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compared to waiting until January 1 to buy.

The result in the view of many economists is that the many equipment industries—on the great deal of employment and industrial activity—might as well close up shop next fall with a big increase in unemployment. Conclusively such a development would be unavoidable by the resumption of the investment credit on January 1. If business conditions are not good at the first of the year, the postponed purchase might never be made.

To summarize, Mr. Proxmire has suggested that the investment credit should be phased in at the rate of 1 percent per month over a period of 7 months.

If this process should begin on June 1, it would mean that the 7-percent credit would be back in full force on January 1, 1968. There would be no disruption of production, and the purpose of the investment credit suspension—to hold down the increase in the investment in plant and equipment—would have been adequately served—but without the over-kill that is sure to result without some adjustment such as Mr. Randall has suggested.

I hope the Ways and Means Committee in the House, and the Finance Committee in the Senate, and the Treasury Department will all give this ingenious suggestion their careful attention. It makes excellent sense.

THE TRUTH-IN-LENDING BILL

Mr. PROXMIRE. Mr. President, on January 11, I introduced S. 5, the truth-in-lending bill. I am pleased that 22 Senators have joined with me in sponsoring this much needed measure to protect the interest of the American consumer. My appreciation is extended to Senators Bartlett, Brewster, Case, Clark, Dodd, Browning, Hart, Ingouye, Kennedy of Massachusetts, Morse, Moss, Nelson, Pell, Randolph, Tydings, Yarborough, and Young of Ohio for cosponsoring this important bill. Today, I want to discuss the basic features of the truth-in-lending bill and to outline the reasons why I believe the bill is in the public interest.

Mr. President, the truth-in-lending bill was originally introduced by our great former colleague, Senator Paul H. Douglas, of Illinois. Paul Douglas fought long and hard for truth in lending as he did for many other causes throughout his distinguished career. We in the Senate owe him a great debt of gratitude for his leadership and efforts on behalf of issues and ideas which many lesser men would have long since abandoned.

And so it is with truth in lending. Paul Douglas understood the need for the full disclosure of consumer credit charges long before any of us. He educated us and the American public and paved the way, not only for truth in lending, but for a heightened awareness of the need for legislation to protect the American consumer on a variety of points. This awareness resulted in many constructive accomplishments by the Congress, including the truth-in-packaging bill on which our able colleague from Michigan (Mr. Hart) has exerted such magnificent leadership.

Paul Douglas is a great economist and a great American. He was a great Senator. In all three roles, he truly believed in our free enterprise system and in the ability of the market to insure a more abundant life for all. He did not believe in governmental regulation or control, but rather saw the role of government as removing obstacles to free and open competition.

The truth in lending bill is a case in point. The market system requires information in order to function—information on the part of both buyers and sellers. When information channels become clogged, competition breaks down. The essence of the truth-in-lending bill is to restore full information in the consumer credit field—to insure a full disclosure of the cost of credit—and thus to permit the market system to function more effectively.

And so I predict the 90th Congress will enact a truth-in-lending bill, not only as a tribute to our dear former colleague, Paul H. Douglas, but also as a tribute to the American people and to our democratic system, in which it is possible for good ideas to live on and ultimately realize success.

PRINCIPLES OF TRUTH IN LENDING

Mr. President, a truth-in-lending bill has been before this body since January 7, 1960. Most Senators have an accurate understanding of the objectives and principles of this legislation. Nevertheless, as is frequently true in the case of strong contested legislation, fictions and myths arise from the contest. Let me first, therefore, enumerate the bill’s basic purpose and the principles on which this legislation is based.

The first principle of the bill is to insure that the American consumer is given the whole truth about the price he is asked to pay for credit. The bill would not regulate the credit market—yet would not aim at a full disclosure of the cost of credit so that the consumer can make an intelligent choice in the marketplace. I emphasize that it would not regulate interest charges. It would not set ceilings.

A crucial provision of the bill deals with expressing credit charges as an annual percentage rate. Without the knowledge of an annual rate it is virtually impossible for a person to shop for the best credit buy. However, in an effort to remove objections to earlier truth-in-lending bills, my new version makes it abundantly clear that the annual rate and the monthly rate are the same. The annual rate and would not be held to absolute accuracy down to the last decimal point.

The second principle is that the whole truth about the cost of credit really is not more than what is stated in terms that consumers in our society can understand. Just as the consumer is told the price of milk per quart and the price of gasoline per gallon, so must the buyer of credit be told the ‘unit price.” Historically in our society that unit price for credit has been the annual rate of interest or finance charge applied to the unpaid balance of the debt. Without easy knowledge of this unit price for credit, it is virtually impossible for the ordinary person to shop for the best credit buy. This is true, of course, because different offerings of credit may vary with respect to the amount of debt, the number of payment periods under which it is to be repaid, and the amount to be paid per period.

A third principle is that the definition of finance charge, upon which an annual percentage rate is calculated, needs to be comprehensive and uniform. It needs to be uniform in order to permit a meaningful comparison between alternative sources of credit. Two 12-percent loans are not identical in cost if one requires additional charges for credit investigation, processing fees, and the like. The definition of finance charge also needs to be comprehensive in order to convey the true cost of credit. A 6-percent loan which requires a lot of additional charges is really not 6 percent, but is something higher.

The bill, therefore, states that in calculating the annual percentage rate for a loan all charges incident to the extension of credit are to be included.

The fourth principle of the truth-in-lending bill is that its advocates believe in our modified free enterprise system; that we believe in the benefits of a free market in which people may make their own choices knowledgeably and freely as an enduring principle for our economy. If we think that the market should be governed by the choices made by people, with a minimum of interference, obstruction, or monopoly, then we must support the right of the consumer to know the full facts so that he can make wise choices.

This principle of the truth-in-lending bill means, therefore, that prices set by American businessmen for interest or credit should not be set arbitrarily by the Federal Government but rather should be determined by the forces of free and open competition. I want to emphasize this point, because I have heard suggestions that the truth in lending bill is the government determination of allowable rates of interest or finance charge which businessmen may levy on consumer credit.

Nothing could be further from the truth. I repeat again that a basic principle of this bill is that disclosure—just disclosure—of the full cost of credit effectively will protect consumers and businessmen.

Full disclosure will restore a more free operation of individual choices in the marketplace. I state unequivocally that this Senator does not prejudge any reasonable rate of finance charge. I do not argue that 18 percent is too high a rate for revolving credit accounts, nor that 20 percent is too high for some kinds of short-term cash loans of small amount. I merely state that full disclosure is a more fair and allowable finance charge should be openly determined in the marketplace by informed consumers.

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

Mr. PROXMIRE. I yield to the Senator from Ohio, who is a cosponsor of the bill.
Mr. LAUSCHE. Mr. President, the Senator from Wisconsin has just stated that on a short-term loan he does not feel that everyone ought to be condemned if the loan carries with it a rate of interest of 18 or 20 percent.

Mr. PROXMIRE. The Senator is correct.

Mr. LAUSCHE. How does the Senator reach that conclusion? The very fact that a rate of 18 or 20 percent interest is charged is shocking and revolting to me.

Mr. PROXMIRE. I understand that. I think, if we look at the total credit charged with the elements of interest, investigation for credit risk, the paper work involved in setting up the account we can understand that if the charge is shocking and revolting to me.

Mr. LAUSCHE. The Senator is correct. Under some circumstances, the requirement is that the repayment be made at regular intervals, in which case the rate of interest could be double.

