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

In the timespan between those two events, the United States has placed 514 spacecraft 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 tools of this 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 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 those 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 benefits 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.

The message, together with the accompanying papers, was, without objection, referred by the Speaker 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 or the Committee of the Whole for the consideration of the bill (H.R. 11601) to safeguard the consumer in connection with the utilization of credit by requiring disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing minimum finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive fees of time on consumer commodity contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency or temporary credit shortage to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Consumer Finance Council 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 to recommit.

By the passage of H.R. 11601, the Committee on Banking and Currency shall be discharged from the further consideration of the bill S. 88 and 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.

Mr. BOLLING. Mr. Speaker, the rule provides for amendments at the behest of 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 government 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?

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 parliamentary inquiry will state his parliamentary 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 promised 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 proposing an unanimous consent request.

The SPEAKER pro tempore. The unanimous consent request is made by the gentleman from Texas (Mr. Patman) for the purpose of proposing an unanimous-consent request.

PERMISSION TO REVISE AND EXTEND

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members participating in the earlier 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 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 statement that 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 was one point which I think was 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 laws on page 10, 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 in 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, I 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, restrict the garnishment of wages; third, establishes a National Commission on Consumer Finance; study to examine 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.

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 will make the consumer more informed. In deciding for himself the reasonableness of the credit charges imposed and further permit the consumer to compare shop for credit.

Two exemptions are provided to this requirement. There 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 1/2 percent per month. An installment account 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 small credit 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 1/2 times 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 rates on small credit transactions where the apparently high rate might discourage consumers.

The committee believes that full disclosure of the terms and conditions of any credit contract will lead to a wider 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 all credit transactions. 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 by which the consumer determines 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 banks 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 of $1,000 and a maximum of $10,000. 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 garnishment. It 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 the remaining member 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, to make recommendations, and conclusions to the Congress and the President by December 31, 1969.

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

Mr. DOLLING. Mr. Speaker, I ask unanimous consent that the gentleman 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 adoption 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 taken up, as before, in such a 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. And it is my way 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 struggle in the House.

But the 20-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 co-sponsor of this bill in the subcommittee to the gentleman from New York [Mr. HAFEN], 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 entangled in consumer credit have special interests in, or problems arising out of, individual specific provisions of the legislation, but on the whole—and looking at the comprehensive hearing record taking up two full volumes—I do not remember any hostile testimony whatsoever on the object 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 parla-
mentary situation will be when the bill is before us. We will be considering the bill as originally introduced on July 20, along with the 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 that bill, investigated 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 inclusion as a condition 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, it’s time now we held hearings. We developed an impressive record on the bill 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 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 bill is also on the record 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. 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 Act, particularly since there is nothing in the bill dealing with margins.

The third highly controversial provision in H.R. 11601 as originally introduced was the charge of 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 free debate in this subcommittee that we did during our hearing. And fourth is the provision dealing with confession of judgment notes, page 21. All four of those items are to come out.

This bill is a good bill—a strong bill. Anything in it which is going to create any problems and difficulties, and I do not know 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 four sections 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 another bill. They must be defeated 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. We are working through the parliamentary situation as I understand it.

From the mail I have received and the mark 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 store bill which was passed 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 monkeys in this circus. They have learned the credo 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 to go out and 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 Eliminate 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 credit; and for other purposes, to be considered during periods of national emergency of temporary controls over credit to pre-
went 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.

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. Winiwarter] 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 costs are second only to social welfare costs 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 preparing 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 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 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 foreseeable 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 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 appropriated 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 perhaps in violation of 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 trilion 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—our 2 years ago to be exact—there was an increase of 1 percent in FHA rates. Every person who had a home that at times, 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 $4,400—in other words, the average family earned $4,400—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 interest.

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 only be paying $7 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. People. We have made 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 unreasonably high interest rates, you deprive the economy of a great benefit.

Let me remind you that in 1664 this House and the other body of Congress, 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 us to lose big 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 those people did not have the high interest rates, 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 metropolis. 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 are going to pour it into the 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 economy would miss the 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 that very carefully.

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 terms of 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. It is a way to enrich a few who have charge of it.

Hoodlums and gambling are the same. They go together. Big interest rates and big gambling are tailored for the hoodlums. When we do something to stop this exorbitanturious 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.

They get into politics with it occasionally. Now and then they are something that is very hurtful to the people, by getting people involved in politics who have no interest in the people, 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 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 conferences from the House. The Senate selects conferences 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 these 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 flaws we put in the bill that should be ironed out or reconciled or changed, I feel reasonably certain, under the parliamentary procedures we have, which are negotiated, 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 on in the House 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 smokecreens spread by its opponents—is simple and clear.

Is the 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 $90 billion worth of consumer debt. Practically every family—except the most wealthy—is paying a portion of that $90 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 possibly proceed without an acknowledgment of the debt we all owe to former Senator Paul Douglas, his pioneer 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 the Consumer Affairs Subcommittee of the House Banking and Currency Committee. The very design of this legislation and the excellent set of subcommittee hearings were carried on under the able and imaginative leadership of the subcommittee chairman, the gentle lady 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.

So the 5 did not have to be. 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, 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. Unfortunatel, this exemption—or loophole—has been misnamed "The $10 Exemption." In reality, it covers virtually all purchases and loans up to $100. The $10 is for 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 this 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.

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 think, equitable and fair.

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

TITLE I—TRUTH IN LENDING AND CREDIT PROTECTION

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 $89 billion. At the present time, American consumers are paying approximately $13 billion in interest 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 its own job. The stabilization of the credit market by means of competition and the control of credit prices by the forces of supply and demand should be fundamental elements of an effective disclosure policy. In its forceful way it will assure the consumer equal access to pertinent information by such parties.

The 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. We seek to establish a uniform disclosure that will be understood by all. Our effort seeks to make the marketplace an effective disclosure requirement.

We seek to apply to all merchants the principles of sound credit management. We seek to make the marketplace an effective disclosure policy.

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

1. INVOLVING 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 transaction. In addition, 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 voted to add an 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 finance charges actually imposed on such transactions.

The majority of your committee believes that while the monthly rate applied to a revolving charge account may be higher than the regular charges for the purchase of the goods or services, it does not reflect the true cost of the credit. The use of an annual percentage rate would be more meaningful to the consumer.

The exemption from annual rate disclosure is the same as that contained in the committee's bill of 1958. It is generally known that the exemption from annual rate disclosure is not being used to the fullest extent possible.

2. TEN-DOLLAR FINANCE CHARGE EXEMPTION

Another, almost 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 should be offered to 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 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 so high as to discourage creditors from engaging in such transactions.

The proponents of this amendment further contend that great injury would be done to consumers who depend upon these transactions. It is pointed out that these 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 so high as to discourage creditors from engaging in such transactions.

Mr. Stanley Barken of the Independent Bankers Association, presented the committee with an example of an accommodation loan where the annual percentage rate was 120 percent.

In view of what has been said, I cannot understand why these banks and merchants are embarrassed by the imposition of the law, when in fact, they are demanding their customers that they were charging such a rate.

However, it is clear that the amendment is designed to place an unfair burden on the banks and merchants who extend credit at rates that are not in fact as high as those charged by other creditors. In view of what has been said, I cannot understand why these banks and merchants are embarrassed by the imposition of the law, when in fact, they are demanding their customers that they were charging such a rate.

In conclusion, I would like to emphasize that we are not seeking to place an unfair burden on the banks and merchants who extend credit at rates that are not in fact as high as those charged by other creditors. In view of what has been said, I cannot understand why these banks and merchants are embarrassed by the imposition of the law, when in fact, they are demanding their customers that they were charging such a rate.
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 not upon 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 enacting 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 in the hands of various Federal agencies having particular responsibility: abilities 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 principles. 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 insures him the right to be penalized in 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 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. In this regard it must be borne in mind that the definition of the term "finance charge" which provides the basis for the computation of the annual percentage rate will clearly evidence 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 I—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 destruction 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. 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 penalize the small and unsophisticated creditor while permitting those fully capable of paying just debts possibly to escape such responsibilities.

