an annual basis for so-called revolving charge accounts. An interest charge of 1.5 per cent a month on the unpaid balance sounds rather low. Yet, on an annual basis, this is 18 per cent.
>
> Equally objectionable is an exemption in the bill providing that credit terms do not have to be detailed if the interest charge is less than $10 per transaction. As a practical matter, such a provision would exempt most loans and purchases of less than $100. This is exactly the size of transaction in which persons with the smallest incomes need protection.
>
> On the plus side, an amendment successfully offered in committee by Representative Halpern, Republican of New York, strengthens the bill by restricting the garnishment of wages. The first $30 of a worker's wages would be exempt from attachment by a private creditor, and no attachment could exceed 10 per cent of his remaining wages. No one would be harmed by such a modest restraint except those dubious merchants who prey upon the poor by selling shoddy merchandise on "easy" credit.

Mr. LLOYD. Mr. Chairman, I yield myself the remaining time.

The CHAIRMAN. The gentleman from Utah is recognized for 4 minutes.

Mr. LLOYD. Mr. Chairman, in the brief time remaining I believe there are a few things about the bill that have not been brought to the attention of the House as yet that I would like to touch on. One is the matter of garnishment.

This bill contains a provision on garnishment that was not in the bill of the other body, and it provides that garnishment is limited to 10 percent of that amount over $30 a week. We are under the apprehension that that is the New York bill. It is not the New York bill. As I am advised, the New York bill provides that there would be garnishment of 10 percent of the entire wages, and not just that over $30. So on $100 a month under the New York bill the garnishment would be on the $100, or $10. Under the bill as it is written here, it would only be on $70 or $7. That is a very important distinction. It is one that I believe should be brought out tomorrow.

Also the discussion this afternoon has pretty well confined itself to the matter of annualizing the rate. I believe we should be reminded in conclusion here today of what has been said previously, that the other body for 7 years has broken their pick upon that issue. I believe it was on a vote of 93 to 0 that they decided that could not be done, after 7 years. They decided, like the framers of our Constitution, that maybe none of the language was exactly what they wanted, but it was the best bill on credit disclosure that could be framed, and passed.

That does not mean that there are some other provisions of the bill that cannot be changed, but it means that upon that one point that the other body has decided that with the exemption in the open-end revolving credit, as defined, that that is the type of legislation which is acceptable to the Congress of the United States.

And I would also like to make this point in support of the proposal advanced by my colleague from Ohio [Mr. WYLIE]. A Member of the other body from Illinois made this statement, when the other body passed this legislation in pointing out the lack of comparability, and the discrimination that might exist. But first of all, in case I do not have time, I would like to say that I do favor the committee bill. I feel that it is possible it could be improved by the Wylie approach. But this matter that I shall quote that was made by a Member of the other body, is as follows:

> 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.
>
> 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.

In other words, under the example of the committee bill, a retailer on one side of the street could set his interest on a monthly basis, while across the street the furniture or the specialty store selling the same item would have to annualize it. Continuing to quote:

> 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.

I submit to the House that the proposal advanced by the gentleman from Ohio [Mr. WYLIE] may be this approach under this bill. It seems to me it recognizes not only the mechanical equities but the equities in principle in approaching this necessary legislation for the benefit of all concerned.

Mr. DONOHUE. Mr. Chairman, the spirit and the language in this Consumer Credit Protection Act now before us, H.R. 11601, represent a real step forward in this urgent legislative area of truth in lending but a great many of us here are seriously concerned that it does not go far enough in providing the fullest, reasonable protection to the American consumer who needs this protection the most.

It is, unfortunately, all too obvious that in today's modern mass consumer markets commercial selling and lending practices and appeals have grown increasingly confounding and financially burdensome to the ordinary customer and consumer.

Particularly in the area of consumer credit it is commonly felt that very few people, outside of the experts, really understand the true interest charges projected.

While the objective of this bill is certainly to extend reasonable consumer protection to every individual and family I consider it to be our very high legislative obligation to insure that this protection is designed to especially include the very low-income persons and families who need it the most and are the least able to avoid the appeals of some very unscrupulous merchants and lenders that tempt them into financial suffocation.

Therefore in order to achieve the full legislative objectives intended, many of us believe that this bill must be strengthened in several provisions but most particularly in two major areas.

It must be strengthened by removing the existing exemption of ordinary revolving credit systems for the disclosure of annual interest rates that would perpetuate the 1½-percent-a-month illusion with no requirement that it be translated into the actual rate of 18 percent a year. There is no real ground of justification for this exemption and it cannot be permitted to stand if the purposes of this bill are to be attained.

It must also be strengthened by removal of the equally objectionable existing exemption from disclosure of all transactions involving finance charges of $10 or less. This provision would exempt practically all credit purchases of $100 or less and, therefore, nearly all the ordinary credit purchases of our lowest-income individuals and families. I submit that there is no equitable justification for this exemption and it cannot be permitted to remain if the purposes of this bill are to be completely realized.

Mr. Chairman, other suggestions and recommendations for the strengthening and improvement of this well-intentioned measure have and will be made, and I hope the House will fully debate and prudently act on each one of them.

Surely the time has come, in our burdened society, to require the revelation of truth, in interest rates and financial charges, and their related activities, so that every American will have the information and advice made available that will enable him to protect himself and his family from unwitting financial imprudence and bankruptcy.

Our legislative challenge is to provide the greatest consumer protection to those who need it the most and to prevent the visitation of any discrimination upon and and all segments of the industries engaged in these commercial fields. It is of paramount importance that our legislative restrictions and requirements be of absolutely equal impact upon every business unit and activity that is involved.

We have the duty to fully protect the consumer without inequitably or unduly harrassing the affected industries.

By adoption of a strengthened consumer credit protection bill, we can meet these two high duties and obligations, and I urge the House to do so without undue delay.

Mr. FASCELL. Mr. Chairman, I rise in support of meaningful consumer credit protection. It is time that uniform regulations for the full disclosure of credit charges be established and the consumer assured of a simple, concise explanation of the actual cost of his numerous credit transactions. The American consumer today is buying more and more on credit, and it is only just that he have the benefit of a clear understanding of just what those transactions mean to the cost of the product he is purchasing.

The sale of credit on incomplete, inaccurate, and receptive terms is of the very greatest importance to the economic system. The noncomparable and misleading terms prevent the consumer from making a rational selection among methods of financing his household. The consumer cannot choose rationally between a merchant's revolving credit plan; a credit union loan; a bank loan; or saving to pay cash, when he has no common denominator of the price of credit. When consumers use a hundred billion dollars or more of credit in a year without selecting the best and the least expensive source of finance, they injure their ability to buy. They provide fat returns for the inefficient and the dishonest, and often discriminate against the more efficient retailers and lenders. In short, money that could have been used for productive purposes is siphoned off.