Mr. LAUSCHE. I should like to make another comment. I have had the personal experience of going to a bank and borrowing a sum of money. Let us say that I borrowed a thousand dollars. The ordinary individual would assume that the interest was much higher, of course.

Mr. PROXMIRE. The Senator is correct.

Mr. LAUSCHE. I have a bill pending and respectfully submitted to the Senator from Ohio that I should receive some aid from persons who are attempting to protect distressed individuals in economic situations.

A shocking and woeful practice has developed in the lending of money. I am referring to the practice of charging a premium of 10 percent for making the loan. A poor individual borrows $20,000 to buy a house. Instead of receiving the $20,000, he receives $20,000 less 10 percent, which is $18,000. The $20,000 becomes an immediate paper profit to the lender. The borrower also promises to pay a rate of interest of 6 percent—not on the $18,000, but on the $20,000.

Now, what is the gimmick? The Government guarantees not only on the actual money loaned, but also on the exorbitant charge.

Mr. PROXMIRE. Mr. President, there is no Member of the Senate I would rather have as a cosponsor of this bill than the Senator from Ohio. As everyone knows, the Senator from Ohio is the finest kind of friend of the free enterprise system, that he is a strong foe of unnecessary Government regulation or unnecessary Government interference. He has fought hard to keep the Government as limited as possible.

The Senator from Ohio recognizes, as do I, that this is not a bill to regulate or limit or determine the rate of interest, but simply to provide information to the consumer, so that the consumer, himself, will be in a position to evaluate a loan, to evaluate a financing charge, to know whether it is a fair deal, and to be in a position to shop around.

I believe that this bill would improve and strengthen the free competitive system that the Senator from Ohio and I support.

Mr. LAUSCHE. I have great respect for and faith in American businessmen. I have, for a number of years, been the chairman of the Small Business Subcommittee in the Senate. I know that the overwhelming body of businessmen want to be competitive. I hope deeply that on reflection they will see that enactment of the truth-in-lending bill is the best way to avoid legislation which would actually have the Government set allowable interest and finance charge rates.

We want to avoid that kind of regulatory legislation, and this disclosure legislation would do so. Full disclosure of the charges of the lender will also protect the ethical businessman from unfair competition on the part of a few unscrupulous lenders who profit by providing deceptive information to consumers.

The fifth principle of the truth-in-lending bill is that consumer credit, under proper safeguards, will not help the unethical businessman who engages in deceiving or confusing or robbing, and we tolerate them. The American businessman, I have, for a period of time at more reasonable terms. Or he can go to his own savings account and draw the money down at a cost of 4 1/2 or 5 percent, or extend his mortgage, or use some other means of getting the money.

Mr. LAUSCHE. I merely wish to restate that I join the distinguished Senator from Ohio that he has performed a great service in introducing that bill. As I understand it, the bill is pending before the Committee on Banking and Currency, and it will receive my most careful and sympathetic consideration. I have spoken to members of the staff, and I have requested them to give us a report on it.

Mr. LAUSCHE. I commend the Senator from Wisconsin for his assistance.

Mr. PROXMIRE. Mr. President, the fourth principle of truth in lending is that ethical businessmen, those who believe in a competitive free enterprise system, who work to achieve their profit by offering quality and service, and not deception or confusion—will be aided by full disclosure. Obviously, however, the truth-in-lending bill does not help the unethical businessman who engages in deceiving or confusing or robbing, and we tolerate them.

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Mr. PROXMIIE. Mr. President, I point out two things in connection with this brochure. First, note that this is a publication of a large commercial bank, one of the 70 largest banks in the country. The bank's publication of this brochure may be related to the fact that the legislature in Massachusetts and the wealth of Massachusetts have enacted two truth-in-lending laws requiring the full disclosure of the cost of consumer credit both in dollars and as an annual rate, but the criticism whatever of this requirement. Second, I point out that the formula which the brochure explains for determining the "simple annual interest rate" is only one of the possible formulas; namely, the constant ratio formula which the Massachusetts law requires be used. The bill I introduced today assumes the use of the actuarial method which is more precise. Banking and Currency—1966, 1961, 1962, 1983, and 1984—the record of which numbers a total of 5,078 printed pages, contains testimony citing numerous examples of confusing and deceptive practices. I point out that these are examples relating only to deception and confusion in the connection with the actual cost of credit. There are many other kinds of abuses in the field, but we have confined ourselves to this area.

In addition, subcommittees of the Senate Committee on Banking and Currency have also conducted investigations in this field and the records of those hearings contain many additional examples. I dare say, in addition, that every Senator has received letters of complaint and testimony of cheated patients or un- or deceived in a skillful mathematician. Not many of us are.

Second, a new method is that the customer is told the finance charge in dollars per $100, on the debt repayable in equal monthly installments. If, for example, he is told that the charge on a $100 loan is $6, the loan may be represented as a "6 percent loan." On the other hand, if the borrower receives $100 in cash and pays back $106 over a period of one month—add-on rate the borrower receives $100 as "6 percent." And again, the actual cost of the credit in terms he can understand and compare with other offers unless he is a skillful mathematician. Not many of us are.

Third, a third method, a variation of the add-on rate, is the discount rate. Under this method the borrower receives not the full amount of the loan, but that amount minus the finance charge. Using the example just mentioned, under the discount method the borrower receives $100 in cash and pays back $106. Under the discount method, he borrows $100 but pays back $106. The actual rate of interest is therefore about 6 percent, or nearly double the stated rate. Thus the interest is quoted on the original amount of the loan and the customer pays an interest rate which is charged on the unpaid balance, the true cost of the credit is concealed. This practice has been called the add-on rate.

Fourth, the fourth method, small loan companies and retailers frequently quote a rate of interest that is many times the simple add-on rate. The customer is told that the finance charge is, for example, 1.5 percent per month, or 5 percent per month. The actual annual rate under this circumstance is 12 times the quoted finance. For example, if in the first example and 36 percent in the second, if the interest is based on the un- financial charges in today's consumer credit industry, so that an informed choice among different credit plans is difficult but possible except for a trained mathematician.

Although there are many examples of these practices, I do not charge that a majority of businessmen willingly engage in these practices. Clearly, most do not, but many are victims of their unethical competitors who force them to use questionable practices if they wish to compete successfully.

All these sources disclose five basic methods of presenting a credit offering to a customer which may conceal the cost of credit or misrepresent it. Let me briefly describe these five practices.

First, Frequently no rate of finance charge or of interest at all is quoted to the consumer. This is the easiest method of obscuring the cost of credit. A customer is told, for example, only that he will pay so much down and so many installments. The total amount of the finance charge in dollars nor the rate of the finance charge is disclosed. Frequently, the number of periodic payments is also left untold, leading an open-ended series of payments which are continued until the customer finally realizes what has happened and protests. But even if he is told the number of monthly payments he will still not know the real cost of the credit in terms he can understand and compare with other offerings unless he is a skillful mathematician. Not many of us are.

Second, a second frequent method is that the customer is told the finance charge in "dollars per $100" on the debt repayable in equal monthly installments. If, for example, he is told that the charge on a $100 loan is $6, the loan may be represented as a "6 percent loan." But, of course, since he is paying in installments, the actual rate is almost 12 percent or nearly double the stated rate. Thus, when the interest rate is quoted on the original amount of the loan, the customer is short-changed since the true cost of the credit is concealed. This practice has been called the add-on rate.