Furthermore, your committee exempts from the restriction on garnishment of wages 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 skyrocketing increases in personal bankruptcies and the illegal garnishment of wages. Since 1950, personal bankruptcies in this country have risen by over 1,000 percent—from 18,000 in 1950 to 203,000 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 these 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 Walter Butler, 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 restriction 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 credit industry, as well as consumer credit transactions generally, reporting back to the Congress and the President on its findings and recommendations. As 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. 1160, the Consumer Credit Protection Act, is a landmark 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 ensure 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 benefit it in the course of this debate, I urge its adoption by the House.
According to two witnesses, one of the largest and most vicious loan sharks operating in New York, just a step down from Carlo Gambino, is 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 stay with him through the day until he puts him to bed at night know the pattern of his days by heart—and are generally convinced because he operates the safest and most remunerative racket in the underworld.

It has no visible means of support, but he has put up his new bride in an expensive 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 by police, he has never had less than $7,000 in sweet cash upon his person—and sometimes he has had $12,000 or $16,000. "You cannot charge him with vagrancy," one prosecutor says, with a sour smile. Unlike a master bookie, he has no fixed headquarters, or elaborate telephone setup, or 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 issued a $25,000 bond in the case of Peter Cooper, who had been arrested on charges of being a loan-shark racketeer. The bond was $40,000.

According to investigators, Marcus had put up $40,000 as a general fund for a cabal of which the least of which was a reputed $30,000 loan-shark debt to Mafia mobster Antonio (Tony Dukes) Comollo. Comollo 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 sharking’s victim was an innocent-looking person—probably no more than a few people and substantial businessmen are the loan shark’s favorite targets; (2) The victim found himself involved in a business with a loan shark, he was over a barrel with the Mafioso—and that is being over a many barrel huckster.

The popular conception of the loan shark as a two-bit hooligan lending $5 on Monday and collecting $6 the next—the typical "skid row" loan shark—cannot be true in actuality, because virtually no relation to current reality. As St. Louis police, the now-retired racketeer, expert of the city’s Bureau of Criminal Investigation, pointed out to the Commission of Investigation in the loan shark inquiry, three years ago: "No self-respecting loan sharking business is in such a precarious business, even to his best friend, that he has loaned more than $100." At the same hearings, then Assistant Dis-
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with a different bathe, all stacked. Now he makes the rounds with her.”

The doctor has one other noticeable trait. He is a very short fuse. The detective says, “and he’ll get into a fight at the drop of a hat. This gentleman is fairly 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 talk.”

There is one other angle to the doctor’s business, and this, too, is highly remunerative. Tanya sometime picks up the secret of the floating crap games. A free spender who likes to gamble is put in touch by a steerer; a fancy limousine picks him up and drives him away to the spot selected for the evening’s pleasure. The game, being an underworld business, has nothing to do with the notebook. 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 piece de resistance. The fever is still upon the sucker; having lost all, he wants to gamble more “to get even.”

And why not? 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 that the game is about to have a change, he pays back the shark on the spot—$900 for the $500 he has just borrowed. If, as in the story, the shark demands $400 as interest, too, he must pay up $600 within 24 hours. “This is one of the nearest racketeers going,” a detective says. “They aren’t interested in the profit; it’s all on the side. And then the accounts—permanently. The man who borrowed but could not pay was found murdered in a city alleyway, and investigators trying to solve the caseoperating on the theory that he paid with his life for having bad 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 材德 of utter ruthlessness. Coupled with his ruthlessness is a devilish cunning that is always devising new ways of getting people into 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 eventually 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, having been delayed in financial difficulties, 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 deal fell through, and for a time everybody was happy. But then the customer, evidently unable to pay, skipped the city—and the sharp irons 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 made off for Florida or Samson, 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 dancers 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 with all the latest refinements. The borrower, ham’s 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 amount he pleases. The victim, unless he wills, and the borrower has to pay or else face the country or risk being dumped in some dank dungeon.

Frank Rogers, in his testimony before the Commission of Investigation, cited a case that began with a $6,000 loan to a business- man. The borrower made three payments, then missed two. For this heinous offense, the loan shark decided that the $6,000 would not be returned. The book was turned over to the accounts department, and the borrower was informed that he would be accompanying double vigor. When the hapless borrower could not begin to pay this sum, the shark told his Collage: “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.’”

It can be said that the man who’s really forgiving anything; he’s simply stopped piling it on. But he still expects his vigor on the old estate. The best single illustration of how it all works is 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 in an ostensibly legitimate business. It had a suit of offices at 475 Fifth Avenue, and its front man was an operator known as Julio Gonzalez. Julio Gonzalez, it appears, conducted business in an atmosphere of a Shlock, a five-percenter.

Some of the largest names in the underworld and its affiliated loan-sharking ventures were house guests at this time and an off the story of the First National.

The original loan of $21,000 was supplied by Thomas (Tommy Ryan) Esol, strong man of the Vito Genovese syndicate, and by Charles (Ruby) Stein, Stein, with his partner, Nicholas (Jiggs) Perlaio, 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, Esol arranged it through Mike Genovese, brother of Vito, and Joseph (Joe Rest) De Nigris, known as a reliable “soldier” of the Genovese family and a close friend of Esol. Money which might be needed in this manner was lent to Julio Gonzalez and First National at 15 and 2 per cent a week—and was put out by Gaza at a minimum of a 5 per cent a week. With money turned over and over from paid-up loans, First National lent approximately $10,000 per week and probably profits of at least $150,000, probably much more.

Borrowers testified before the commission and described in this book what could happen to them or their families if they did not pay. The wife of one borrower, subjected to a blank campaign of bombing, was found in an elevator, collapsed and had to be hospitalized. The others had good reason for their fear, the commission reported. For Gaza employed two hoodoo-enforcers—An
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thony Scala, who liked to be known as "the leg-shaker," and Anthony (Junior) De Franco.

An attorney who had become a partner of Gaia and Demitano was in the commission an inside view of some of the goings-on. On one occasion, Gaia lent $275,000 to the option corporation, an option corporation owned by whom who owed Gaia $1,700 a week "vig" on the loan. Later another $5,000 lent. This raised the "vig" to $1,425 a week, and the option corporation's claim for the loan was $275,000 in interest. The corporation was known locally to the bank that he simply couldn't pay it. Though he had paid Gaia and First National $5,000 in interest on the loan, he had no money left. He had to find the bank or go to the option company owner. Ebbol himself presided at the sit-down, held in a Greenwich Village restaurant, and he decreed that an alde, who was he, would be the chairman of the option company and go to West Virginia to operate its plant there. In the course of a few minutes, the situation was arranged to the satisfaction of all concerned. The concern of every dime in the till and drove it into bankruptcy.

Why do supposedly sensible men get themselves into such jams? The option 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 types of business enterprises are especially vulnerable. In the garment business, an uncertain and cyclical industry, the owner of a dress wholesale house 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 raised it, he has lost his position in the bar business and is running short of funds with which to lay in the costly stock of varied liquors that he needs to supply customers. He goes to the loan shark. In the construction industry, capital can be tied up in long-term projects; when the crunch for cash for a new venture comes, the like of which 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 as 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 known to be a "leg-shaker," a color term and reputation. It did something for his ego just to be seen in the company of such a person. That was the hook.

The shark and Junior began to get together. It started on the $10 level. Then Junior wanted to move up to the $100 class. But the shark in kind said, "Kindly Shark, stop me on the track, reassured him: "O.K., old buddy, don't worry about the money, just keep writing more checks." The shark began to get new ideas. Soon Junior was gambling $1,000 a clip with the bookie with whom Kindly Shark had introduced him. He was found one day writing new apace. Soon Junior was gambling $15,000 a week with the bookie with whom Kindly Shark had introduced him. When the senior partner of the firm, the lawyer, went to the bank for $7,500, the bank refused him and turned him over to the police. The lawyer was arrested and then released and the loan shark ran off.

It sometimes happens, but all too seldom, that a victim is driven to such a degree of desperation that he flies into the arms of the loan shark only to become involved in the same predicament. In a New York Times story, a man who had borrowed money from a loan shark was arrested and charged with the crime of loan-sharking. The man had been operated on while in jail and the loan shark still had his money. The loan shark was arrested and the money was returned to the man. The loan shark was fined $500 and the man was ordered to pay $2,500 in restitution.

Law enforcement officials say that many people who get involved in loan-sharking are forced into it because they have no other way out. They are desperate and see loan-sharking as their last chance. They are not able to get a loan from a legitimate source and see loan-sharking as their only way out. It is a desperate situation and the loan shark takes advantage of it.

The loan shark is a person who lends money at usurious interest rates. They are often found in areas where legitimate sources of credit are unavailable or too expensive. They prey on vulnerable people, such as those who are in need of money for medical bills, education, or other essential needs.