What we propose to do about this problem in the bill before the House, is essential. We propose to require creditors to use uniform and non-deceptive language in advertising credit terms and in writing up consumer credit contracts. This is as revolutionary as saying that the standard metrical measure of length shall be a meter of 100 centimeters, rather than 50 or 60 or some other number of centimeters according to the practice of the particular trade. It should not be necessary to remind the House that the most common way of quoting consumer credit rates is in terms of dollars or percent on the original balance of a the credit actually available to the debtor rate is little more than half the rate on the credit actually available to the debtor during the period over which he makes his installment payments. Requiring rates on credit to be stated as annual rates on the average unpaid balance, is so fundamental to good commerce that it should never have encountered any opposition.

I ask the House to support the truth-in-lending measure which will enable the households of the Nation to use the Nation's credit resources economically and rationally.

Mr. EILBERG. Mr. Chairman, the Consumer Protection Act which is before us will enable consumers who use credit for their major purchases to protect themselves against needlessly expensive credit. The bill requires that they be informed of the cost of credit, and of the annual rate at which finance charges are computed before they have incurred the debt. It is no cure all. It does not give the consumer all possible information for protecting himself. It does not give protection similar to that of some State laws which protect the consumer by limiting rates charged on consumer credit; nor does it permit the consumer to deduct the entire finance charges on retail credit in computing his income tax as he now can deduct interest on a loan; this bill does not change the tax laws or regulations. These two kinds of protection are not included in this bill, and their merits perhaps ought to be put aside for consideration some other time, but not now.

The bill also fails to require creditors to supply consumers with the information which they need for protection against costly credit for minor purchases; it does not require the finance rate on revolving credit to be stated as an annual rate.

This omission is a victory for retail merchants, including the largest of all the chains, whose opposition has been a principal obstacle to the passage of any truth in credit bill. The retailer who puts his customer's account on revolving credit can say that he charges 1½ percent per month in which the chargeable balance is outstanding. But the bank which finances his car cannot stop at saying its rate is 1 percent per month, or 1½ percent, or 2 percent, but must state the much more arresting figure of 12 percent, 18 percent or 24 percent per year.

The retailers have made elaborate arguments against disclosing the annual rate on revolving credit, and these arguments have been dissected in congressional hearings. The rather amazing sequence of propositions offered by the retailers does not need another exposition and review. The simple facts are that the charge is levied each month and billed to the consumer each month, and that there are 12 months in a year. A monthly rate of 1½ percent is an annual rate of 18 percent—just as a 6-percent annual rate on a mortgage is a monthly rate of one-half of 1 percent.

How many people do not understand what an 18-percent annual rate means. This is the fault of creditors who have talked in their own deceptive language so long that to many consumers an annual rate is a rate on the original balance. It is the very essence of consumer credit that the credit is repaid in installments, so that the original balance is a proper basis for charge only until the first payment has been made. When a credit is repaid over a year at an 18-percent annual rate on the amount of credit actually outstanding, it is a rate of less than 10 percent on the original balance.

The retail creditors' problem is that some of his customers may believe that revolving credit adds 18 percent to the cost of their purchases. The solution to this problem does not lie in letting revolving credit alone be stated in a special way which makes it appear far cheaper than other credits, even when the other credits actually may be the cheaper of the two. The proper solution is to require revolving credit rates to be quoted as annual rates as are other credits, and to permit retailers to offer explanatory information to the effect that charges at that rate when levied on balances which are repaid according to the retailers plan, will add 6, 10, 12 or some other percentage to the cost of the purchases, and the additional cost will depend on the rapidity with which balances are paid off.

The House bill provides the consumer with protection against misleading advertising of credit charges and rates. The misleading nature of credit advertising has been documented throughout the years over which truth in lending has been studied by the Congress. This is a form of protection which obviously is necessary.

The House bill also deals with the problem of unconscionable garnishment by retailers and lenders who sell shoddy merchandise, make exorbitant finance charges, and disregard all evidence of lack of credit worthiness in pushing credit. The bill's restrictions on garnishment used as a collection device by the unethical fringe of operators in consumer credit will save many employees from being lured into excessive debt, from dismissal by their employers because of garnishment of wages, and ultimately from bankruptcy. It will save employers some of the high cost of employee turnover because of personal financial troubles. It will direct credit resources to the ethical creditors when the unethical cannot resort to the courts to collect the exorbitant charges which finance their expansion.

Mr. RODINO. Mr. Chairman, the House has courteously awaited, for 8 long years, an opportunity to approve a truth-in-credit bill. The Senate enacted a bill last summer. Now we can approve the principle of that bill, and make its operation more beneficial to the consumer and to the ethical retailer and lender.

The House bill, of which I am a sponsor, requires the use of standard disclosures of credit terms. If credit terms are advertised, the advertisements must be informative, complete and include the items specified in the House bill. If credit contract is made, it must include disclosure of a standard list of cost items and the price of the credit. Full disclosures must be made, and they must be made in standardized language so that the consumer can engage in comparison shopping—and comparison shopping for credit can become more informed and rational than most comparison shopping for merchandise.

Consumer credit usually adds a minimum of 6 to 10 percent to the cost of goods for the shortest term credit, and in the purchase of automobiles, and for other durable goods and often adds more than 24 percent to the cost. The total of of these added costs is about as great as the cost of interest on the national debt, and would buy a year's supply of gasoline and oil, or pay all of the plane, train, bus and taxi fares of a year. The very magnitude of these costs makes it imperative that consumers carefully select their sources of finance, and economize at every opportunity. The information on credit costs and rates which consumers need for using their income will not be available to them unless this bill is enacted.

Some consumers, of course, already have the benefits of truth-in-credit legislation at the State level. But only four States have acted, and the disclosures which State legislation will require may not be up to the standard of our own consumer protection act. A Federal act will establish minimum standards of disclosure for all consumer credit transactions in all States.

The House should make clear in its action on this bill that it intends to give consumers the benefit of full disclosure in standard terms on credit contracts; that it intends to give consumers protection against inadequate disclosures in advertising of credit terms; and that it intends to require creditors to use care in extending credit, to depend on credit worthiness of the consumer rather than garnishment of wages, to insure repayment.

The Senate bill recognized that the inefficient and the unethical lender or retailer can acquire too large a share of the total of credit business if his charges are not disclosed in understandable terms, and consequently the bill gives consumers the information basic to their avoidance of such waste. The House bill goes further and recognizes that some consumers will not act wisely about credit, even when information is available to them. Consequently it tells the creditor that, if he takes advantage of their low resistance to sales pressure, he will not be protected by resort to garnishment of wages. The bill depends on self-interest to correct misuses of credit resources which now are made by unethical creditors and careless debtors.