Third, a method, a variation of the add-on rate, is the discount rate. Under this method the borrower receives not the full amount of the loan, but that amount minus the finance charge. Using the example just mentioned, under the discount method the borrower receives $100 in cash and pays back $106. Under the discount method, he borrows $100 but pays back $106. The actual rate of interest is therefore about 6 percent, or nearly double the stated rate. Thus, when the interest rate is quoted on the original amount of the loan and the customer pays an interest rate which is charged on the unpaid balance, the true cost of the credit is concealed. This practice has been called the add-on rate.

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paid balance at the end of each monthly period. But if it is based on the entire original amount or on the loan which is gradually being repaid, the approximate annual rate is about 24 times the quoted figure, or in these examples 36 percent and 72 percent. This is so, of course, again because the borrower has only the use of one-half the amount loaned on the average.

Fifth. A fifth method is well documented. In this method lenders confuse customers' understanding of the actual cost of credit—frequently evade State laws regulating credit—by loading all sorts of extra charges. These may include wholly extraneous charges, for services not actually performed or for alleged expenses not actually incurred by the lender, such as credit investigation, processing and handling fees, and finders fees. Or they may include excessive charges for such services as credit life insurance or credit investigation.

If these charges are used by the borrower incident to the extension of the credit, they should rightfully be included in the finance charges. But by excluding them in a separate list the finance charge can be made to appear to be lower. If these charges are included in the extension of credit are not included in the list of the finance charges, then it is impossible for the borrower to compare the cost of one credit offering with another credit offering.

Examples disclosed by the sources I have mentioned have been frequently cited. Mr. President, I ask unanimous consent to have printed as an appendix to my remarks a statement of such examples.

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

(See exhibit 2.)

Mr. PROXMIRE. Mr. President, recently, the office of the chief judge of the circuit court of Cook County, Ill., issued a report on an investigation of credit practices which it conducted. Some of the results of this study were reported in the Chicago Tribune for December 16, 1966, but I have obtained a copy of the report of the study which was prepared by Mr. Jerome Schur, special assistant to the Honorable John S. Boyle, chief judge of the circuit court of Cook County.

In this study, Mr. Schur examined every confession of judgment claim filed in the municipal or the circuit court of Cook County for the 2-week period from June 20, 1966, through July 1, 1966, inclusive. This period was chosen at random to avoid possible bias toward a total number of suits studied was 1,305.

There are many shocking disclosures in this report, but I will comment here only on what it says about the finance charges involved in these cases. Finance charges of 19.9 percent were found in the case of used car contracts. In the case of radio, television and hi-fi sets, finance charges of 235 percent per year were found, in the case of clothing, rates of 105.8 percent, and for furniture, rates of 182.2 percent were found.

In all the suits studied—and remember that many of them arise out of other difficulties than high or concealed finance charges—the average rate of finance charge seems so exceptional that it would be difficult to explain how anyone could have paid it. Yet, I believe the borrower had realized how high the charges were.

In the case of used cars, the average finance rate for all cases studied was 39.7 percent, in the case of radio, television, and hi-fi sets 391.1 percent, and for furniture 36 percent, for furniture covers 31.2 percent, and for other appliances 26 percent. I emphasize that these were the averages from all the cases studied.

WHAT THE BILL DOES

The truth-in-lending bill is written, not to regulate interest or finance charges per se but simply to require that the borrower be told what they are. Its provisions are intended to eliminate substantially the methods of deceiving or confusing customers which I have cited.

Mr. President, rather than take the time of the Senate now for a technical discussion, I ask unanimous consent that a commentary and digest of the bill be printed as an appendix to my remarks. For those who wish to read it, this will help to clarify the details of the disclosure requirements.

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

(See exhibit 3.)

Mr. PROXMIRE. Mr. President, the bill would cover all forms of consumer credit transactions including installment purchases, home mortgages, small loans, and department store revolving charge accounts. Those who lend or extend credit would be required to reveal the total finance charge, both in dollars and cents and as an annual percentage rate. Consumer debt now totals $312 billion and the annual interest payments alone amount to $22 billion.

Basically, this bill makes three important requirements. The first is that the lender itemize and itemize all the components of the debt so that the borrower will know how the total debt is arrived at and whether the contract represents the verbal explanation.

Second, the bill requires the seller or lender to give all the finance charges in dollars and cents, and this total of the finance charge must include all the charges incurred by the borrower for the extension or use of credit. The total finance charge must include loan fees, service and carrying charges, discounts, interest, time price differentials, investigators' fees, and all other charges incident to the use of credit. However, with respect to real estate transactions, income tax, sales tax, and State and local taxes that would not include such charges as title examination and insurance, preparation of deed and settlement statement, recording of deed, taxes and assessments, fire and casualty insurance, local transfer or ad valorem taxes, and revenue stamps as such charges are clearly not incident to the extension of credit. Those charges are paid whether one borrows or not.

Third, this finance charge must be stated as an annual percentage rate.

There are other related requirements and, of course, the necessary authority for the responsible administrative agency to carry out the act, allowance for certain exceptions, definitions, and provisions for civil and criminal penalties. But these disclosure requirements are the heart of the truth-in-lending bill and they constitute protection for the consumer and the ethical businessman against the deceptive practices I have cited.

PREVIOUS OBJECTIONS TO TRUTH-IN-LENDING LEGISLATION

Mr. President, I should mention some of the criticisms that have been made of this legislation in the past.

It was charged that an annual interest rate is too difficult to compute. In many cases, it should say several years, but it means many years—many—many years—that I have been sitting on the Committee on Banking and Currency, and attending hearings in connection with this bill, the complaint has been that it is impractical and that it is too hard to compute.

This may have been true years ago, but the development of computers has made it possible for interest or finance charges to be stated as an annual percentage rate simply and quickly by computer written tables. Financial publishing houses are able to publish simple tables giving all the information required by the Truth in Lending Act and which can be used for nearly every conceivable lending situation.

The complaint that disclosure of the annual rate would be a burden on the sales clerk has been set to rest by the testimony given to our subcommittee by Under Secretary of Commerce Edward Gudeman. Mr. Gudeman, who had been an active lending executive with Sears, Roebuck said:

We must realize that consumer credit extenders begin by setting all their charges individually and in total on an annual rate basis. This means that the businessman in setting his charges works backward from an annual rate determined in light of his own financing costs and the behavior of his customers when a new loan is made. It is almost not calculable to understand why the average businessman cannot easily state the annual rate implicit in his total rate charges.

So the point is that most businessmen already start with rate tables which tell them the terms which will yield the return they desire.

I also point out in this connection that this bill does not require an exact statement of the annual rate accurate to several decimal places. We changed the bill in this respect from the bill last year and the year before. We seek a statement of the approximate rate. The bill explicitly provides in section 5 that the administering agency may "prescribe reasonable tolerances of accuracy."

Second, the complaint was sometimes made that the annual percentage rate requirement cannot "be anticipated." Last March, for example, in the CBS report program on consumer credit, a spokesman for the opposition to the bill made the following argument:

It is disingenuous with the law by reason of the fact that the transactions are not as simple as the law anticipates they would be. For example, if you were to come in and borrow a thousand dollars and tell me that you were going to repay it over a period of twelve months and that you wanted to make your payment on the 15th
of each month and that the rate was six dollars per one hundred dollars face amount of loan, I could very easily compute what the simple interest equivalents would be.