The loan shark is often a middleman who connects the borrower with a legitimate lender. They take a percentage of the interest charged, which is illegal, and the borrower is left with less money. The loan shark is often associated with organized crime and is often involved in illegal activities such as gambling, drug trafficking, and prostitution.

The loan shark is a dangerous and illegal practice that should be stopped. There are laws in place to protect citizens from loan sharks, but they are not always enforced. It is important to be aware of the signs of loan-sharking and to report it to the proper authorities.

The loan shark is a loan shark, and the victim is a person who borrows money from a loan shark. The victim is often a person who is in need of money but cannot get it from a legitimate source.

The loan shark is often a middleman who connects the borrower with a legitimate lender. They take a percentage of the interest charged, which is illegal, and the borrower is left with less money. The loan shark is often associated with organized crime and is often involved in illegal activities such as gambling, drug trafficking, and prostitution.

The loan shark is a dangerous and illegal practice that should be stopped. There are laws in place to protect citizens from loan sharks, but they are not always enforced. It is important to be aware of the signs of loan-sharking and to report it to the proper authorities.
their observations in interviews after the Joint Labor-Commerce Committee's new attention on loan-sharking last week at a hearing at which Michael Metzger, a New York County assistant district attorney, called loan-sharking racketeers by the underworld, which may initiate otherwise legitimate "Mafia." 

**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 can we do for him?"

Instead of besting the victim or threatening his family, the loan shark's strongarm is sent to the house, he said. The victim is in the market business, for example, they force him to buy a load of stolen or tainted goods. "We force him to sign a contract, settle out of court, then make him agree to pay off a shipment of valuable goods for easy hijacking."

Once he's in that far, said another official, it is virtually impossible to extricate him from the loan-sharking "grip."

"Once he's there, his whole life is being dictated by the overlord to whom he is supplied," another official said.

**TRUTH IN LENDING**

As the House of Representatives takes up the long-attested 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 the money, no matter how small the deal. In particular, it is necessary for the least educated and the poorest, who can ill afford mistakes in managing money.

"The bill as it comes to the House floor would improve 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, and the second 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 is something they talk about, according to other enforcement officials. 

"Court-ordered cavershipping should be made available to law enforcement officials," Mr. Scotti said. "This is indispensable. It is impracticable to depend on the advice of people who borrow from loan sharks rarely come forward on their own."

Mr. Scotti complained that loan sharks sell and purchase the same mortgages. And like the narcotics trade, neither party to a loan-sharking transaction wants anyone else to know it has taken place.

"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 extends to the most remote corners of the country, is estimated to take in at least $50,000 a year on every $10,000 in lending.

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

Law enforcement authorities have detected not only the usual forms of loan-sharking activity but also some significant changes in its character.

They noted that 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 officials said it 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), and the delinquent borrower was threatened, beaten or even killed to provide an example to others.

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.

**CONCLUSION**

Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, I rise in support of H.R. 1501, the Consumer Credit Protection Act of 1968. Without equivocation, I think the Committee on Banking and Currency will be proud of the bill it has reported. The vote in the 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 so badly lacking for many years here on Capitol Hill. This measure is not here in response to the major events that occurred 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 have taken the view that the people and no major domestic issue is closer to the people than various facets of what is called "consumer protection."

A bill-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 of the Senate's matters of the floor.

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 existing interest in those one or two portions of the bill with which I disagree. I think the Senate and 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 used the House language of 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 whatever. 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. Neither Members of the Senate and a majority of our committee realized that there was no way accurately to predict or to compute the annual percentage rate of carrying charges on short-term revolving or open end credit. In her original bill, the gentleman from Missouri recognized this when she required disclosure in advance of dollars and cents finance charges from furniture 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 such charges? The answer is that you cannot. On the other hand, those forms of open end credit and installment debt with fixed terms extending 10 or 12 months, there is one that 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. If in fact or in practice, they 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 furnishing the 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 the experience 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, and installment credit of those 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 individuals demand 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 this means that there is nothing in the bill as reported or in the original Sullivan bill which would require disclosure of bank discounts to retail installment credit on 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.

We wrote the bill of furniture dealers to treat us all alike neither the committee bill norIndex:

Second. Because a requirement to annually carry charge rates would exaggerate and overestimate the rates actually being paid, department stores would make certain that their carrying charges equated the rates Federal Reserve Board determined in the bill which I 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 Commerce 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 last year's Administration proposal for a 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 the action of the House and the Senate has a concrete effect on buying habits. There was one major exception. The disclosure requirements in Massachusetts over credit advertising have had a significant effect in reducing the advertising that 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 the same that faced the last year on the most inspection bill. The Committee on Agriculture tried to do a 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 the House to a front-page story in this
week's National Observer entitled "U.S. Inspector General's Report on Meat Loaf." It is startling and frightening to hear the story of what can happen to the deliberative process of the Federal legislature when fraudulent charges are made in an effort to stifle the Congress and bring about a 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 the issue.

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 say how extremely helpful the chairman of our full committee, the Honorable WALTER PATMAN, has been throughout the many months that this bill has been before our committee. He gave me the utmost 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.

Yet all of the last 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 the essential provisions of the Senate bill—presents an equal if not a greater challenge. But the challenge to us is so big that it is meaningful to see that the House went into the bill's effectiveness, this measure will stand as the most important consumer bill passed by Congress in any given year.

As a matter of fact, the American business too.

It is no longer a question of whether Congress will pass and become law. The question instead is: What part of the bill is finally going to be necessary? Will we give the American consumer the whole truth about lending, or just a part of the truth? The decision made in the House this week will go far toward answering the question. If you ask me, it was the 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 indicated, this bill was not a very strong bill and had only limited application. Its draftsmanship was excellent and the technical work on it was 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 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 relief.

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

It ignored the criticism of the consumer group, which is the main factor behind the worst types of credit abuses among the poor and underprivileged.

And, in those credit transactions in which it did apply, it contained two extremely serious permanent loopholes dealing with revolving credit and with transactions up to $100, and one very technical temporary provision which, until January 1, 1972, would have completely closed the consumer's leverage 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 of the Senate's S. 5 last July was not the content of the bill. Rather, Senate passage of truth-in-lending legislation finally brought the issue 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 JINN J. SPANKMAN, and Subcommittee Chairman WAYNE PROCTOR, 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 to our subcommittee that had awaited ever since the Consumer Affairs Subcommittee was established in 1963, and we immediately got busy on this legislation.

STRENGTHENING HOUSE BILL INTRODUCED AND THEN COMMITTED

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 stronger and more 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.

If you will notice, 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 discussed in the full committee to conform to the information we developed in 2 solid weeks of morning and afternoon hearings, but the final draft of this bill, H.R. 11601, as originally introduced, are still in the bill and, in some instances, have been strengthened.

Thus, we included first-mortgage sales, with some types of consumer credit, because the status of a mortgage as a first mortgage does not necessarily assure that it is a good and fair one. The legitimate mortgage finance industry will have no problems in complying with this provision, but the very poorly written and overreaching exposure of their unconscionable rates.

We included the advertising of credit—this 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. We point out the necessity of 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 take out credit 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 local weapon by sellers or lenders whose only investigation into the credit worthiness of a customer is usually to find out what he is and if he is creditable, 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 consistent in the conclusion that 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 as we move forward in our function in meeting the needs of the American people and what changes and improvements are needed to raise the effectiveness and acceptance of standards of the 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 LOOPTHOLEs INTO THE BILL

We defeated in committee an attempt to substitute the sense of the Congress 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 dollars, a year of the average unpaid balance." The Members have received some inquiries on this technical point from bankers in their districts. I assure them that U.S. language we have made 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 consider the Senate 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 loan bill, as we are 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 conference an effective bill, 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 10 percent a year. For some reason, no one seems to figure out, that the modest service charge of 1 1/2 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—which grant revolving credit—but Montgomery Ward's, Sears Roebuck have now taken their 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's 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 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 banks. Those with 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, would have to make the 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 statement of the two charges. At 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 1 1/2 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 their hearings. They have never been able to understand the refinements of the tax code. Now, they can understand the rate to be 18 percent a year, sounds fantastically high while the very same rate expressed as 1 1/2 percent a month sounds low, reasonable, and just delightful.

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 consumer? I 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 conference. But if the amendment carries in Committee of the Whole, the Senate will 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 $100 would be able to dodge 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 sharks 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 $50 or so. Here is the purchase of that amount. A $100 loan for one week at 10 interest is 50 percent. The committee amendment exempting such transactions from disclosure would defeat the purpose of this bill.