Mr. Chairman, I strongly urge approval of this most essential and long-delayed measure and the amendments covering revolving credit which will be offered by our distinguished colleague, Mrs. SULLIVAN. With these actions we will have the opportunity to write a fully protective measure for the consumer in this basic area.

Mr. GILBERT. Mr. Chairman, I have long been an enthusiastic supporter of the truth-in-lending principle and I shall be happy to vote in favor of the bill that is currently before us. I have observed the reluctance of many lenders to reveal the price of credit in terms both of rates and money costs. I have also observed how very difficult it is to compute rates of interest, unless one is a trained mathematician. This bill is overdue. It is a necessary and justifiable protection, fundamental to the equitable operation of our free enterprise system. In approving it, Congress will be enacting a basic reform of our economy.

I want also to give notice that I will vote in favor of two amendments to the legislation as it has been reported out by the committee. I oppose the exemption of revolving charge accounts and of interest charges of less than $10. I see no reason for these exemptions. I believe this bill will be seriously flawed if these exemptions are not eliminated.

I note that these exemptions will tend to fall most heavily on the poor, who indeed we are most seeking to protect with this legislation. The rich can go to banks for their credit and usually obtain money without undue difficulty at a reasonable rate of interest. The poor exist from hand to mouth. They put their purchases on a revolving charge, unaware of how much they are paying for this privilege. Surely the large department stores and mail order houses using this system are honest enough to accept the responsibility of fair reporting of annual interest charges. By the same token, the $10 exemption falls most heavily on those who buy in small quantities. Once again I speak of the poor. This provision permits the worst sort of loan-sharking to thrive, the kind of loan-sharking that preys on the poor, nibbling away at their small fortunes dollar by dollar. I will support amendments on the floor to eliminate both these exemptions.

Mr. Chairman, I am hopeful that this law will wipe out that brand of unscrupulous merchant who cajoles the poor into purchases beyond their means, tantalizing them with low monthly payments in which are concealed ruinous interest rates. I think the honest merchant with nothing to hide will gladly embrace this bill, while the user will skulk away. I congratulate the committee on this measure, in which I have great confidence.

Mr. BOLAND. Mr. Chairman, I want to express my support today for H.R. 11601, the truth-in-lending bill Congresswoman LEONOR K. SULLIVAN has championed in an effort to throw light upon the dark and sprawling labyrinth that credit buying has grown into over the past few decades.

This bill, the fruit of 8 years' work by men and women seeking a better break for the consumer, would give people throughout the United States the right to know just how much credit costs both in terms of total cash amount and true annual interest.

The measure would make credit buying simple and straightforward for everyone from the housewife buying clothes for her family, to the businessman shopping for a new car, to the investor seeking a bank with the highest interest yield, to the highschool boy comparing prices on motorbikes.

The bill, even more significantly, would give needed protection to the poor and underprivileged who are all too often bilked into paying unconscionably high interest on the credit plans they accept in an attempt to provide a better life for themselves and their families.

I take pride in the fact that my home State, Massachusetts, has pioneered in the enactment of meaningful and successful truth-in-lending legislation. These laws have proved groundless any fears that consumer protection acts might hamper business or harass businessmen. The Massachusetts laws, in fact, have stimulated credit buying and have led to better understanding between business and consumer, providing ample evidence that such legislation works and works well.

Mr. Chairman, I will ask unanimous consent when the Committee goes back into the House to insert, at this point, a brief analysis of the truth-in-lending impact since its enactment by the Massachusetts Legislature.

FEDERAL RESERVE BANK OF BOSTON,
Boston, Mass., November 15, 1967.

Mr. DERMOT SHEA,
Executive Secretary, Consumers' Council, State Office Building, Boston, Mass.

DEAR MR. SHEA: Following is a short analysis we made to try to determine whether "Truth in Lending" had had any impact since its inception in Massachusetts.

RETAIL SALES: PERCENT CHANGE, JANUARY-AUGUST 1966 TO JANUARY-AUGUST 1967

	Total	Nondurable
New England	+1.0	+3.0
Massachusetts	+3.0	+4.0
Personal income (same period):		
New England		+7.5
Massachusetts		+7.2

Thus, despite a somewhat smaller rise in personal income, Massachusetts had a better gain in retail sales, thus far in 1967 over 1966 than did New England as a whole.

CONSUMER CREDIT AT FINANCIAL INSTITUTIONS IN NEW ENGLAND

Percentage gains	Commercial banks	Sales finance companies	Consumer loan companies	Savings banks (Massachusetts only)
December 1965 to September 1966	7	2	5	50
December 1966 to September 1967	5	−1	0	43

Consumer credit has grown slower at all financial institutions in 1967 than in 1966. Perhaps consumer loan (small loan) companies have suffered the most, while savings banks have done the best, but this comparative trend seems to have been in existence already in 1966 and earlier. Savings banks have advertised more aggressively and they were bound to get an increasing share of the market in any case. In addition, commercial banks have begun to advertise credit cards and check credit aggressively so that they were probably also due to get a bigger share.

Very truly yours,

PAUL S. ANDERSON.

H.R. 11601 is designed to protect buyer and seller alike. It calls for a standardized language in credit contracts and advertisements—a language that gives consumers a measuring stick by which they can compare credit plans, that gives businesses a forum by which they can compete openly and straightforwardly for the shopper's dollar. This language, clear and explicit, would do away with the muddle of words unscrupulous businessmen use in their contracts to mask charges from the consumer. It would do away with the small print and evasive verbiage some reasonable businessmen feel forced to use in order to compete successfully in the credit marketplace.

The bill would also put restrictions on the garnishment of wages—a provision that places on the creditor the burden of extending credit wisely and responsibly—and would create a national commission to study the burgeoning credit business throughout the Nation.

I would like to commend Mrs. SULLIVAN, the able and distinguished Congresswoman from Missouri, for her long and spirited fight to bring this bill to the floor of the House.

As the bill stands now, however, it leaves open two gaping loopholes that Mrs. SULLIVAN was unable to plug up when H.R. 11601 was before the Banking and Currency Subcommittee on Consumer Affairs. One loophole would exempt stores offering revolving charge accounts from disclosing the true annual rate of interest. The other would exempt from disclosure service charges of $10 or less on any single credit transaction.

I urge my fellow Members of the House not only to pass this bill but to support Mrs. SULLIVAN in her attempt to extend its provisions to close the two loopholes I have just cited.

Mr. ANNUNZIO. Mr. Chairman, on January 10, 1968, Illinois State Senator Cecil Partee, Democrat, spoke before the annual meeting of the American Retail Association Executives at the Waldorf-Astoria Hotel in New York City.