Now suppose the first month you were late five days. I can’t anticipate that in advance. The second month you’re early three days and want three more days. You can see how impossible it would be for me to tell you at that very first moment that you were charged. Note what the simple interest equivalent would be.

Mr. President, the truth-in-lending bill does not disclose the annual rate in the circumstances this spokesman described. Nonthreshold questions, that is those applying to closing balances not anticipated in the contract, would be left to the State law under my bill, although I do include a requirement that the borrower be told the penalties for prepayment or late payment or other violations of the contract. In other words, this frequently cited objection to truth in lending is wholly irrelevant. The bill’s requirements apply to the agreement made in circumstances like that of which the spokesman said.

A consumer—by whom are we to compute what the simple interest equivalent would be.

Third. It has been argued that sellers, if they are required to state the annual percentage rate, will conceal the finance charge by increasing the cost of the product or services. Of course, the first thing to be said about this is that it is no argument against truth in lending with respect to cash loans. But even with respect to the sale of products and services, this would be a self-defeating practice. The seller who tries to do this will simply price his goods out of the market. The consumer who wants high-quality merchandise can in most cases advertise and offer a lower price for merchandise and the consumer who wants to shop for the best buy will give the seller his business. Of course, this bill is not intended to protect the principle of truth in lending. The consumer who is not interested in making his money go further will retain his “right” to be fooled by the unethical businessman.

I point out also, that the present system penalizes the ethical businessman. If the unethical seller can advertise ridiculously low prices but make huge profits through hidden finance charges, then his ethical brother either must adopt the same low business. As I have often said, the truth-in-lending bill is intended to help the businessman as well as the consumer.

Fourth. Some have objected to the bill on the ground that consumers “do not understand what they pay in finance charges.” The evidence overwhelmingly refutes this absurd charge. I know very few people who do not want to make their money go as far as possible and who do not try to shop for at least a “good buy.”

Moreover, I point out that the truth-in-lending bill will be an important educational tool as well as a protective tool. Once the confusion with respect to finance charges is dispelled, people will not find it so forbidding a task to ask and determine what they are being asked to pay for credit. I have never claimed that the truth-in-lending bill will solve all problems of uneducated. But it will be an important foundation for consumer education and will at least afford an opportunity to help those of limited education to understand the finance charges. Obviously, they are prevented from understanding them now.

Moreover, these arguments of disinterest in truth in lending on the part of consumers have finally been put to rest. Whenever the proposition that truth in lending has been submitted to the people, it has been endorsed by an overwhelming margin. Polls have been conducted by eight Congressmen from all parts of the United States in which support for truth in lending varied from 88 to 95 percent.

These polls were conducted in Republican districts, Democratic districts and in well-to-do districts, as well as in districts in which income was low. The American consumer needs truth in lending. He wants what he paid for in truth in lending, and I intend to do all in my power to see that this bill passes the Congress.

Some of the congressional districts previously mentioned were predominately lower income and Democratic, but several were relatively wealthy and predominantly Republican districts. Let me just give the percentage in each case indicating the proportion that approved enactment of truth in lending, along with the name of the Congressman whose district was polled.

In Congressman Donald Rumsfeld’s Illinois district, 91 percent were in favor of truth in lending; Congressman Florence P. Dywer’s New Jersey district, 92.5 percent; Congressman Donald M. Young’s Alaska district, 98 percent; Congressman Richard L. Ottinger’s New York district, 95 percent; Congressman Jeffery Cothman’s California district, 94.5 percent; Congressman Glenn H. McFadden’s Arkansas district, 88 percent; Congressman John Conyers’ Michigan district, 89 percent, and Congressman Ken W. Dyal’s California district, 92.4 percent. The facts seem to show that this is the most popular proposal pending in the Congress.

Fifth. It has been charged that disclosure of the annual percentage rate will retard sales. Absolutely no evidence has been given to support this allegation. It is much more logical that the bill will stimulate even greater use of consumer credit because people will no longer be frightened by its mysteries. Moreover, many consumers are likely to shift their borrowing from high cost rates to low cost rates. Thus, they will have additional purchasing power with which to buy more. It is certainly my intent—and I am confident that it will be the effect of the truth-in-lending bill—that businesses will be helped by it.

Sixth. There have been objections to including revolving charge accounts under the annual rate requirement. My revised formulation of this requirement, in my opinion, has solved these objections very simply. All my bill will require is that the contract and the periodic statements must indicate an annual percentage rate determined simply by multiplying the periodic rate—for example, a month rate—by twelve and dividing by one hundred and assigning a rate in the circumstances this spokes-

The president of my power to see that this bill passes the Congress.

Mr. President, President Johnson’s message so well states the need for and the intent of this legislation, that I ask unanimous consent that the relevant portions of this message be printed as an appendix to my remarks.

Mr. President, President Johnson urged the Congress to pass truth-in-lending legislation in three messages: namely, in his state of the Union address, in his Economic Report to the Congress, and in his message on consumer interests. In the latter message he said:

I, therefore, renew my recommendation for legislation requiring retailers to state the full cost of credit, simply and clearly, and to state it before any credit contract is signed.

Mr. President, President Johnson’s message so well states the need for and the intent of this legislation, that I ask unanimous consent that the relevant portions of this message be printed as an appendix to my remarks.

Mr. President, President Johnson has reaffirmed his endorsement of truth in lending in his 1962 state of the Union message. The President said:

We should do more to protect the consumer. We should demand that the cost of credit be clearly and honestly expressed.

Mr. President, there have been a number of very hopeful developments with respect to truth in lending in recent months.

The significant advance in protecting consumers occurred last July 1, when the Department of Defense put into effect their truth-in-lending directive. This directive, in essence, provides truth-in-lending protection for servicemen and their families. It does so by saying to lend— or credit seller—that if they expect to use military channels to collect debts owed to them by servicemen and their families, they must make truth-in-lending disclosure. This full disclosure would include both the total dollar charge for credit and a statement of this charge as an annual rate.

The establishment of this protection for servicemen was a needed and just
step. The subcommittee of the House Banking and Currency Committee has revealed devastating evidence that our servicemen are among the chief victims of unscrupulous lenders. Moreover, the implementation of this directive has shown that the annual rate requirement is not all that difficult to meet. The method for determining the approximate annual rate under this directive is the same as that I have postulated as a basis for the truth-in-lending bill. The Department of Defense directive includes a table for determining the annual rate which has been constructed by the actuarial method. No undue difficulties have been reported in the implementation of this directive or in the use of these tables.

Mr. President, one of the most encouraging developments in the last year has been the action of the State of Massachusetts to enact and to put into effect the implementation of Defense directive includes a table of interest and the charge expressed in terms of dollars per $100, the loan to be paid off in 12 equal monthly installments. Now we find, that although the dollars and cents charge for the loan is the same, namely $72.00, the simple annual interest rate is not 6% but flares out to 11.08% based on the annual dollars and cents charge for each $100 borrowed are identical so we use it for comparison purposes.

Let's suppose you could borrow $1,200 for a year at 6% interest to be paid in a single payment at year's end: Amount of loan, $1,200; term of loan, 1 year; charge for loan, $72.00; simple annual interest rate, 6%; dollars per $100 per year, $.60.