It is not a "small business" amendment, such as the Senate apparently thought it was. It is clear that Members of the other body thought it exempted only those credit transactions costing 10 or less—not $10 credit charges on transactions up to $10. By the time we took this up in the House, we had a better understanding about it. Its purpose 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 per-

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 no 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 the bill which this House and its conferences can proudly defend as a real truth-in-consumerism, the gratitude of every consumer, and of those businessmen—the 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 truth, 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 be made needed help to the credit industry in overcoming unfair and dishonest competition from an unscrupulous minority engaging in practices which too often discredit credit and dis- honor its ethics.

RESPONSIBLE MAJORITY OF CREDIT INDUSTRY RECOGNIZES NEED FOR LEGISLATION

Despite past misjudgments 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 the 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, is devoted to service 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 purchase can 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-

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breaking gross national product would quickly wash away 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 any family would be preserved 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 already 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 credit transactions, will lead to 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 attention. I am convinced that these provisions, 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 support from the public. Further, these hearings should speed the day when they will receive greater legislative attention. However, the provisions 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 USBURY CEILING

One was the proposal for a Federal ceiling on the percentage rate of credit charges. This idea was suggested by Chairman VANCE. The purpose was to limit unreasonably high credit charges. 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 as high as 60 percent. Such a ceiling would be placed on reasonable interest rates, but many of the small, local loan firms would be driven out of the business. The ceiling was not high enough to prohibit the practice of "double-figuring" charges, which is a common practice in credit cards. It would not do to regulate on a percentage basis, but to regulate on a dollar basis, with a ceiling on the dollar amount charged.

The stock market was—disastrously—free of margin regulation prior to the enactment of the Securities and Exchange Act of 1934, giving margin customers the right to purchase both at 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 convinced me that a public interest approach to the problem, but not enough so to bring about legislation at this time. Thus, I moved to remove this provision also from the bill.

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 here lies—there was a feeling 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 the war is possible—but before an emergency requiring them even begins to appear over the distant horizon. Like some of our other defense weapons we hope we will never have to use, economic defenses for emergency situations can be envisaged and placed on the shelf—ready to use instantly if disaster should strike.

Our hearings developed no great clamor for these standby economic defenses, nor powerfully 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. MARKET 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 extraordinary power vested in those who can control the prices of thousands of dollars, traded in by professionals and 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, and stabilizing 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 Exchange Act of 1934, giving margin customers the right to purchase both at 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 convinced me that a public interest approach to 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, instruments of financial self-incrimination which are imposed by some segments of the credit industry, usually on trusting people who innocently sign away their legal rights, but not understood formally, or a credit transaction. Despite later utter lack of broad faith by the seller or lender, this form of outright cheating on the quality of the loan, and the truth and accuracy of the credit, the consumer 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, the field action at the State level has been excreting slowly. I sincerely hope the information brought out in our hearings on the legal trappings of credit entrapment, the legal trappings of 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 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 or political considerations 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 organized in aspects of the war on poverty must become particularly alert to their opportunities to help individual families protect themselves from the "money sharks which infest the fringes 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 revoking 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. Words like "usury" and "usurer" 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 Florida.

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(e)(5) about the $107.

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

Mrs. SULLIVAN. Yes. Well, 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, Mr. Chairman, the language of the original bill or 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. This is on the revolving credit exemption, and pages 13 and 14 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 voted on.

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. She is strong and acumen. She devoted tremendous time and effort to the hearings and was determined that we have a good truth in lending bill.

I realize the gentlewomen would want me to not read the whole thing, 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 urge the Committee to vote down the amendment, in my judgment, which has been stricken 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 gentlewoman from Texas.

Mr. GONZALEZ. Mr. Chairman, I am honored to follow the gracious and distinguished Congresswoman from Missouri, Mrs. LEONORA SULLIVAN, and to endorse her position on closing the im-

tant loopholes in the Consumer Credit Protection Act. As a member of Mr. Chairman SULLIVAN'S Consumer Affairs Subcommittee, I can testify to her zeal and leadership in behalf of the American consumer.

I am a co-sponsor of H.R. 11001, and have been privileged to participate in the hearings of this important legislation. I feel distinctly, and not to be stated nationally with full and complete disclosure of interest rates both in contracts and advertising, for this cause I have been engaged in since my service in the Texas Senate. If there is anything that my 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—tell them to you each month what those rates 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 lender is charging you, you have no advance notice. How will you figure the annual interest rate?

Mrs. SULLIVAN. As I argued with the gentlewoman during the hearings and also in committee, I think any sixth grade student can tell us how they figure and what interest rates we have had this argument time and time again. The lack is made that 1% is not 18 percent per year. The only thing one can tell you is if anyone in this House will buy the figure of $193 as the fall and the department store is going to charge them a 1%-per-cent service charge on that $100, that equals $1.50 for that payment for that month for a service charge.

Now, I figure the old way that we used to figure interest rate, and my

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

Mr. CHABOT. Mr. Chairman, I yield Mr. WILLIAMS of Pennsylvania. Mr. WILLIAMS of Pennsylvania, you have introduced a bill from Missouri that if it is simple to lend in dollars and cents, then it should be included in this bill. However, I do not agree it is that simple.

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January 30, 1968

CONGRESSIONAL RECORD—HOUSE

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 that is long overdue. I believe we have represented a 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 is 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 worker's 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 do not anything further until we have had an opportunity to test 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—not accurately reflect the credit charges actually incurred in such transactions. Our decision was based on 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 revolving 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 provisions 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 the Senate.

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 would be of great importance 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 is 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.

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, Mr. Chairman, the 1160, 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 problem has been brought to 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, to that 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 this was the only way we can do 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 you were to take 1/2 an account a revolving credit account in no event will it ever reach the figure of 18 percent per annum—never 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—no ahead, charge 18 percent even though it does not come to 18 percent.

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 talk 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 event that we 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, I may 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 required, then all grantees of revolving charge credit should be required alike to disclose the nominal annual as opposed to effective annual rate which is the credit 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 big-
vest 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.

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 what 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 last sentence apparently clarifies it." I said "I would like to release this telegram, and reading this last sentence explains what the telegram says, 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 here.

I am 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 are using a revolving credit exemption in the truth-in-lending title of H.R. 11601. These wires came from Spiegel's and Montgomery Ward.

Spiegel 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 conditions contains a provision 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 tells 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 break-through among the large retail chains. Added to all of the protests Members of the House have received from bankers, independent merchants of all kind, and from consumers, I do not believe there is a handful of Members would now be willing to bear for a special interest exemption in this bill which benefits only some of the department stores just some of the big chains. Members would now be willing to bear for a special interest exemption in this bill which benefits only some of the department stores just some of the big chains.

Mr. WILLIAMS of Pennsylvania. Would you care for me to read the telegram in its entirety?
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. I have not had opportunity to go 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 as I understand 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. 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 taken in 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, 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 transaction requires specificities or identifies the repayment schedules 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. HECKER of Massachusetts was allowed to speak out of order.)

DAVID G. OUELLET, SEAMAN, U.S. NAVY, DR., BOSTON, MASSACHUSETTS.

Mrs. HECKLER of Massachusetts. Mr. Chairman, I rise on this occasion to call the attention of my colleagues one of the most significant acts of heroism of the Vietnamese war, acknowledged today by the U.S. Navy, 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 on a submarine 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, Massachusetts, states:

For conspicuous gallantry and intrepidity at the risk of his life above and beyond the call of duty. On June 28, 1967, River Patrol Boat (PBR) 124, assigned to patrol the Mekong River during the early evening hours of March 6, 1967, Seaman Ouellet observed suspicious activity near the base of his boat. He immediately notified the 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. Obscured by the Boat's engine sound and thePan@eeleed of the Seaman, Ouellet had been un-protected on the top deck. Seaman Ouellet bounded onto the engine compartment cover, and pushed the Boat Captain down to safety. In the split second that followed the grenade landing, and in the face of certain death, Seaman Ouellet fearlessly placed himself between the enemy weapon and his superiors, courageously absorbing most of the blast fragments with his own body in order to protect his shipmates from injury and death. His extraordinary and 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 find it fitting to honor and respect to the family of this outstanding seaman, who is an inspiration to each and every one of us.