Senator Partee has a distinguished background, having served 8 years as an assistant State's attorney in Cook County, Ill. He earned a B.S. degree—cum laude—in business administration at Tennessee State University in Nashville, Tenn., and then went on to earn a J.D. degree at Northwestern University Law School in Chicago, Ill.

He was first elected as State Representative in 1956, and served in that capacity until 1966, when he was elected as State Senator from the 26th District of Illinois. During his service in both the Illinois House of Representatives and Illinois Senate, Mr. Partee has compiled an outstanding record and has served his constituents ably and with distinction.

Just recently Senator Partee sponsored and had passed in the Illinois State Legislature a bill, S.B. 977, Ill., to require the pupils in grades 8 through 12 to be taught and to be required to study courses in the area of consumer education.

As a member of the House Banking and Currency Committee, I have spent considerable time studying the critical issue of consumer protection, and I do feel that consumer education is of prime importance in reaching an effective solution of the problem we face today.

The House of Representatives today begins consideration of H.R. 11601, the Consumer Credit Protection Act. Because I feel that Senator Partee's timely and original thinking on this issue will be helpful to my colleagues in the House in deliberating on this issue, I am enclosing the complete text of Senator Partee's remarks before the American Retail Association Executives at this point in the CONGRESSIONAL RECORD. His remarks follow:

Thank you very much for your kind introduction. It is my extreme pleasure to have been invited to talk with such an illustrious group. I am grateful for the opportunity of disseminating whatever little I know about Consumer Education to this group in the hope that we can make a Consumer Education a vital and required course of the curriculum in all of the high schools of the United States, and that adult courses should be an auxiliary must.

As you perhaps know by now, a Consumer Education Bill was passed in the last session of the Illinois State Legislature. I am grateful to all persons who helped and aided in its becoming law, but I am especially grateful, and I pause to say so now, to Mr. Joseph Meek, and the Illinois Retail Merchants Association.

Many people have asked the need and the necessity for the Bill, others have made discreet inquiry as to my personal interest in this subject. I hope you will pardon the personal reference, but I think that my personal background has something to do with my interest in this subject. It happens that I discovered America, and was born in a small town in the State of Arkansas. I have often remarked that the town is so small that they did not have a Howard Johnson and even if they had had one, it perhaps would have had only two flavors instead of the proverbial twenty-eight.

As a boy, I made perhaps my first real stab at Consumer Education when I went in to purchase some shirts from the local J. C. Penny Store. One of the shirts which was described in glowing advertising terms, sold for sixty-nine cents, and the other a rather deluxe model, sold for eighty-nine cents.

Today, the difference seems minuscule and hardly worth mentioning. Then, it was a monumental decision, making a choice of garment as to longevity, wearability and the other factors that entered my reasoning process and that decision was based on what we may now describe as a facet of Consumer Education.

As a child, I remember that my father owned an automobile which had a gasoline tank capacity of ten gallons. We lived six miles from the Missouri State Line, where gas could be purchased for some four or five cents less per gallon than in the State of Arkansas, due, of course, to the difference in State tax (a subject which has engaged the attention of this group on many occasions). The distance from my home town to a gasoline station at the Missouri State Line was six miles each way. The problem then, as presented, was how much do you save by driving to Missouri and filling a ten-gallon tank at a savings of four to five cents per gallon, while using whatever gasoline it took to drive the twelve miles to effect the savings. So, you see, Consumer Education in the broader sense is something in which I have lived since childhood. I have tried since then to translate these experiences and their intrinsic value in terms of money management to my own children. Their more affluent childhood, as compared to my own, makes the lesson a little harder to teach. During another period of my life I served in the State's Attorney's Office of Cook County, and was assigned initially to the Fraud and Complaint Department. Here I heard countless stories of woe from many uninformed citizens, because of their problems without money management. Many of these problems could have been averted, it seemed to me, if someone had bothered to teach them the basics of Consumer Education and Money Management.

At a still later period of my life I was elected to the Illinois State Legislature as a Representative in its General Assembly, where it was my frustrating pleasure for many sessions to work toward what has loosely been described as Credit Reform Legislation.

Finally, in the last session of the Legislature, during my Freshman Senate Term, many rather salutary pieces of Credit Reform Legislation were passed and I am personally, though modestly, proud of my own contribution to their passage.

In addition to these experiences as a child and as an Assistant State's Attorney, and finally as a Legislator, I have come to know from experiences with my own children how little they know about money management and how little value is placed on money, if I may compare my own childhood.

One day, one of my daughters bought a bag of rock candy. I did not know that they sold it any more. I was, of course, surprised to see it in my household, and I was thoroughly shocked when I observed a price tag of thirty-nine cents for a small bag.

When I inquired of my daughter how much this was, she said, "only thirty-nine cents". My childhood recollection of rock candy was, as to cost, not more than five cents a ton. We try, however, to teach money management in many ways. At the age of seven, I bought one of my daughters ten shares of stock. I bought it in a company which has, as its main product, a candy bar called *Tootsie Roll*. She is now their greatest salesman, paid or unpaid, and cherishes the twenty-four cent dividend checks in an almost unholy sort of way.

It seems to me, however, that she is learning something about the market place, and the younger we start to teach, the better.

I wondered whether the poverty of the Thirties and the affluence of the Sixties, though widely divergent in economic stability, were not nonetheless quite close together and correlated in the context of the need to teach Consumer Education and money management.

I suppose little things happen in every household which are interesting to parents of another generation, but I found it quite interesting when my seventeen year old daughter, upon completion of high school, had her first job in an office where she was paid the sum of $2.35 per hour.

I was astounded at her first experience in the commercial world as I compared it to my own first experiences. It was interesting, though, that her ten year old sister commensed to do little chores for the older one and generally suggested that she, the younger one, should be put on the payroll of the older.

The discussion was interesting. Older girl, "Why are you doing these things for me?" Younger child, "I thought I should help you, because since you are working, I want to be on your payroll." Older girl, "How much per week do you think I should pay you?" Younger child, "$3.00 per week." Older girl, who at this time had worked two days during her entire life, "Why, that is too much. You don't know the value of money. I will pay you $1.50 per week." Younger child, "All right, I think you are cheating me, but I will do it." Older girl exits room and younger child says to me, "You know, I really only thought I could get fifty cents. I drove a pretty good bargain, didn't I?"

All of these experiences, though personal, in a combined fashion clearly showed to me *the need for Consumer Education and Money Management*.

Personal experiences aside, I took a rather academic approach to the need for this legislation and my curiosity satiated by a report done at my request by the Legislative Council of the State Legislature. Research very clearly showed the need for teaching Consumer Education in a period of affluence as well as in a period of extreme poverty.

There you have a composite of my reasons and my interests in this much needed field of concentrated learning.