INSTALLMENT LOAN
Here we take a $1,200 loan at a charge of $6.00 per $100 per year, but instead of a single payment at year end, the loan is to be paid off in 12 equal monthly installments. Now we find, that although the dollars and cents charge for the loan is the same, namely $72.00, the simple annual interest rate is not 6% but figures out to 11.08% based on the premise that you have had the use of approximately only half the original amount for the full year: Amount of loan, $1,200.00; term of loan, 1 year; charge for loan, $72.00; simple annual interest rate, 11.08%; dollars per $100 per month, $6.00; monthly payments 12 at $106.00.

FORMULA FOR SIMPLE ANNUAL INTEREST RATE
The formula for calculating the simple annual interest rate is defined by state law and is as follows:

\[ \text{Rate} = \frac{2 \times \text{PC}}{\text{A} \times (N+1)} \]

Legend:
- \( P \) = Payment periods in one year
- \( C \) = Finance Charges
- \( A \) = Loan Principal
- \( N \) = Number of Installments

Using the previous installment loan example of $1,200 borrowed for one year at 6.00 per $100, the loan to be paid off in 12 equal monthly installments, the annual rate of interest as determined by the formula would be:

\[ \text{Annual Interest rate} = \frac{2 \times 120 \times 72}{1,200 \times (12+1)} = \frac{24,000}{17,280} = 1.388 \text{ or } 11.08\% \]

REVERSING CREDIT OR CASH RESERVE LOAN
Of course you know about revolving credit. You can get it at some banks and it is popular at some of the stores. Briefly, a line of credit of the loan in terms of dollars and cents. Many people believe that the simple annual rate of interest and the charge expressed in terms of dollars per $100 per year are identical, and in certain instances they are, but in many more they are not and have to be considered separately.

Whether you borrow from a bank or finance company, or arrange financing with a retailer of goods or services, find out both the simple annual interest rate and the charge for the loan. A bank charge for many kinds of loans to serve widely differing needs. Charges are commensurate with the kind of loan you need and should have.

EXAMPLE
If the finance charge is added to the beginning amount owed and is included in the 12 equal monthly payments, commonly referred to as the "add-on" method, then the simple annual interest rate is:

\[ \frac{\text{Charged}}{\text{Amount owed}} \times \frac{12}{100} \]

The first, an "act requiring the disclosure of finance charges in connection with extensions of credit" require; among other things, the disclosure of the cost of consumer loans both in dollars and as an annual rate. The second act, the Retail Installment Sales Act, gives them a great debt for their magnificent leadership.

This standard, intended to outlaw misrepresentation of credit as an annual rate. When we consider that you have had the use of approximately only half the original amount for the full year: Amount of loan, $1,200.00; term of loan, 1 year; charge for loan, $72.00; simple annual interest rate, 6%; dollars per $100 per year, $.60.

EXHIBIT 1
How Much Do You Pay for the Money You Borrow?

In the days ahead the term "Simple Annual Interest Rate" will come into common use in connection with installment loans and credit transactions of various types. This booklet has been designed to provide a better understanding of what this means to you as a borrower. While simple annual interest rate in many instances reflects a change in the manner of expressing the price for a loan it will not follow that you will be paying more in dollars and cents than you have been accustomed to paying in the past. We hope you will find the explanations in the book both interesting and helpful.

INTEREST AND THE COST OF A LOAN
When you borrow money there are two factors in the cost that are important to you. One is the simple annual rate of interest on the line of credit and the other is the cost of the loan in terms of dollars and cents. Many people believe that the simple annual rate of interest and the charge expressed in terms of dollars per $100 per year are identical, and in certain instances they are, but in many more they are not and have to be considered separately.

Whether you borrow from a bank or finance company, or arrange financing with a retailer of goods or services, find out both the simple annual interest rate and the charge for the loan. A bank charge for many kinds of loans to serve widely differing needs. Charges are commensurate with the kind of loan you need and should have.

EXAMPLE
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\[ \frac{\text{Charged}}{\text{Amount owed}} \times \frac{12}{100} \]
are usually stated as a monthly percentage on the unpaid balance. So, if the rate is 1% per month it means that you pay a simple annual amount of 12% for the service. A nice thing about these accounts is the reserve feature which makes credit available without much charge and their flexibility. You can pay the whole thing off whenever you like. This cutes down your interest cost. For example: If you used $100 worth of credit for one month you would pay $1; one month $1.00—six months $6.00—but, as previously stated, the simple annual interest rate is 12%.

**How do interest rates vary?**

At this point it is certainly fair to ask why there are different charges for different kinds of loans.

To start with a very simple definition of interest:—"The cost of borrowing money," you hire someone else’s money.” In the first place, the bank as the lender has to rent the money it lends and pays a price in the form of service or interest or both. In addition to the rental charge paid by the bank, the principal factors affecting the different loan charges to the borrower are the type of the loan—i.e., the size of the loan; the interest rate; the borrower’s reserve; the reserve feature which makes credit available without much charge and their flexibility; the amount of employee time and paper work.

**The Size of the Loan**

Small loans command a higher interest rate than large ones, just as you must pay a higher price for anything you buy in small quantities. It is particularly true in lending money. One borrower may negotiate a loan for $100,000 and the transaction may not require as much handling expense or risk as another borrower who might want $1,000. Obviously, processing one hundred loans of $100 each is far more costly for the bank than large ones, just as you must pay a higher interest rate on a $1,000 loan than a $10,000 loan.

**The Risk Involved**

In general, installment loans fall into two classifications—unsecured and secured. The latter are sometimes referred to as collateral loans. In unsecured loans the borrower’s risk depends upon the character, earning ability and financial condition of the borrower; in collateral loans the marketable assets the borrower assigns reduce the lender’s risk. Single payment loans may be unsecured or secured by such highly liquid assets as life insurance policies or savings accounts, or securities. Installment loans may be unsecured or secured. When the loan is secured with an asset such as a chattel mortgage—i.e., the case of a loan on farm crops, the loan is more costly to handle than one secured with readily marketable securities. Revolving credit loans are usually unsecured.

**The Amount of Administrative Work Entailed**

The amount of administrative work entailed also has an influence on the charge. A single payment loan represents a minimum of administrative work for the bank. An installment loan, even if it be a small loan, entails a great deal of registration of payments due, keeping a running balance of the payments, more comprehensive auditing, and a more careful watch over the borrower. It is also cheaper on the average to secure the loan with the customer’s securities. Installment loans are more expensive because of the extra work involved in checking on the condition of the customer’s assets.

**USE YOUR CREDIT WISELY**

For many years people have made wise use of their credit to borrow money and to buy goods and services. Installment credit has proven to be a sound and sensible way to meet these needs.

On the other hand, you must be sure of what you are doing; that you are going to borrow money is that it will pay you. Any kind of installment buying requires the customer’s reserve, in other words the important information is how much is the loan costing you. The simple annual interest rate will help you determine this cost when you are shopping.

In the final analysis, your best protection on any kind of loan is to do business you know and trust.