I simply seek honor and with personal sadness that, as the Representative from his district, I call this tragi- and heroics fleet 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. Mica)

Mr. MICA. 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 is not complete, but rather one that deals only with a portion of the problem concerning the American consumer.

I had hoped that H.R. 11601 would not have been saddled with amendments that take the bill away 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 restrictions on the garnishment of wages. The measure provides a restriction on garnishments of the 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 15,000 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 from the bankruptcy division of the Administration 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.

It 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 com-
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 of the 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 is not. Debtor-protection advocates 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. As strange as it may seem, 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 popular 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 these individuals.

It is my hope that the exemptions for revolving credit and for finance charges of less than $10 will be defeated so that 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 important in many ways, especially to the 280 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 0.2 percent of the nearly $93 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 consumer complaints. Otherwise, the two widely accepted concepts of uniformity and 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 consumer is now forced to pay interest on his revolving charge accounts, and no one is asking him to pay interest on his credit cards.

The key word, Mr. Chairman, is "effective." In the case of bank loans, installment credit, and consumer credit the 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 creditors are required to give him the 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.

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 bank loan and installment field 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 mean 18 percent. Creditors 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 debtors. It would be misleading purposes of the bill. The only beneficiaries, obviously, would be those who seek an unfair competitive advantage.

Of potentially greater importance is this fact, and that, if the monthly rate of 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 have to be misled to be enraged.

The same objections apply to the proposal to require disclosure for all forms of credit on a monthly rate basis. Here, too, the appearance 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 purpose, 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 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 let 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 would be the product of more than those who 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 am told that it is necessary to make it “sharpen” a Federal offense. When such operations involve or affect interstate commerce. I shall support such an amendment wholeheartedly. Through no fault of the individual, it is clear 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 vici- cous. It can be stopped only by enlisting the authority of Federal law.

In the final analysis, Mr. Chairman, the bill is truth, and the truth will only be served by disclosing the most accurate possible information about the cost of credit. It is here we have to take care of because 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. 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 co-sponsor.

It is a sad fact of economic life that the poorly 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.

The second committee, as the second committee chairman has disclosed scads of patterns of coercion of the unvaried by the unscrupulous, I have been educated and impressed by the fact that my bill 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, double talking, profit oriented businesses against this type of unfair competition.

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

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

Mr. DULSKY, 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 damming 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 8 billion dollars and represents about 10 percent of purchases of 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 who 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 to the committee.

I want to observe that the provision which would end abuses in the garnishment process, which would collect debts is patterned after New York State and has worked out well.

Mr. HANNA, Mr. Chairman, I would first like to acknowledge kudos to the gentleman 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 dedication which is owed to our chairman, the gentleman from Texas (Mr. Patman) and members of the committee who have been of great patience and who have sat unadvisedly 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 also by those who are trying to help it from without the House.

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

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 the impositions which are being brought to nearly every corner by parties at interest. There is a great misunderstanding concerning the principal issue that will be in contention tomorrow, that of open-end revolving credit.

This confusion is a result of the countless choruses of interest groups, all of whom are singing a different tune.

Consumer groups, big bankers, big retailers, retail, small retailers, retail, big bankers, big retailers, all having a polyglot of other interest groups are all regaling 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.
Because of this they are exposed. Hence, their opposition to the committee bill.

Specifically Splegel's credit plan is notoriously high cost. It is the latest, the hope in this field. Its requirement payment plan is so stretched out that only 30 percent of outstanding debt rates paid in a year and they cannot be protected by the House bill. They do not even come close to what is 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.

The word Splegel's, and from the very outset they said—

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

Montgomery Ward, like Splegel, does not fall within the 60-per cent figure. Their credit is cheaper than Splegel'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 the Ward system, they opted to keep their terms, and therefore go along with the requirement that others disclose the same nominal rate, a play to hide Ward's higher costs.

Yesterday Sears announced support for the uniform monthly or quarterly rate requirement. Sears has shown great sensitivity at the State level to the question of efficient 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 revolving credit plans. They want to 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 648. It shows the monthly finance charge applied to something other than the unpaid balance. (Speigel'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 33½% interest. Some department stores, including Montgomery Ward and Sears, Roebuck & Co., set the percentage of the opening balance on their monthly bills—the balance before subtracting any payments or credits for purchases or returns 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, 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 of $40, it actually comes to $3.75 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 mul-
tantly 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.

Bank credit card systems are al-
much 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 dis-
losure that they already make. So that
gives you the bank position. That is one
of the things I would want to know
about why the banks are taking the posi-
tion they are taking about the committee
amendment.

Also the banks would have less
flexibility than the retailers should the com-
mittee version prevail. Ward's, for exam-
ple, could forgo some revenue, shorten
their terms, and qualify for the exemp-
tion that is given under the bill. But the
banks could not raise their prices in
order to cover the loss in interest 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
who extend revolving credit, and hence they support the uni-
form 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 usually accept the purchase charge
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 justi-
fied in asking 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 seen some of this happen-
ing in bank credit check plans,
where they add 25 cents per check and
then advertise only 1 percent per
month—not 1 1/2 percent, as they already
have in their flat charge percentage on
this discount. They are now lower annual rate advertised.

What I am trying to tell you, gentle-
men 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
1 1/2 percent charge and a true monthly
rate of 1 1/2 percent appear equal. Thus, it
would be to the advantage of those ap-
plying the charge, in the most expen-
sive way to the consumer.

Even so, if the system than an-
nual 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 lend-
ers, and all others who support the commit-
tee 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 an-
nual figures. This approach was spon-
ored in a sincere effort to find an equi-
sable solution.

THE COMMITTEE POSITION

The revolving sellers who contend that
their practice of billing against the ad-
justed monthly balance does not pro-
duce 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 monthly balance system, support the
committee.

Most small independent retailers with
revolving credit support the committee
bill because they feel they do not have the
advantage to retain 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 de-
scription of the situation to make it
abundantly clear that this bill is vital, and
I am sure we are on the side of 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
two-party self-serving chorus in seeking a bill which
offers a well founded and balanced ap-
proach to the issue.

DECIDING THE ISSUE

Clearly, the Congress will not decide
this issue based upon the number of tele-
grams received from each respective in-
terest. There are 187 signed placards en-
panded in letters pro-
testing to tell the whole truth about
truth in lending. The Congress, more spe-
cifically, 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
the anger 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 com-
fronts the bill to you. We have not as a
committee entered slavishly to the in-
terests 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 enact-
ment 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
is the most improbable of foreseeing at this time
any of the problems who are not as yet
unknown. Consumer credit is a burgeoning
field which will require constant
attention.

COMMISSION ON CONSUMER FINANCE

Mrs. SULLIVAN made a very im-
portant statement when she said that the
pass 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 happens in
the marketplace.

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

Very few people understand this par-
ticular 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 revolv-
ing credit. We must not consider the
issue without giving it the thought it
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 are facing an immense 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 ISSUE

The deplorable result of the almost
total misunderstanding with this single issue
of revolving credit has been the obscu-
ration of a more basic inquiry into the
question of yields and competitive posi-
tions 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 the information on 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 or the Senate 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 10 minutes 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 Penny 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 gentleman 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 no wish to add 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, I will not be the first to say so. 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 Penny amendment.

Mr. HANNA. Mr. Chairman, I understand Penney's is supporting this bill because the Penny rate falls below 16 per cent. I have told the gentlewoman that, and that is the truth as far as Penney's is concerned, but no more the Penny amendment, than is his 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's cannot tell their customers the advantages they are giving their customers, but the danger is that the gentlewoman from Missouri (Mrs. SULLIVAN) will only use the question on revolving credit being provided for 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 per cent be required to say their rate is 18 per cent while their competitors also disclosing 18 percent might, in fact, be getting a yield of 45 per cent. I hope 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 deal 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. PENNEY).

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 Consumers' Association, who have 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 the telegram:

The Legislative Council of the National Retired Teachers Association and the American Association of Retired Persons, representing over 1/2 million concerned American Retired Teachers urge Mr. W. E. Sullivan's fight to include revolving credit and all transactions, regardless of the size of the transaction, in nonrevolving 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 bankers.

It is important that the 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 engaged in the fight for some time. 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 the 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 for one have been identified with this issue since Senator Douglas's 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 protection, 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 the sponsor 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, deserve the most drastic weakened it. To be specific, I strongly oppose the committee amendments to exempt revolving credit accounts and the so-called small transactions 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.

In Florida, the use of 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 goods and services.