Consumer education in the United States had a push forward in the 1930's due to the Great Depression. Many believe we are on the verge of another great movement in Consumer Education, this time caused partly by our affluence rather than our hard times. Some believe that children today are not receiving the training in the homes they should with respect to Consumer Education and that schools should provide it. Others, however, believe that the schools are not the place to teach Consumer Education.

Some believe that a Consumer Education gap has arisen within the last generation and that many children no longer receive adequate consumer training at home. Part of this is due, it is thought, to increasing affluence, and also to the fact that the marketplace has become more complicated.

Spending by teen-agers has risen sharply in recent years, according to sources. Some are concerned that while children are big spenders today, they will be even bigger spenders in the future as adults. The fact that many young marriages are breaking up over financial reasons leads some to believe that the schools should do more in teaching about consumer education.

On the other hand, others believe that consumer education should be taught in the homes and that the public school curriculum is already too full to take on consumer education courses. A college professor is quoted as saying after hearing the supposed virtues of consumer education, "This all sounds very interesting, but don't you think consumer education is much too practical to be academically respectable?"

Consumer education apparently had its beginning in the first home economics courses which started about 1900. A great boost in consumer education courses reportedly came with the Great Depression of the 1930's. By the early 1940's, consumer education "Had a firm grip on some of the rungs of the education ladder". The public was reportedly interested in any source which would show their children how to spend money and time intelligently, how to avoid frauds and schemes, and how to analyze advertising.

In 1944, the National Association of Secondary School Principals stated, "All youth need to understand how to purchase and use goods and services intelligently, understanding both the value received by the consumer and the economic consequences of their acts.

By 1955, Consumer Education had jelled and until, approximately, 1960, stayed at its peak. It, then, dropped off due to a number of reported reasons: Courses were being taught by half-interested teachers drafted to fill vacancies. Original teachers of Consumer Education courses had moved on to bigger and better jobs. Colleges preparing teachers had not instituted many courses for Consumer Education. Separate Consumer Education courses folded and their contents became parts of other courses.

The Director of Curriculum Development in the Office of the Superintendent of Public Instruction is of the opinion that most teachers of social studies in Illinois spend considerable effort in teaching about consumer finance and economics. This exposure to some sort of economic education starts reportedly at about the fourth or fifth grade level. A University of Chicago office concerned with economic education reports that Illinois children receive some sort of Consumer Education, but it is mostly economic theory. Reportedly, some amount of consumer education is taught in home economics and vocational education courses in Illinois.

A survey of several textbooks on Consumer Education in the Illinois State Library indicated the following topics are some of those usually covered:

"The Consumer in Today's Business World Managing Money," "Budgeting for the Individual," "Budgeting for the Family," "Savings," "Substitutes for Money."

"Using Credit," "Credit and the Consumer," "Installment Buying," "Borrowing Money."

"Good Buymanship," "Planning Before Shopping," "Using Advertising Intelligently," "Shopping Know-How."

"Buying Insurance," "Social Insurance," "Life Insurance," "Accident and Health Insurance," "Property Insurance."

"The Law and the Consumer," "Making a Contract," "Legal Aspects of Buying," "Using Credit Instruments," "Consumer Protection by Law."

Some believe consumer education is not dead. Economics teachers, for example, report a strong student interest in consumer relationships in their courses. Others, such as science, physics, chemistry and even English teachers, report interest in consumer relationship aspects they inject into their courses.

If you have any desire to get such a Bill passed in your State, I would recommend that there are five principal groups which deserve your attention. They are the educators, the business community, the Legislators, including of course, the Governor, who must sign the Bill, the Communication Media and the Parent-Teachers Associations.

We are pleased to announce that we successfully put these groups together in the context of interest and work and through them got passed into law, the Consumer Education Bill of the State of Illinois.

At the present time, Mr. Ray Page, our State Superintendent of Schools, who under the terms of the Bill is charged with the responsibility of develpoing the course and curriculum for grades ten through twelve, has convened and activated an experienced curriculum commission to establish the required consumer credit education courses and to establish the necessary reference materials for sound instruction use, courses and material approved not alone by credit grantors of the highest reputation, but also of union leaders, consumer agencies and educational authorities to insure courses providing a full balance for the inquiring student. You will be happy to know that, although Fred Goerlitz of our State, though he retired on January 1st, is going to be working with this developmental group. You see, in Illinois, we don't let good brains leave us. We use them.

From years of personal experience, both as an Assistant State's Attorney, assigned to the Fraud and Complaint Division, and also, after years of frustrating efforts as a State Legislator to help pass credit Reform Legislation, I came to know and realize that the basically real though painfully slow method of helping the citizenry was by starting with the young, while still in school, and teaching in an orderly fashion, the proper concept of credit and money management. They must be imparted the knowledge that Consumer Credit is a vital part of their lives—either a great opportunity or a frightful menace to their economic and social lives. They must see consumer credit for what it is—an economic device through which they may acquire what they want and pay for it out of future earnings. They must be impressed with the understanding that consumer credit serves to maintain the important balance between America's production, distribution and consumption. They must be taught that properly regulated and properly used consumer credit is absolutely essential to acquire the sales volume needed to run this economy and adequately finance the enormous demand for more and more jobs, more and more spendable income and more and more taxes to pay for the solvent operation of an enlightened Nation.

"Hence, the idea of adding to our school curriculum, or, rather, of balancing and practicalizing our courses of study; the teaching of consumer education, is but a natural outgrowth of our penetrating desire to obtain financial responsibility, to make the thought of bankruptcy the disgrace which it too often is, and to lessen, through education, the need for laws which can have no meaning, no usefulness unless those who presumably must live under them can understand them and have the full protection which only their understanding can bring about.

Teaching to the consumer the cost of the use of money, money management, what to buy for cash and when to use credit are all parts of the much needed equipment for a well-planned financial life. One solid course in the intelligent use of consumer credit is, in the long run, worth a hundred costly enforced laws directed at the abuses of credit by both buyer and seller.

Reputable sellers need enlightened buyers. Enlightened buyers cherish reputable sellers.

Mr. KARTH. Mr. Chairman, I rise to protest the proposed exemption of revolving credit from the annual rate disclosure requirements of this bill.

There has been an enormous amount of store salesmanship to the Members of this body on the proposition that revolving credit should be exempted because 1½ percent per month is supposedly not really 18 percent per year. It is alleged that the true annual rate is impossible to figure because of, first, the beginning period in which no credit charge is imposed—the so-called free ride, and second, the fact that people purchase and repay at individually different points of time and in different amounts.

Mr. Chairman, this is pure obfuscation. All charge account customers get the free ride whether or not they use the store's plan for extended credit. They may decide on full repayment before the end of the free period, thereby avoiding service charges altogether, or they may decide to finance the purchase by paying installments over a period of months, in which case they pay service charges for the extra time they take. The point at which the service charges begin to run is the relevant starting point for figuring out whether the store's credit is cheaper or that of some other lender. If the customer decides in favor of another source of financing, he pays off his account before the end of the free period and commences repaying the alternative lender who has offered a lower credit cost. It is nonsense to include the free period in the figuring of the annual rate, since the customer is under no obligation to continue to use the store's credit after the free period has expired.