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**EXHIBIT 2 CASES FROM THE HEARINGS ON THE TRUTH-IN-LENDING BILL**

A woman with four children to support on $48 a week, was persuaded through appeal to parental pride to purchase on credit, to purchase, at a $600 accordion for her daughter, whom the local “conservatory” of music insisted had to be taught to play it. On checking the record, the factory reported the daughter had “such exceptional talent” an $1,800 instrument would be necessary. The carrying charges alone came up to $147.30, or an interest rate of 62 percent per year. When finally the poor woman reached the edge of bankruptcy, she discovered she had been paying more than 40 percent per month in simple interest. A witness from the Justice Department, Washington, D.C., who became deeply involved with personal loans from bank and finance companies because of family illness, explained the importance of her ability to pay. In reviewing all the special loan charges, the refinancing costs, the required insurance, and the original high—but un-stated—finance charge, the young lady found she had been paying more than 40 percent per month in simple interest.

A credit union manager recounted the case of an experienced FBI agent in Washington, D.C., who was certain the proposed financing of his automobile would cost him 4 percent. On checking the record, the figures, he was amazed to find the true interest rate was more than 20 percent per year.

**DEFINITIONS**

Section 3 defines the necessary words and terms. The important definitions are as follows:

**Cost:** Note that section 8 of the bill excludes two categories of credit transactions from coverage, namely, the extension of credit to business firms as such, governments, governmental agencies or instrumentalities; and, secondly, transactions in securities or commodities in accounts by a broker-dealer registered with the Securities and Exchange Commission. Otherwise, "credit" is defined so as to include all forms of consumer credit including loans of cash and the time sale of goods and services, under both installment and non-installment repayment plans. Auto mobile sales and revolving credit accounts are covered.

**Finance charge,” which means the sum of all the charges incurred by the borrower for the extension or use of credit and shall include, but not by way of limitation, loan fees, service charges, insurance, finance charges, discounts, interest, time price differentials, and investigators’ fees.

**Total amount to be financed,” which means the total credit extended excluding the finance charge.

**Annual percentage rate,” which means the percentage rate per period expressed as a percent per annum. It shall be equal to the percentage rate per period multiplied by the number of periods in the year.

**Average monthly payment,” which means the ratio of the finance charge for the period for which the charge is made to the unpaid balance of the total amount to be financed.

**Period,” which means the time interval between the payments specified in the credit contract and the repayment of the total amount to be financed.

**Creditor:** This definition is broadly inclusive like that of “credit.” It is intended to include any person in the business of extending credit to consumers regardless of the form of the credit, i.e., the bill applies to consumer loans, calls and consignment sales of goods or services on a year, credit or installment basis.

**Person:** Again the exceptions in section 3. The definitions of “finance charge,” “total amount to be financed,” “annual percentage rate” per
In the course of the hearings held in earlier years on the truth in lending bill, experts of various kinds proposed several formulas either to support disclosure of the "annual percentage rate" or to determine what such an unregulated rate requirement is "unworkable." The constant ratio, direct ratio, simple-discount, actuarial, and "effective" percentage rates have all been considered as methods to disclose an annual rate of finance charge.

The basic differences among these formulas are in the way that they determine what the annual percentage rate should be, whether the amount to be financed as against the amount to be repaid is the base upon which interest is fixed and (2) regarding the assignment of periodic payments to principal or to interest.

The use of the term "annual percentage rate," sections (b) and (c) of section 4, in the context of what is called in the form of disclosure that the sponsors of the bill have always intended by the term "simple annual rate." The language used in the present draft of the bill will: (1) permit fairly simple calculations by lenders and vendors, (2) allow the administering agency (or financial publishing houses) to issue easy-to-follow rate tables, and (3) enable consumers to check the charges quoted.

This formulation of the annual rate conceals some of the most complex problems. Companies compute their yield on various forms of installment contracts and loans. Instead of asking "How do you figure the interest in a case of the law called "periodic payments?" both the lender and the borrower will ask and easily determine "What are the amounts of the finance charge and payments, given the rate?"

The administrative agency can establish procedures for handling irregularly scheduled payment of the finance charge.

The lender or borrower will easily be able to read out the percentage rate of finance charge from actuarial tables, given the amount to be financed, the amount to be repaid, and the annual percentage rate. This is the rate to be applied to the unpaid balance of the total amount to be financed.

The use of a percentage rate per period to arrive at the annual percentage rate follows the formula of the actuarial method and eliminates the need to describe the percentage rate of finance charge as a "simple," "effective," "compound," or "nominal" rate. Each of these terms has a slightly different meaning to experts in finance. It also eliminates the need to introduce "add-on," "discount" and other rate expressions. Avoiding the use of the term "simple" or any other descriptive term avoids semantic disputes about what constitutes the "extension of the law." The use of such a descriptive term as "simple" also might lead to widespread practice of avoidance by lenders and vendors.

Nevertheless, there is no change in concept and the "annual percentage rate" follows the "simple annual rate": (1) use of the year as the common time unit denominator, and (2) expression as a percentage rate per period of the ratio that the finance charge bears to the money actually used during the period.

In summary, the section provides a simplified way to handle revolving or open-end credit accounts (in which commonly a department store permits a customer to charge purchases up to a specified maximum amount, repaying an agreed upon minimum each billing period usually a month— with "service charge" applied periodically to the amount owed). Persons extending such credit would be required to disclose the "annual percentage rate" of finance or service charge, the periodic rate when a finance charge will be imposed, and the time and amount of payments scheduled to repay the indebtedness and the terms (penalties) applicable in event of payments advanced or delayed from those specified in the contract. (Disclosures of the time and amount of payments scheduled to repay the indebtedness and the terms (penalties) applicable in event of payments advanced or delayed from those specified in the contract. (Disclosures of the time and amount of payments, and of the penalties covered by earlier bills.))

Section 4 substitutes the term "annual percentage rate" instead of the "simple annual rate" used in S. 2275. The annual percentage rate is arrived at by multiplying the "percentage rate per period" times the number of"percentage rate per period" times the number of periods in a year: the "period" is determined. This annual percentage rate per period thereby becomes the basis building block from which the annual rate is determined. A simple annual percentage rate is the rate to be applied to the unpaid balance of the total amount to be financed.

The use of a percentage rate per period to arrive at the annual percentage rate follows the formula of the actuarial method and eliminates the need to describe the percentage rate of finance charge as a "simple", "effective", "compound", or "nominal" rate. Each of these terms has a slightly different meaning to experts in finance. It also eliminates the need to introduce "add-on", "discount" and other rate expressions. Avoiding the use of the term "simple" or any other descriptive term avoids semantic disputes about what constitutes the "extension of the law." The use of such a descriptive term as "simple" also might lead to widespread practice of avoidance by lenders and vendors.

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CONGRESSIONAL RECORD — SENATE  January 31, 1967

Dr. Dorothy Brady, Professor of Economics, University of Pennsylvania, Philadelphia, Pennsylvania.

Dr. W. Palmer Dearing, Executive Director, Group Health Association of Americas, Washington, D.C.

Honorable Bronson C. La Follette, Attorney General, State of Wisconsin, Madison, Wisconsin.

Mrs. Florence Low, Assistant Director for Extension Home Economics, Texas A&M University, College Station, Texas.

Mr. Sidney Marcus, Columnist, Portland, Washington, New York.

Mr. Kenneth J. Marlin, Chairman, Department of Economics, Boston College, Boston, Massachusetts.

Mrs. Helen Nelson, Consumer Counsel, State of California, Sacramento, California.

Miss Mattie Wayner, Chairman, Department of Home Economics, Morris Brown College, Atlanta, Georgia.