Yet, although the availability of credit has provided a valuable convenience to the consumer, it has also subjected him to 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 makes an informed decision as to which is the best value for his dollar. The amendments which I seek to strike down would allow alternatives, and make it difficult for the consumer to compare the terms of the various credit sources. This would result in the consumer being compelled to pay more for credit, and to make more of 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 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 credit charge. 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, while revolving 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. Such a requirement would take the credit charge as 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 purchasing? These are the people who must have 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 impossibly 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 maintain that the so-called small transactions exemptions is no more valid, and that, to preserve the integrity of this consumer protection legislation, both of these amendments should be deleted.

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. We have dedicated incontestably the causal connection between the employment of wage garnishment and the alarming rise in the level of personal bankruptcies.

Yet the need for 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 hiring 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 assault performed by unemployment, crowned by the inability to find other employment due to a poor credit record.

Mr. Chairman, I should like to conclude by relating 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 service by disclosure of 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 of substantial importance.

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 reverse of the provisions for 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 wish to point out the importance of conciliating the gentlewoman 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 legislation, I hope 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 New York. [Mr. Patman.]

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 examine of 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 consultation with the representatives of 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. Such an assumption must do. Such an assumption is that of 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
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 Mr. PATMAN has stated, H.R. 11601 excludes disclosure of annual interest rates under revolving credit and service charges $10 and under.

These omissions make the bill a half-way 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—approximately $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.

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 hides 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 finance 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 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 legislation in many 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 gives to banks 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 ease 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 from 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 writing ability, 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 dollars and 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, because they include such items as add-ons, sales price versus cash price, discounts, term price differentials and differing service charges. And under these practices, arithmetical sophistry abounds.

From all 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 180,000.

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 or do we wish to continue the present practice which cheats him of the truth?

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 whether to allow them to continue to quote the consumer a "convenience" or "buy-later" rate which is not the true cost of credit.

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 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 11% 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 discrimination 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 last minute or to allow them to borrow 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 number of lies when they see credit charges of 12% or 15% quoted. The one rate is very low. In shopping for credit, they almost always choose a 12% rate in preference to one of 18 percent a year. Of course, they quote 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. TIERIANN].

Mr. TIERIANN. 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 that position.

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 are most dependent 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.
January 30, 1968

CONGRESSIONAL RECORD — HOUSE 1417

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 of 1968 mandates annual income tax rates to disclose all service charges of $10 or less on any single transaction.

This exemption hits hardest at the poor who bring in $20 to $50 or even $100 worth of goods on credit.

The annual interest rate equivalent for a $20 service charge would be 50 percent. By six months, it would be 50 percent. By six months, it would be 87.5 percent. By a year, it would be 175 percent. By two years, it would be 351 percent.

At least, the purchaser has a right to know the rate.

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, if the commitment extended, the basis of an annual rate should be disclosed.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that the gentleman from Pennsylvania (Mr. Moonhead) 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. MOOREHEAD. Mr. Chairman, the consumer credit protection bill, H.R. 11601, mandates that what it says, what it means, what it entails, what it represents, what it is.

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 so-called installment stores can live with it, then why can't the retailers with revolving accounts and others with straight carrying charges? There is a way to live with it. Why give one creditor a chance to gain an 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. Howl).

Mr. HOWL. Mr. Chairman, 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.

An old truth-in-lending law, if it is adequate and effective, then the 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, nor proper to have two different sets of standards for 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 under an arbitrary line, forcing revolving credit lenders over non-revolving credit lenders.

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

Interest charges on revolving credit generally take the monthly basis of about 1 1/2 percent per month. This works out to 18 percent per 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 figuring. 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 effectively, we must provide an effective truth-in-lending legislation. This objective can only be achieved by enacting a law 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 protection of the consumer.

Mr. Chairman, I am in favor of the disclosure, the full disclosure, of annual interest rates and times any time that an annual interest rate can be computed in the absence of the consumer. 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 indeed been happening. In the last few days 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 set this House of Representatives and to set this Congress to approve an 18-percent annual interest rate on revolving credit. This 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 a citizen I appreciate the fact that consumers are against these provisions. I say this because it points up the fact that these people regard this bill as protecting the consumer to too good an extent. This is why these people have come out against the provision. This is why they want the Sullivan amendment and why these people are against the provisions of H.R. 11601.

Mr. CHAIRMAN, are we 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, which 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 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, provides for a repayment schedule pursuant to which less than 60 percent of the unpaid balance at any time outstanding under the plan is required to be paid within 12 months. This is important, 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 revolving charge accounts. I say to you that it is impossible to figure 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 from 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 three dollars per month, or one-half if the balance 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 1 1/2 percent on monthly balances of $50 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 1 1/2 percent interest charge on the balance of a purchase when 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 $150 interest rate applied. You are paying $150. On the other hand, J. C. Penney applies 1 1/2 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 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 1/2 percent interest rate to any part of a balance would have been required to say 18 percent annual interest. But 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 receive 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 gentleman in Ohio to the effect that they should be entitled to a credit service charge at the rate of one cent for 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.

Now, 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.

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 interest rate and the interest rate 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 1/2 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 lenders? Who do we want to 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 F.I.I. 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 say 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 the gentlewoman. It 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. WYLZE. 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 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 not informed the people of the true interest in the loan. 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 offer with the amendment, 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 25 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 fair and equitable disclosure 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 unwholesome practices on the part of creditors does not help to alleviate my concern.

Yet each of them may use a different form of revolving credit, as we have been told. However, as the gentleman from California [Mr. HAMMA] 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 an undertaking that could not be avoided. 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 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 lenders to disclose costs on a monthly basis, and 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 be disclosed to be a lower monthly percentage rate.

It is section 202(1) which creates the double standard for rate disclosure. This provision establishes two important standards for existing 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 the annual percentage of the unpaid balance in the account is not to be paid out within 12 months are exempted from the annual percentage rate requirement and may instead make disclosure on an installment credit.

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 only rate is not sufficient.
I will offer such an amendment at the proper time, and I urge its support. Mr. Chairman, will the gentlewoman yield?

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

Mr. BLACKBURN. I wish to commend the gentlewoman 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 gentlewoman from New Jersey [Mr. HELOSTOSKI] may extend her remarks at this point in the Record.

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

There was no objection.

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

We are at this 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 inadequately protects or does not protect the consumer. 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 if we do 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 it is perhaps safe 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 are paying only about 18 percent interest. What buyers do not know and what lenders do not tell them is that the consumer pays 18 times the number of months the credit account is open.

Merchants contend that it is difficult to compute and state accurate interest rates 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 truth of 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. In many instances, there 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 insurance or loan discount. If the consumer is not made aware 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, there are local instances 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 of our great Nation to attempt to protect all parties, and 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, revolving account, or other similar method of selling to use the rate of charge 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 financial 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 gentlewoman 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 gentlewoman 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 the chance to work under his leadership on this measure.

The American consumer is 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.

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 outstanding in 1955 was $13 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 was 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 and among different dealers and stores.

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 they could understand and trust.

The abuses and calculated confusions of those who extend consumer credit have been well documented ever since Senator Douglas conducted his first 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 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 hypocrisy has been thrown over the Senate bill. I find the cries of "roll-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 to get such regulatory exemptions 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 points in my disagreement 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 advertisements. The basic requirement is that which is not the 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 ads 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 persuaded to purchase 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 enable us to compare 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 which enter into long-term contracts 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 and I would like to congratulate the Senate on its 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.

I should like to consider the prohibition of misleading and false testimony from witnesses here in Washington as well as from witnesses in New York City. I was deeply impressed by the evidence of personal hardships and distress suffered by many low-income wage earners, enticed into buying goods they could not afford by unscrupulous merchants who knew they already were borrowing 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 the liquidators who pointed out the correlation between harsh garnishment laws and high levels of personal bankruptcies.

The provision we have included in the House version is, I must say, the humane approach taken by New York State to the problem. A man can no longer be forced 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 bankrupcy. Instead of forcing the consumer to choose between his family and the credit, the consumer is given the opportunity 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 protection. The original exemption would allow its users—large department stores, mail-order houses, some credit card systems—to disclose their finance charge on a monthly payment basis. This would be allowed on an annual percentage 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. This is undoubtedly a symptom of inflation. It is clear that the trend toward this type of credit will be even further accelerated. Moreover, this exemption needlessly discriminates against all other forms of credit that pay their rates on an annual percentage basis. Those falling under the general disclosure provision of the bill would be laboring under a grave competitive disadvantage. From this point of view we will enter into a 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 exception. Most important is the fact 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 amount to less than $1. Many of the most important credit needs of the very low-income consumers need the protection of this bill which will otherwise be excluded from the protection of the bill by this exclusion.