Second, the fact that the customer may make repayments at varying dates within any particular period is irrelevant. What is important is the normal schedule of repayments and the rate of charge assessed for that schedule. It can be mathematically demonstrated that with elimination of the free ride from the computation and the use of the scheduled repayment dates to which the customer is fully entitled, a monthly rate of 1½ percent does in fact work out to 18 percent per year.

Mr. Chairman, the alleged impossibility of converting monthly revolving credit charges to an annual rate basis is simply special interest pleading which should be rejected by this body. I hardly need elaborate the enormity of the loophole the revolving credit exemption would create. It invites every lender who can do so to convert to revolving credit in order to maintain a competitive position by avoiding disclosure of annual rates of charge. Those who cannot convert will simply suffer the consequences. The consumer will continue to be misled, and to believe that a stated annual rate of 14 percent by a furniture store is more expensive than a 1½-percent monthly rate quoted by a department store, although the exact opposite is true.

We are here to pass a bill which will require annual rate statements by all lenders, so that the credit buyer and the loan borrower can know the true cost of his credit, so that one creditor does not have an unfair advantage over another, and so that consumers can compare finance rates not only on consumer loans but also with other interest charges ranging from savings accounts to mortgages to the national debt.

I urge defeat of the revolving credit exemption in favor of the full coverage provisions of H.R. 11601 as originally introduced.

Mr. REUSS. Mr. Chairman, I rise to speak in support of title II of the committee's bill providing for certain restrictions on the garnishment of wages. The committee's hearings fully document justification for these provisions.

The restrictions on the garnishment of wages proposed by the committee received the endorsement of both major trade unions in the country as well as major industrialists. The AFL–CIO, the United Automobile Workers and Steelworkers of America are joined by the United States Steel Corp., Inland Steel Corp., and the Republic Steel Corp. in supporting the limitation on the garnishment of wages.

In addition to these endorsements, the committee's hearings include the testimony of four U.S. referees in bankruptcy. These referees, coming from such diverse areas of the country as Tennessee and Oregon, California and Texas, uniformly supported a ban or restriction on the garnishment of wages. They pointed out from their cumulative experience of more than half a century in bankruptcy courts that garnishment is the single most significant factor driving people into personal bankruptcy. It was their considered judgment that 99 percent of the debtors turning to the bankruptcy courts seeking personal bankruptcy were willing and anxious to pay off their debts but were fearful of the impact of the garnishment of wages on their ability to continue to support their families. These people were left with no alternative but to plunge themselves into personal bankruptcy.

The committee's proposal is modest, indeed. Rejecting an absolute ban on the garnishment of wages, the committee amendment would restrict such garnishment to 10 percent of earnings above $30 a week and would prevent an employer from discharging an employee by virtue of a single garnishment of wages.

The record shows that where garnishment is used, it is used essentially by relatively few merchants or lenders in a community and is most frequently used by unscrupulous merchants or lenders, preying on the poor and unsophisticated.

There is every justification for the committee amendment. It provides a reasonable limitation on the garnishment of wages while still permitting the legitimate use of garnishment by creditors.

I urge the adoption of the committee amendment.

Mrs. KELLY. Mr. Chairman, today I rise in support of H.R. 11601, the Consumer Credit Protection Act legislation which is vitally needed to protect all of our fellow Americans and particularly those of modest or low incomes.

During my years in the Congress, I have continually voted for and supported measures to protect the family and the individual from fraud and deceit in the marketplace and from dangerous products. Only last session the Congress enacted much needed legislation which had my support to protect the consumer such as the Flammable Fabrics Amendments of 1967 which establishes new standards to provide protection against the sale of highly flammable wearing apparel and interior furnishings. Also the Federal Meat Inspection Act of 1967 which provides for Federal-State cooperation for intrastate meat inspection standards and a program to bring State meat inspection systems in line with Federal.

However, the Consumer Credit Protection Act which we are considering today if enacted without restrictive amendments could be the most important consumer legislation passed by the Congress in years.

The lending of money and the extension of credit are now among the largest businesses in the United States. I believe that the very least we in the Federal Government can do for the consumer is to require those who extend credit to give to their customers a clear statement of the costs of that credit.

Therefore, on February 1 of last year, I introduced H.R. 4485, the Truth in Lending Act which would accomplish many of ne objectives of title I of H.R. 11601, which we are considering today.

On August 8, 1967, I testified before the Consumer Affairs Subcommittee of the Banking and Currency Committee in support of my bill at which time I also stated my support for a Consumer Credit Protection Act.

A bill with provisions similar to mine, S. 5, but with certain exemptions I do not support passed the Senate. These exemptions to which I am opposed would exempt from the protection of the law revolving credit transactions which are used by large department stores and extensions of consumer credit of up to $100.

In regard to these exemptions I wish to join my able colleague, Mrs. LEONOR K. SULLIVAN, in urging this body to enact a bill which will cover revolving credit transactions and extensions of consumer credit of up to $100.

Mr. RYAN. Mr. Chairman, inasmuch as I have sponsored truth-in-lending legislation in the four Congresses in which I have served, I am glad that this issue has finally reached the floor of the House. Initially, I was pleased to cosponsor the bill first proposed by Senator Paul Douglas, who was the early pioneer in this area and whose determined efforts brought this legislation to the point of enactment. I only regret that, as this proposal is finally realized, he is no longer serving in the other body.

The 90th Congress has made significant progress in the long-neglected field of consumer safeguards. Following the record of the 89th Congress in truth in packaging, cigarette labeling, and auto safety measures, it has passed legislation in the areas of flammable fabrics, clean meat, and clean air. Later this session should deal with bills to require pipeline safety and electric reliability.

At last after years of delay Congress is on the verge of passing a truth-in-lending bill. However, the question still unresolved is whether it will be worthy of that title, or whether it might better be called the "half-truth in lending bill."

The Subcommittee on Consumer Affairs under the chairmanship of the distinguished lady from Missouri [Mrs. SULLIVAN] has reported out a strong consumer credit protection measure. However, H.R. 11601 has been reported with amendments which weaken it. As introduced, H.R. 11601, which I sponsored as H.R. 11806, was substantially stronger than S. 4 which passed the Senate without a dissenting vote.

S. 4 provides for the disclosure of most types of consumer credit. However, it exempts first mortgages and loans where the cost of credit is less than $10. It also exempts open-end or "revolving" credit from the annual-rate disclosure requirement.

As introduced, H.R. 11601 applied to these transactions.