CREDIT

In 1945 consumer debt was less than $6 billion, one-fourth the size of the Federal debt. Over the years, combined with shortages of consumer goods, had led consumers to reduce their debt to a very low level. Consumer debt stood at $86 billion 27 and one-third the size of the Federal debt. As a share of disposable income, consumer credit rose from 10 percent in 1950 to 18 percent in 1965.

While many families use credit wisely, too many must wage a continuous, uphill battle to keep on top of their debts. While most of them do not go bankrupt, nine of 10 bankruptcies—170,000—were incurred by families and individuals. The number of persons who are overextended cannot be accurately measured, but the bankruptcy statistics suggest a problem that cannot be ignored.

For the wary and well-to-do as well as the unsophisticated and economically despairing, present-day practices make it almost impossible to make intelligent decisions about credit. Various methods of stating consumer credit costs confuse, confound, and often mask the true financing cost. In an ideal credit transaction, the debtor is told the true price of credit and the charges are stated as an annual rate. More frequently, instead of the ideal, the following practices are employed.

The price of credit is given as a simple monthly rate which on a true annual basis amounts to 12 times the monthly rate. The borrower is quoted an add-on or discount percentage rate. That is, he is quoted a rate on the original amount of credit rather than on the periodic declining balance. The true interest rate is approximately twice the so-called add-on or discount rate.

The consumer is quoted an add-on or discount rate plus numerous extra fees. In this case, the true annual rate is considerably more than twice the quoted rate.

No rate is quoted; the borrower is only told the amount down and the amount due each month.

TRUTH IN LENDING

The Truth-in-Lending Bill (S. 2275) introduced by Senator Alfonse D'Amato (R-N.Y.) on July 12, 1965, would require creditors to state the total finance charge both in dollars and cents and as a true annual percentage. It would set up a national mortgage rate due on the outstanding unpaid balance.

S. 2275 protects the businessman as well as the consumer, but public benefits when public policy provides rules which enhance vigorous price competition.
disclosure of true costs of credit will give the ethical lender a strong competitive position against sellers who make misleading claims. Under the Douglas bill, lenders would have to compete on the basis of fully disclosed costs. This is especially important with the growth in new financial institutions and in the number of people who lack a credit record.

Recognizing that consumers are beset with many problems in the credit area, in addition to those covered by the Truth-in-Lending Bill, the Council adopted the following resolution:

Whereas, Every Consumer Advisory Council since 1963 has strongly endorsed truth-in-lending legislation; and
Whereas, Widespread misrepresentation of interest rates and other finance charges in credit transactions, usurious repossession methods, trick balloon payment clauses, high pressure door to door selling tactics, unconscionably high rates of service charges, unregulated debt consolidation companies, and severe garnishment laws, to name but a few, can and do work severe hardships on consumers;

Therefore, be it resolved that, the Consumer Advisory Council again emphasize the necessity of legislation to require Truth in Lending as a part of any effort to correct the Nation’s credit ills;

Be it further resolved that, The Consumer Advisory Council recommend that each State review its existing laws in these areas to determine their adequacy in protecting consumers;

Be it further resolved, That the Administration and the Congress begin concurrently with the States to explore the feasibility of regulating these activities.

The necessity of regulation to require Truth in Lending is part of any effort to correct the Nation’s credit ills.

LOOKING AHEAD

The credit situation in America today demands a study of these problems, and on the broadest scale practicable, from the viewpoint of the consumer. It should cover the following:

Examination and evaluation of the work of the National Conference of Commissioners on Uniform State Laws regarding consumer credit;

Attitudes towards credit, such as consumer concepts of usury; credit for the poor; the “6 percent myth” and its implication; and, the position of the cash buyer in the credit market;

Problems surrounding the extension of credit, with a comprehensive review of the relations between creditor and prospective debtor prior to execution of the contract; ways of improving the tone and appeal of inducements to borrow—advisability of minimum standards for advertising which would utilize the cost of consumer credit; considerations involved in permitting the financing of the whole contract by a single establishing minimum down payments.

The special credit problems of the poor;

The degree and method of regulation by Government (Federal, State or local);

whether there is need for a universal (Federal) approach or for different regulations by states;

Whether licensing is necessary for all credit and lending; what standards would be necessary to assure public protection; how such licensing might be made less onerous;

The non-disclosure of true costs of credit to consumers. Under the Douglas bill, the lender would have to disclose the total amount of the loan, the interest rate, the finance charges, the amount of each payment, and the total amount of interest to be paid over the life of the loan. The “add-on” interest is about double the simple interest rate.

The creation of uniform penalty provisions with consideration of punitive damages for intentional fraud; the feasibility of class suits and the roup practice of law; enforcement posture of the government in all of the above relationships as an effective method of regulation by the Government;

Credit counseling, debt pooling, debt adjustment, and safeguards necessary to eliminate such abuses as usury and other finance charges; the need for a comprehensive review of the entire consumer credit situation.

Mr. PROXMIRE. Mr. President, since I have introduced the truth in lending bill, the response on the part of the general public has been overwhelmingly in favor of the bill. However, I have also received a large number of letters from Mr. Fortney H. Stark, Jr., president of the Security National Bank of Walnut Creek, Calif. Mr. Stark supports the truth in lending bill and believes that banks will benefit from the enactment of this bill.

I agree with Mr. Stark and would commend his position to the American Bankers Association. Certainly the full disclosure of the cost of credit would enable the vast majority of banks to compete more effectively with high-cost lenders, who, through one device or another, manage to conceal the true cost of their lending.

Mr. President, I ask unanimous consent to have inserted in the RECORD, Mr. Fortney H. Stark Jr., president of the Security National Bank of Walnut Creek, Calif. Mr. Stark supports the truth in lending bill and believes that banks will benefit from the enactment of this bill.

WITHDRAWN

The situation in America today demands a study of these problems, and on the broadest scale practicable, from the viewpoint of the consumer. It should cover the following:

Examination and evaluation of the work of the National Conference of Commissioners on Uniform State Laws regarding consumer credit;

Attitudes towards credit, such as consumer concepts of usury; credit for the poor; the “6 percent myth” and its implication; and, the position of the cash buyer in the credit market;

Problems surrounding the extension of credit, with a comprehensive review of the relations between creditor and prospective debtor prior to execution of the contract; ways of improving the tone and appeal of inducements to borrow—advisability of minimum standards for advertising which would utilize the cost of consumer credit; considerations involved in permitting the financing of the whole contract by a single establishing minimum down payments.

The special credit problems of the poor;

The degree and method of regulation by Government (Federal, State or local);

whether there is need for a universal (Federal) approach or for different regulations by states;

Whether licensing is necessary for all credit and lending; what standards would be necessary to assure public protection; how such licensing might be made less onerous;

The non-disclosure of true costs of credit to consumers. Under the Douglas bill, the lender would have to disclose the total amount of the loan, the interest rate, the finance charges, the amount of each payment, and the total amount of interest to be paid over the life of the loan. The “add-on” interest is about double the simple interest rate.

The creation of uniform penalty provisions with consideration of punitive damages for intentional fraud; the feasibility of class suits and the roup practice of law; enforcement posture of the government in all of the above relationships as an effective method of regulation by the Government;

Credit counseling, debt pooling, debt adjustment, and safeguards necessary to eliminate such abuses as usury and other finance charges; the need for a comprehensive review of the entire consumer credit situation.