I believe these relatively small transactions that some of the greatest debts appear in terms of excessively high interest rates; therefore, it is in precisely these areas that purchasers or borrowers should be informed of the truth-in-lending 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 actual interest rate was not. For example, the advertisement stated that a customer who borrowed $100 for 6 months would only have to pay back $120 in six monthly installments. This figure of course of course 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 make me feel even stronger that the Committee that the proposals submitted by the gentlewoman from Missouri [Mrs. Sullivan] for strengthening the committee bill, are a device 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 percentage rate disclosure by the consumer first of all by the consumer groups of this country. I do not know whether the gentlewoman 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 device plot being proposed by large mail-order houses and department stores.

I have 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 are 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 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 and Mr. Chairman, we cannot at this stage of the game change the whole way in which loans are handled. 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. I wish to talk 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 a monthly basis. This is what the country understands. This is what he gets when he reads the true picture of it. It would be a tragedy if we moved toward uniformity by moving to a monthly interest rate.

Let us have it straight, 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 15 percent a year, you can also say that it is 1.5 percent a month.

Mr. Chairman, the gentleman from Ohio tries to get over all of the difficulties by saying that you can charge a monthly interest rate while per cent per month. I do not deal with the difficulties 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. This is 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. I will excuse me. That is not so. In the case of 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. I 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 first 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. PARKMAN. 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 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 pays that on $90, would he be charged to 10 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 is 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 8.46 percent, not 18 percent?

Mr. BINGHAM. Depending upon the way the gentleman has set up his example and question the interest rate as a fact, he is right. 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. I 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 request of the gentleman 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 he can cut 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?

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 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 lenders, while ensuring that the volumes of consumer credit are fully responsive to the growing needs, ability to pay, and aspirations of the American people.

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:

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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 ensure 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 confusion with no requirement that it be translated into the actual rate of 18 percent per annum. 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 $10 or less and, therefore, nearly all the ordinary credit purchases of our lowest-income individuals and families. I submit that there is no justifiable 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 of this credit and improvement of this legislation have been mentioned here 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 bounden duty, 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 unwarranted financial im- prudence 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 all segments of the industrial disadvantaged. It is of paramount importance that our legislative restrictions and requirements be 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 the many high duties and obligations, and those two 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 revolving credit systems be established and the consumer be 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. We cannot ignore the fact that 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 greatest importance in the economic system. The noncomparative and misleading terms prevent the consumer from making a rational selection among methods of financing his household. The consumer cannot choose only 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 worth of credit, the cost of this capital can be 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 and honest 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-technical 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, weight, and capacity, should be smaller rather than larger. 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 1 1/2 percent is an annual rate of 18 percent. A single 5 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 18 percent annual rates and exploit them 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 be 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 outstanding balance.

The retail creditors' problem is that some of his customers may believe that repeating credit adds 13 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. The credit that is charged on all 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 and all credit cards 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 percent-
age 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 interest. 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 others who sell shoddy merchandise. Exorbitant interest charges and other 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 employers 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 embarrassment and worry usually over 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 may include disbursements 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 contracts are made, it must include a disclosure of payment of interest and the price of the credit. Full disclosure must be made, and they must be used in standardized language so that the consumer may make informed shopping comparisons 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 these credit costs are generally higher than 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 the 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 incomes 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 on the 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 its 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, in other words, recognizes that some consumers will not do business with bad credit, even when information is available to them. Consequently it tells the creditor that, if he takes advantage of their resistance to sales pressure, he will not be permitted to garnish 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 am firmly urge approval of this truth-in-credit principle 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 duties. They also observed how 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 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 that this bill will not pass if these exemptions are not eliminated.

I note that these exemptions will tend to fall most heavily on the poor. Who indeed are most seeking to protect with this legislation? Some who are to borrow 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 at a distant time in small quantities. Once again I speak of the poor. The bill permits the most 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 bill will not wipe out that brand of unscrupulous merchant who forces the poor into purchases beyond their means, taintizing 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 shrug away. I congratulate the committee on this measure, in which I have great confidence.

Mr. DOLAND. Mr. Chairman, I want to express support for H.R. 301, the truth-in-lending bill. Congresswoman ELEANOR 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, 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 high school boy comparing prices on motorcycles.

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 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 business. 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.

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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. ANNUZIO. 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, III. 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, III.

He was then elected as State Representative in 1958, and served in that capacity until 1968, 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 law, S.B. 177, III., to require the pupil 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 Senate Banking Committee 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 dealing with this problem, 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 discussing the subject of Consumer Education to this group in the hope that we can make a Consumer Education program a part of the curriculums 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 the passage of the Bill. It was a lifelong goal of mine, and I am sure glad 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 was small that they did not have a Howard Johnson and even if they had had one, it perhaps would have had only two floors instead of the present twenty-eight.

As a boy, I made perhaps my first real stab at Consumer Education when I went in to purchase some socks at the J.C. Penny Store. One of the shirts which was described in glowing advertising terms, sold for sixty-nine cents, and the other a shorter description of the same material for forty-nine cents.

Today, the difference seems minuscule and hardly worth mentioning. Then, it was a momentous decision on the part of the one who was buying to determine its worth as it related 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 sense of Consumer Education.

As a child, I remember that my father owned an automobile which had only 400 miles on it. We lived six miles from the Missouri State Line, where gas could be purchased for some four or five cents a gallon in the small town of Arkansas, due, of course, to the difference in State tax (a subject which has engaged the attention of this group on many occasions) to travel to the neighboring town to a gasoline station at the Missouri State Line was six miles each way. The problem then, as presented, was not: do you go to the gas station and fill up your gas tank at a savings of four or five cents a gallon, while using whatever gasoline it took to drive the 12 miles to affect the savings. So, you see, Consumer Education in the broader sense is something in which I have lived since childhood. I have had the opportunity of experiencing and knowing that and the consequences in terms of financial education and 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 we have been able to pass for many sesions to work toward what has 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, extremely proud of my own contribution to their passage.

In addition to these experiences as a child and as an Assistant State's Attorney, and member of the Illinois Legislature, I have had a great number of experiences with my own children and how little they know about money management and how little value is placed by money, if I were in charge of my own childhood.

One day, one of my daughters bought a bag of rock candy. I did not know that they sold it any way. I was, I might add, doing work for the 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 daughter's shares of stock.
bought it in a company which has, as its main product, a candy bar called Tootsie Roll. She is ten, sales tax is not yet unpaid, and cherishes the twenty-four cent dividend checks in an almost unloving sort of way. It seems to me, however, that she is learning something about the market place, and the need for it the best way.

I wondered whether the poverty of the Thirties and the affluence of the Sixties, though widely divergent in economic stability, were alike close to the ground 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 to see eighteen 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 commented 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 this for me? Younger girl, "because since you are working, I want to be on your payroll." Older girl, "How much per week do you want?" Younger, "$1.50 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 $1.00 per week." Younger child, "All right. I think you are cheating me, but I will do it. Older girl exit's room and younger child says to me, "She 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 by the Committee on Council of the State Legislature. Research very clearly showed the need for teaching Consumer Education in a period of affluence as well as an 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 roles of consumer and the place to teach Consumer Education.

Some believe that a Consumer Education gap has grown in the child 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 more 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 and content of consumer education courses. A college professor is quoted as saying after the suppression of the curricula, "This is all sounds very interesting, but don't you think consumer education is much too practical to be academically respectable?" Consumer education has had its beginning in the first home economics courses which started about 1900. A great number of these courses reportedly came with the Great Depression of the 1930's. By the early 1940's, consumer education "seemed in a firm grip on some of the rungs of the educational ladder". The public was reportedly interested in any source which would show their children how to spend wisely or prevent them from falling into various scams and schemes, and how to use all advertising.

In 1944, the National Association of Secondary School Principals stated, "All youth need to understand how to purchase and use goods and services intelligent, understanding both the value received by the consumer and the economic consequences of their acts."