H.R. 11601 includes a restriction on garnishment of wages and a provision that credit charges be disclosed not only at the time of sale, but in advertising as well. It also creates a Consumer Finance Commission to study other aspects of consumer credit, which may require further legislation.

The astonishing rise in personal bankruptcies is due in large part to the overextension of consumer credit, frequently to persons whom the seller well knows cannot afford further indebtedness. Over indebtedness makes a person easy prey for those offering credit at phenomenally high interest rates.

The clear public disclosure of credit charges will serve to protect the consumer.

When Senator Paul Douglas first introduced this controversial idea in the 87th Congress, with 21 cosponsors, he noted three compelling reasons why such a bill should be enacted. First, business ethics: to drive out the unethical lender. Second, economic stabilization: to encourage consumer restraint at times when interest rates were high. Third, invigorated competition: to enable the consumer to comparison shop for the fairest terms of credit.

In the 7 years since Senator Douglas and I first introduced this legislation, outstanding consumer indebtedness has nearly doubled, and interest rates are the highest in decades. Never has the need been clearer for the strongest possible consumer credit legislation.

The recent ghetto disorders give a new urgency to strong consumer legislation. Victimization by unscrupulous merchants and finance companies adds fuel to the fires of ghetto resentment. When riots broke out, looters turned first to those businesses which had been "gouging" them—selling inferior merchandise at inflated prices, frequently through the use of inflated credit.

Sargent Shriver, Director of the Office of Economic Opportunity, called the practice of gouging the poor "a major contributor to the frustration and despair which finally led to the tragic upheavals which have recently rocked Newark, Detroit, and so many other cities."

The provisions of H.R. 11601 were formulated to require clear disclosure of credit costs so that consumers can rationally decide whether to incur further debt. Full and uniform disclosure of credit costs permit the consumer to compare "bargains" and assist him to be a thrifty shopper. Disclosure should be uniform, based on annual rate, so that rational comparison is possible. Requiring disclosure in advertising is part of this concept.

The inclusion of first mortgages is an important element, since mortgage indebtedness is often the largest single component of a consumer's credit debt. The homeowner should know the total cost of his credit, so he can estimate the advantages of paying off the debt on his home as soon as possible as compared to financing other purchases through additional credit.

The restriction of garnishment properly places a part of the burden for the responsible management of credit on those who extend it. If wages can no longer be garnisheed, the merchant and the finance company will be wary of overburdening consumers already heavily in debt.

Mr. Chairman, H.R. 11601, as reported with amendments, is changed in several respects. Certain important provisions, such as the regulation of margins on commodity futures, the ban on confession of judgment notes, and a Federal usury ceiling were not included and deferred for further study or appropriate action. I believe that regulation is needed in these areas.

Amendments have been reported in two areas which can only weaken the intent of the bill. H.R. 11601 has a loophole for loans where the credit charge is under $10 and an exemption from the annual rate disclosure requirement for revolving or open-end credit. I urge that these amendments not be agreed to.

Truth-in-lending legislation should not be watered down. If the bill the House adopts is not strong, the maze of credit confusion will be only partly clarified—to the advantage of the unscrupulous who take advantage of the unprotected. Our responsibility not only to the consumer but also to the ethical businessman is to enact a uniform and comprehensive measure.

GENERAL LEAVE TO EXTEND REMARKS

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that all Members may extend their remarks at this point in the RECORD on this bill.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. PATMAN. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. VANIK].

Mr. VANIK. Mr. Chairman, I rise in support of the truth-in-lending legislation and the efforts which are offered to broaden the scope of this legislation to include department store revolving credit accounts. This Congress must not deceive the American people by permitting them to believe that they are advised on their interest charges when one of the major items of interest, the department store charges, which currently run at 18 percent per year, are not covered by this legislation in its present form. The trouble with revolving credit is that the consumer gets revolved.

Many years ago in the Cleveland community, I was shocked to learn that the 18-percent interest charge assessed by department stores was not a condition of the contract of credit between the department stores and the consumer. When I first inquired into this matter in my community I was told by a department store which assessed the charge that the 18-percent interest charge was made under prevailing department store policies, by custom, rather than by any agreement between the consumer and the department store.

Subsequently, in my own dealings with department stores, I was shocked to discover through my own experience that it was not the policy of certain department stores to advise the consumer of credits to which he may be entitled. In my own situation, I paid a Cleveland department store twice for a suit which I purchased because I was twice billed and I issued two checks for the same purchase. Not until 2 years later when I audited my accounts did I discover that the department store owed me $95 for a period of 2 years, never once advising me of my credit, never once paying me 1 penny of interest on my money which the department store used over this period of time. If it is proper to charge interest on unpaid debts it is equally valid to expect interest on credits.

Although most department stores are accurate and reliable in their accounting methods and very prompt to assess the 18 percent interest charge on the unpaid balance, there is one department store which operates in the Washington area which handles its records out of a New York bookkeeping office. This company has double billed me on several occasions and in checking around with other families in the Washington area, I have found 12 different situations in which this company has double billed accounts for consumer purchases. An operation such as this comes very close to defrauding the public with the use of the mails. It would be difficult to estimate the total amount of annual loss to the American consumer through department store bookkeeping errors which rarely redound to the advantage of the consumer.

Frankly, the best protection to these consumer losses is to reduce the degree of credit purchases and rely more extensively on payment for purchases by personal check.

The unfortunate thing is that department stores are more in the banking business than they are in the selling business. Apparently they make more money on the 18-percent interest charge than they do in the selling of merchandise. While credit accounts are apparently expensive to maintain and an added burden on the consumer by increased consumer prices, the cash purchaser gets practically no incentive for buying providently and paying for his purchase when he makes it. Very often it is more difficult for him to correct a breach of warranty or to return a misrepresented product unless he carefully saves the purchase receipt.

It certainly is not in the public interest that interest charges by department stores on any unpaid balance are not indicated on the bill or identified as such. Even if the annual interest rate is not indicated, the interest charge on the unpaid balance should be identified so poration, built and flew historic airplanes in his native country before he became one of America's outstanding aeronautical engineers. During his active career of almost sixty years, he grew to appreciate both the problems faced by aviation pioneers and the opportunity provided for them to do their pioneering in the free world. Acknowledging the award at the annual Wright Day Dinner of the Aero Club of Washington last December 14, Mr. Sikorsky shared his reflections with his friends. Here are some of his observations about the early days of aeronautics.)

The Wright brothers realized the immensity of the problem (facing) them and the definite risk of failure. I have witnessed such failures, and I know . . . the failures are just as much a tragedy as crashes.

Now, why is it that the Wright brothers succeeded when everyone else failed? I would say, strange as this may sound, that their approach was remarkable in their scientific ingenuity, common sense, truthfulness, and real ability. . . . They realized that building a successful flying machine is only part of the thing; learning how to fly it is the other part.