Mr. PROXMIRE. Mr. President, since I have introduced the truth in lending bill, the response on the part of the general public has been overwhelmingly in favor of the bill. However, I have also received a large number of letters from Mr. Fortney H. Stark, Jr., president of the Security National Bank of Walnut Creek, Calif. Mr. Stark supports the truth in lending bill and believes that banks will benefit from the enactment of this bill.

I agree with Mr. Stark and would commend his position to the American Bankers Association. Certainly the full disclosure of the cost of credit would enable the vast majority of banks to compete more effectively with high-cost lenders, who, through one device or another, manage to conceal the true cost of their lending.

Mr. President, I ask unanimous consent to have inserted in the RECORD, Mr. Fortney H. Stark Jr., president of the Security National Bank of Walnut Creek, Calif. Mr. Stark supports the truth in lending bill and believes that banks will benefit from the enactment of this bill.

WITHDRAWN
they say five-sixths of 1 percent per month you pay 10 percent per year; when they say 1 percent per month you pay 12 percent per year; when they say 2 percent per month you pay 15 percent per year; when they say 3 percent per month you pay 18 percent per year; when they say 4 percent per month you pay 20 percent per year; when they say 5 percent per month you pay 24 percent per year; when they say 6 percent per month you pay 28 percent per year; when they say 7 percent per month you pay 32 percent per year; when they say 8 percent per month you pay 36 percent per year; when they say 9 percent per month you pay 40 percent per year; when they say 10 percent per month you pay 44 percent per year.

By making a large down payment and paying off the balance quickly, you can, year after year, reduce the cost of financing your purchase. The best basis of comparison between alternate financing methods is to compare the actual dollar interest cost of financing your purchase. It goes without saying, never sign a contract until you know what the exact interest and extra charges will be. When you receive your statement concerning truth in lending, I was a cosponsor of the bill introduced by the former Senator from Illinois, Mr. Douglas, when he was the principal sponsor of this legislation. Of course, it is our senator, Senator from Wisconsin. I wish to commend the Senator for his leadership. Mr. PROXMIRE. Mr. President, I thank the distinguished Senator from Texas. I certainly welcome him as a cosponsor of this bill. I do not believe anyone in the Senate who has worked harder for the workingman, the farmer, the small businessman, and all the other people who are, in many cases, debtors and would be greatly benefited by the opportunity to have the full facts of any loans disclosed to them before they make them.

The Senator from Texas has always been in the forefront of the fight for full disclosure and full information to be made available to the American consumer.

Mr. YARBOROUGH. I thank the distinguished Senator from Wisconsin for his remarks, which are more generous by far than I deserve. I am grateful that he is available for financial counseling.

Mr. CLARK. Mr. President, will the Senator from Wisconsin yield?

Mr. PROXMIRE. I yield.

Mr. CLARK. I should like to commend the Senator from Wisconsin for the splendid speech he completed a few moments ago on his truth-in-lending legislation.

I am happy to be a cosponsor of that legislation and to have been a cosponsor for a good many years of prior legislation introduced by our great colleague, whom we miss so much, Senator Paul Douglas, of Illinois.

For a good many years I served on the Banking and Currency Committee and was delighted to have the opportunity to support Senator Douglas in his sponsorship of legislation on Wall Street, when there were not many Senators who agreed with it.

It was like a breath of fresh air when the Senator from Wisconsin came on the Banking and Currency Committee, picked up the torch, and supported Senator Douglas as strongly as several of us had. I am delighted that he has taken over his mantle with, I hope, a substantially better case than we made in the earlier years when we were trying to develop strong public opinion in favor of this much-needed legislation.

It is always interesting to me that for so many years there was not a feeling of strong popular support for this legislation, because so many millions of people did not realize they were in a real sense, being defrauded. I think it is largely as a result of the public's education by the Senator from Wisconsin and Senator Douglas which resulted in so many people supporting this kind of legislation.

Mr. PROXMIRE. I am very flattered that the Senator has put it that way. However, I am convinced that it was the then Senator from Illinois, Senator Douglas, who really popularized this bill. He was chairman of the subcommittee which held hearings in many cities throughout the country, and brought this matter to the attention of the American people, and secured overwhelming support for it, as shown by every poll taken.

Eight Members of Congress took polls showing that somewhere between 88 to 95 percent of the people were for it, in Democratic and Republican districts. It is because of Senator Douglas' wonderful, bulldog tenacity, with the aid of the Senator from Pennsylvania and others on the committee, that it is possible this year to pass it.

Mr. CLARK. I thank the Senator from Wisconsin. Mr. PROXMIRE. I think the Senator from Wisconsin is entirely correct. I join in his commendation of Senator Douglas for his years of effort, at a time when the bill was not very popular.

It is interesting to me, as I am sure it is to the Senator from Wisconsin, as his service in this chamber grows year by year, that a proposal like that of Senator Douglas took so many years to receive support. It is now supported by the President, who for a long time did not support it, in the judgment of Senator Johnson for his support of it both in his state of the Union message and in the Economic Report.

I think the Senator from Wisconsin is to be congratulated on the amendments in the banking and currency bill, which make it far less complicated than it might have been to determine the interest rate. The Senator can remember the roadblocks which were thrown in our way for many years by those who insisted the bill was quite impractical. So let us figure out the various complicated methods which showed what the real interest rate was. The Senator from Wisconsin has cut through those arguments and has won his case.

Again let me say I am happy to co-sponsor the legislation. Again I want to commend the best efforts of Senator Douglas, and to commend the Senator from Wisconsin [Mr. PROXMIRE] for the splendid leadership he is showing, which will bring this cause to fruition after almost, if not more than, 10 years from the time when Senator Douglas first undertook to sponsor the legislation.

Mr. PROXMIRE. I certainly thank the Senator from Pennsylvania, who is as doughty and hearty a fighter for liberal causes as there is in the Senate.

I should like to make one concluding statement, and then I shall yield the floor, having talked with a number of members of the Banking and Currency Committee and I am now convinced that a strong and practicable bill will be reported this spring by the committee. The President has said he has been tried out by the Department of Defense and found to be workable. It has been tried out by the State of Massachusetts. There is a growing awareness of the desirability and need for this legislation throughout America.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

THE UNITED STATES-SOVET CONSULAR CONVENTION

Mr. MORTON. Mr. President, in the coming days, the Senate will consider ratification of a Consular Convention between the United States and the Soviet Union. This same consular agreement was favorably reported out of committee only to die of fear and misgiving.

It is open to question whether the responsibility for killing this forward-looking proposal is in the 89th Congress rests with the administration which had misgivings about securing the necessary two-thirds vote—or with the extremist fringe groups in our society who fear Polish hams as much as they fear any middle-of-the-road people.

Unfortunately, Mr. President, the same fears and misgivings today threaten to frustrate this historic first attempt at a bilateral United States-Soviet agreement. Unfortunately, the implosion of purpose on one hand, and hysterical opposition on the other, may once again thwart the efforts of those who see in this Consular Convention a safe and sound approach toward better relations between the world's two mightiest powers.

It is interesting and significant to note that a start toward improved United States-Soviet relations was urged by President Eisenhower on April 16, 1953. With America's interests in Korea to the utter defense of freedom, the President declared:

"Every gun that is fired, every warship launched, every rocket fired signifies a theft from those who hunger and are not clothed . . . .

The cost of one heavy bomber is this: a modern brick school in more than thirty cities . . . We pay for a single fighter plane with a half million bushels of wheat. We pay for a single destroyer with new homes