By 1955, Consumer Education had tripled and was, in 1960, stayed at this peak. It, then, dropped off during a number of reported reasons: Courses were being taught by half-interested teachers directed fully rather than by interested Consumer Education courses had moved on to bigger and better jobs. Colleges preparing teachers had not institutionalized many courses for Consumer Education. 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 the most teachers of social studies in Illinois spend considerable time teaching consumer education. This exposure to some sort of economic education starts reportedly about the seventh or eighth grade. A University of Chicago office concerned with economic education reports that Illinois children receive some sort of course for Consumer Education, but it is mostly economic theory. Reportedly, some amount of consumer education is taught at home economics and voca-

A survey of several textbooks on Consumer Education in the Illinois State Library indicated the following topics are some of those usually covered:


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 the support of consumer educators, the business community, the Legislature, including of course, the Governor, who must sign the Bill into law. We are pleased to announce that we successfully put these groups together in the State Superintendent of Schools, who under the terms of the Bill is charged with the responsibility of developing the course and implementing it. The State Board of Elections, which has convened and activated an experienced curriculum commission to establish the required consumer credit education courses and to establish the necessary reference materials for such instruction use, courses approved by the commission will all be given to the student. You will be happy to know that, although Fred Coerlitzt 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 more years of the State's Attorney as a State Legislator to help pass credit Reform Legislation, I came to know and realize that the shady and often painful way of helping the young, while still in school, and teaching in an orderly fashion, the concept of credit management. They must be imparted the knowledge that Consumer Credit is a vital part of the economy, either in the chance 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 need and pay for it out of future earnings. They must be impressed with the understanding that taking credit is both a right and a responsibility. 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 savings volume needed to run this economy and adequately finance the enormous demand for more and more goods and services, more and more 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 providing our course 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 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 and when, and what are the parts of the much needed equipment for a well-planned financial life. One solid course in personal finance, management and 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.

Teachable and reputable sellers know 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 disclosures requirements.

There has been an enormous amount of store salesmanship to the Members of
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 free period ends and incurs 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 payment 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 annum.

Mr. Chairman, the alleged impossibility of converting monthly revolving credit charges to an annual rate basis is simply special pleading which should be rejected. This body has no right to do otherwise. I hardly need elaborate the enormity of the hole 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 stated annual rates of 14 percent of a department store or more expensive than a 1½ percent monthly rate quoted by a department store, although the evidence is to the contrary.

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 the creditor does not have an unfair advantage over the investor and so that consumers can compare finance rates not only on consumer loans but also with other interest charges ranging from insurance to mortgage 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. 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 the Consumer Federation of the United Automobile Workers and Steel-Workers 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, appointed 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 that the practice was rendered 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 98 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.

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 wage garnishing a debtor in personal bankruptcy. In the event of non-payment, the employer may only garnish wages in the event of non-payment.

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 consumer from the hazards of 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 Amendment of 1967 which establishes new standards to provide protection against the sale of highly flammable wearing apparel and interior furnishings. Also the Federal Credit Aid 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 among the largest businesses in the United States. I believe that the very fact that 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 last year, I introduced H.R. 4485, the Truth in Lending Act which would accomplish many of the objectives of title I of H.R. 11601, which we are considering today.

On August 8, 1967, before the Subcommittee on Consumer Affairs 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. Simey, 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 spoken on several occasions in 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 this bill first 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 passage 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 remains whether or not we shall restrict the very name 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
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customer 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. 11601, included substantial provisions that 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 interest rate is less than 10%. It also exempts open-end or "revolving" credit from the annual-rate disclosure requirement.

As introduced, H.R. 11601 included a provision that credit charges be disclosed not only at the time of sale, but also in advertising. It also created a Consumer Credit Commission to study other aspects of consumer credit, which may require further legislation.

The astonishing rise in personal bankruptcies is due in part to the ever-rising cost of living. Too often consumers are drawn into delinquent status and are then saddled with the burden of unsecured debt. Over indebtedness makes a person easy prey for those offering credit at phenomenal 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 86th 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 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 legislation.

The recent skyrocket prices, discussed in the recent hearings on the problems of the consumer, have been gorging upon a cadre of merchants and finance companies. This has led to the erosion of the psychological moral and ethical standards of the consumer. In many cases, the consumer has been driven to the brink of bankruptcy.

The provisions of H.R. 11601 were formulated to require clear disclosure of credit obligations. They are now being modified with a provision that the consumer may be required to make a decision 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 an annual rate, so that rational comparison is possible. Requir-

ing disclosure in advertising is part of this concept.

The inclusion of first mortgages has been an important element in the overall problem of consumer credit. The homeowner should own the house for a long time and to be able to keep the house, he must have a clear title. If, however, their home is sold at a great loss, the consumer is likely to suffer financial ruin.

Many years ago in the Cleveland community, I was shocked to learn that the 18-per cent interest charge assessed by department stores was not a condition of the contract of credit between 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 interest charge was made under prevailing department store policies, rather than by 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 or to keep a record of interest charges. In one case, I paid $120 for a pair of shoes with a credit purchase, and when I brought the shoes home, I was billed for the $130 and an additional interest charge of $15. When I disputed this charge, I was told that the charge is made under prevailing department store policies. In my case, the charge was never made, but to the customer, it appeared at the time of purchase.

Although most department stores are accurate and reliable in their accounting methods and in the interest rate charged, there are some that are not. In the area of 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 does not keep any records on the unpaid balance, but simply transfer the unpaid balance to the next time it is due.

In my case, I was charged an interest rate of 18% on the unpaid balance, but the company did not keep any records on the unpaid balance. When I attempted to check this, I was told that the company holds the unpaid balance in a New York bookkeeping office. This company does not keep any records on the unpaid balance, but simply transfer the unpaid balance to the next time it is due.

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poration, built and flew historic airplanes in his native country before he became one of America's outstanding aeronautical engineers. Early in his career, he crossed the Atlantic and to Kitty Hawk ns part.

the Wright brothers realized the immensity of the problem (facing) them and the definite risk of failure. I have witnessed such failures. 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 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. So the Wright brothers studied those conditions, got information from proper sources in Washington, contacted the actual people and places, got a very 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 Charlotte, North Carolina. To my mind, Kitty Hawk was a part of their success. Maybe they wouldn't have succeeded if they hadn't been there to see the land. Of course, we 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 space ship thing was ready. Instead of trying to reach rapidly a success, trying to get some publicity with success, we see them steadily working, perfectly and accurately solving the difficulties of the problem and trying to eliminate it, and aiming at one spot, like a good general tries to cross an enemy, and the enemy just is one spot. So they attacked the enemy of the unknown, trying to build a flying machine which would fly and postpone 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 told him lying has resistance, quicker to success.

Now, other things. Every airplane must have wheels; the Wright brothers left these on the ground . . . reducing weight and drag in the new, young machine. Now, another thing: they were experimenting because 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. They were experimenting, made a mechanical flight by man, by years earlier than anyone else.

Hence, 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 completed his wonderful flight of May 21, 1927, when he took off from New York and landed not merely in Paris, but in a destination. After a 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, let us return to the subject, and I asked him why. "How would you go all alone?" This was his explanation: first, wanted to go alone, not with someone. Now, why was this? He said, "When I go alone, I risk my life, not somebody else's, and my life, I can control my own. If anybody else wants to do it, let him."

Furthermore, "on the way, I may find difficulties, may find questions to solve. If I am alone, I can try to solve it. If there is another man, I'll wait until I am 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 did it, 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 what is not immediately work, and the total freedom to use both worked for the best, resulted in brilliant outcomes. The first thing that 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 it is by enormous organized masses of men disciplined and working on some scientific problems.

No doubt with such things as space travel or nuclear engines it could not have been done that way. There is work on 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 must be worth a genetic 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 work, freedom to start something.

NASA AND THE BUDGET MESSAGE

Mr. CABELL. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Recsas and the Appropriations: 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 Department of Commerce and 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 reduced. 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 and that would be able to compete with the 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 its ability to cope. Therefore, I intend to review any proposals to further reduce the NASA budget, from which we as a nation gain so much of the science and technology that is produced in this country day by day with critical care.

Although the President's budget, which would provide the NASA with $4.37 billion of new obligations, is an austere one, there are encouraging signs. The development of the Space Shuttle, the Skylab, the Apollo landing, and the Saturn V engine would be the most visible of these. I would like to call to your attention. A year of what Administrator Webb characterizes as "rolling readiness" to last January's fire has been capped with the stirring success of the first Saturn V launch and the assurance that the configuration 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 Lunik 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. 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 presence 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 for fiscal year 1969 a continuing financial support for continued planetary exploration in the early 1970's—with more modest expenditures and therefore more modest costs—but nevertheless with highly significant flights. Of course, 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