Therefore, the extremely correct approach, by way of gliders. Now, more than that, gliders call for very special conditions of terrain and weather, and so the Wright brothers studied these conditions, got information from proper sources in Washington, contacted the actual people and places, got a very complete . . . friendly letter and a fine letter, explaining the conditions from Captain Tate, who was, I believe, the Postmaster in Kitty Hawk at that time, and also in charge of the lighthouse. . . . To my mind, Kitty Hawk was a part of their success. Maybe they wouldn't have succeeded if they [had not] selected a spot difficult to reach, with its purple, gentle hills, with reasonably strong, uniform winds nearly every day. I have been there a multitude of times, and I observed this, and just as many of us admire the so-called Natural Bridge in Virginia, so I would dare to give the name to Kitty Hawk as the "Natural Wind Tunnel," because that's what it is.

Now, next, when the actual mechanical flight approached, another thing took place. Instead of trying to reach rapidly a success, trying to get some publicity with success, we see them steadily working, perfectly and accurately recognizing the difficulties of the problem and trying to eliminate it, and aiming at one spot, like a good general tries to cross and to smash the enemy just in one spot. . . . So they attacked the enemy of the unknown, trying to build a flying machine which would fly and postponing everything else, . . . even at the cost of compromises. . . . For instance, they put the pilot in a prone position, lying down; well, obviously impossible—a pilot must sit. But no; they put him lying; less resistance, quicker to success.

Now, other things. Every airplane must have wheels; the Wright brothers left wheels on the ground . . . reducing weight and drag in the new, young machine. Now, another thing: every practical engineer knows that you can cross a belt, but you should not cross a chain. It's wrong to cross a chain, and the bicycle men, brothers Wright, knew it better than anyone else. They crossed the chain, and made a mechanical flight by man, by years earlier than anyone else.

Hence, they started the pioneering period of flying. America can be proud that the pioneering period which they started . . . was completed and closed by another great American, Charles Lindbergh, and his wonderful flight of May 21, 1927, when he took off from New York and landed not merely in Paris, but in a definite spot, Le Bourget Airport. This flight of one man in a relatively inexpensive airplane, all alone, with no preparation whatsoever . . . produced a tremendous impression all over the world, and in America, where the boost and impact on the development of aviation made by this flight was tremendous.

Now, I had a chance to talk with Charles on this subject, and I asked him why, "How would you go all alone?" This was his explanation: he wanted it, wanted to go alone, not with someone. Now, what he explained was this: He said, "When I go alone, I risk my life, not somebody else's, and my life, I am the master of it, I can do anything I want." Furthermore, "on the way, I may find difficulties, may find questions to solve. If I am alone, I am going to solve it. If there is another man, I'll want to consult with him. I don't want to risk his life; I can risk mine. I don't want somebody else. I want to be in total control of the situation."

My discussion with Charles was over a quarter of a century ago, but I remember it very well. Maybe the wording was different, but the meaning is correct. The man wanted complete freedom of decision and action. He took it; he took a risk with his own life, but he won, and he gave a tremendous push to aviation.

In connection with this, I would like to state the following: Here we see two cases where the individual initiative, individual work, and the total freedom to use both worked for the best, resulted in brilliant success and victory. And I believe that this is something which makes America strong, something which I hope we will stick to. Even now I am asked sometimes whether at the present time all this individual work is more or less over and the only way to do is by enormous organized masses of men disciplined and working on some scientific problem or other.

No doubt with such things as space travel or nuclear engines it could not have been otherwise, but outside of that there is still a wide field left for the initiative of an individual man, and therefore it is my firm conviction, approaching the end of my life and having seen something and having worked myself, that still nothing can replace the free work of free men; that's where real progress is . . . started.

Once done, it must be expanded. In the process of expansion, mass production, and so forth, why, obviously, the organization and so forth are entering the picture, but still, for starting, the man is the greatest single element which can do it, and the man, in order to do it and do it right, must have freedom, freedom of initiative, freedom of work, freedom to start something.

NASA AND THE BUDGET MESSAGE

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

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. CABELL. Mr. Speaker, I have studied the President's budget request for fiscal year 1969 with care, and, as a member of the House Committee on Science and Astronautics, I have reviewed the request for authorization and appropriation for the National Aeronautics and Space Administration with particular interest. It has been my opinion in the past that there are a number of areas in which Federal spending could and should be cut and I am pleased to see that some of these reductions have been made. However, I do not believe that the budget for NASA should have been reduced as much as it was last year and I would be very concerned about reductions in this year's budget.

A strong and continuing interest in advanced science and technology is a necessity for any country that would be a powerful voice in the affairs of the world today. This is true regardless of stresses that may be placed on a country; indeed it is all the more important when a country is under pressures around the world and when some doubt its will or ability to meet its commitments. Therefore, I intend to review any proposals to further reduce the NASA budget, from which we as a nation gain sc much of the science and technology that is produced in this country today with critical care.

Although the President's budget, which would provide NASA with $4.37 billion of new obligational authority, is an austere one, there are encouraging signs this year for NASA that I would like to call to your attention. A year of what Administrator Webb characterizes as "rolling readjustment" to last January's fire has been capped with the stirring success of the first Saturn V launch last November and the first flight qualification of the Lunar Module or LEM, this month. The LEM is the vehicle in which later in this decade two astronauts will descend to the surface of the Moon and then rejoin the command and service modules and return to Earth. Recent months have also seen the successful completion of two remarkable programs of unmanned lunar exploration—the Lunar Orbiter program and the Surveyor program.

As we turn then toward the end of unmanned exploration of the moon and toward the period of manned exploration, the President's budget does provide the funds to carry on the Apollo program. Apollo, aimed at the development of capabilities enabling us to use man in space out as far as the Moon can proceed under this budget at a pace which retains the possibility of manned lunar landing in 1969. Although combined 1968–1969 funding for the follow-on Apollo applications program is about $1 billion less than had been planned, NASA has been able to retain the flexibility, if the fiscal year 1969 budget is fully supported, to make a limited number of highly significant manned flights after the lunar landing, leading toward a Saturn V workshop in earth orbit in 1972. This Saturn V workshop can serve as the equivalent of an antarctic base to which explorers can go for shelter and around which they can begin to build the rudiments of what will someday be a permanent base in space for scientific and applied work.

Taking the view that we should not abandon the planets to the Russians, the President has recommended in his budget that we provide funds for continued planetary exploration in the early 1970's—with more modest expenditures and therefore more modest goals—but neverthelcs with highly significant flights in 1971 and 1973. These flights include a rough surface landing on Mars in 1973 to test the Martian atmosphere and weather conditions on the surface. The budget also would provide for continued augmentation of NASA's aeronautics