lative business, and then to adjourn from Thursday until the following Monday on which day, of course, we will have legislative business.

Mr. GERALD R. FORD. I thank the distinguished majority leader for that information.

Mr. McCORMACK. Mr. Speaker, will the distinguished minority leader yield to me?

Mr. GERALD R. FORD. Of course I am always delighted to yield to the distinguished Speaker of the House of Representatives.

Mr. McCORMACK. Mr. Speaker, I just wanted to make the observation that I hope my Republican friends during this period will try and undertake to show the people of the country, as well as convince the people of the country, that if Lincoln were alive today he would be a Republican.

Of course, all of us know that Lincoln was elected to the second term on the Union ticket. The "radical Republicans" as we know did not renominate him for reelection. The convention was held in Baltimore by the Union Party, a party to preserve the Union. As a result of that convention, Lincoln was nominated, and Johnson, a Democrat, was nominated for Vice President.

So the little, pleasant observation, I think, is very pertinent.

It is my further opinion, Mr. Speaker, that our Republican friends need a lot of time during which to try to convince the people of this country that if Lincoln were alive today he would still be a Republican, when as a matter of fact he would probably be a Democrat.

Mr. GERALD R. FORD. Mr. Speaker, I am always interested, and sometimes amused by the observations of our distinguished Speaker at this time of the year when many of our Democratic friends are trying to embrace Abraham Lincoln. However, they never seem to get the Lincoln philosophy incorporated into their actions and into their speeches. They like the name of Lincoln, but apparently they do not like his philosophy, while we on this side of the aisle from the very beginning have embraced both the philosophy and the spirit of Abraham Lincoln.

Mr. McCORMACK. Mr. Speaker, if the gentleman will yield further, that is a very curious statement since the record over the last 30-odd years on the part of the Republicans shows that the gentleman's statement is inconsistent with the various elections which have been held over that period of time.

CONSUMER CREDIT PROTECTION ACT

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

The SPEAKER. The question is on the motion offered by the gentleman from Texas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

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

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday, the Clerk had read through section 1, ending on page 2, line 4, of the bill. If there are no amendments to be offered to this section, the Clerk will read.

The Clerk read as follows:

TITLE I—CREDIT TRANSACTIONS

SEC. 101. (a) The Federal Reserve Act is amended by striking the first section and inserting:

"TITLE I—THE FEDERAL RESERVE SYSTEM

"SECTION 1. This title may be cited as the Federal Reserve Act."

(b) Title I of the Federal Reserve Act is amended by changing "Act", wherever that word is used with reference to title I of the Federal Reserve Act (as so designated by subsection (a) of this section) to read "title".

(c) The Federal Reserve Act is amended by adding at the end:

"TITLE II—CREDIT TRANSACTIONS

"DECLARATION OF PURPOSE

SEC. 201. (a) The Congress finds that economic stabilization would be enhanced and that competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. Significant segments of the population are misled by the manner in which the terms and conditions of credit are offered and contracted for, as well as by advertising in or affecting commerce, which fail adequately to disclose the credit terms offered to buyers in making purchases, or obtaining loans, payable in installments or offered under open end credit plans. Such failure of adequate disclosure tends to increase the uninformed and untimely use of credit by the public, thereby adversely affecting economic stabilization, increasing inflationary pressures, and decreasing the stability of the value of our currency. The informed use of credit results from an awareness of the cost thereof by consumers. It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit.

"(b) Congress further finds that the stabilization of consumer prices would be enhanced by the regulation of speculation in, and the excessive use of credit for, the creation, carrying or trading in commodity futures contracts, as well as the establishment of standby authority for the emergency control of consumer credit.

"DEFINITIONS

"SEC. 202. For the purposes of this title

"(a) 'Board' means the Board of Governors of the Federal Reserve System.

"(b) 'credit' means the right granted by a creditor to a person other than an organization to defer payment of debt or to incur debt and defer its payment, where the debt is contracted by the obligor primarily for personal, family, household, or agricultural purposes. The term does not include any contract in the form of a bailment or lease except to the extent specifically included within the term 'consumer credit sale'.

"(c) 'consumer credit sale' means a transaction in which credit is granted by a seller in connection with the sale of goods or services, if such seller regularly engages in credit transactions as a seller, and such goods or services are purchased primarily for a personal, family, household, or agricultural purpose. The term does not include any contract in the form of a bailment or lease unless the obligor contracts to pay as compensation for use a sum substantially equivalent to or in excess of the value of the goods or services involved, and unless it is agreed that the obligor is bound to become, or for no other or a merely nominal consideration has the option of becoming, the owner of the goods upon full compliance with the provisions of the contract.

"(d) 'finance charge' means the sum of all the charges imposed directly or indirectly by a creditor, and payable directly or indirectly by an obligor, as an incident to the extension of credit, including loan fees, service and carrying charges, discounts, interest, time price differentials, investigators' fees, costs of any guarantee or insurance protecting the creditor against the obligor's default or other credit loss, and any amount payable under a point, discount, or other system of additional charges, except that

"(1) if itemized and disclosed under section 203, the term 'finance charge' does not include amounts collected by a creditor, or included in the credit, for

"(A) fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to a credit transaction; or

"(B) taxes; and

"(2) where credit is secured in whole or in part by an interest in real property, the term does not include, in addition to the duly itemized and disclosed costs referred to in clauses (A) and (B) of paragraph (1), the costs of

"(A) title examination, title insurance, or corresponding procedures;

"(B) preparation of the deed, settlement statement, or other documents;

"(C) escrows for future payments of taxes and insurance;

"(D) notarizing the deed and other documents;

"(E) appraisal fees; or

"(F) credit reports.

"(e) 'creditor' means any individual, or any partnership, corporation, association, cooperative, or other entity, including the United States or any agency or instrumentality thereof, or any other government or political subdivision or agency or instrumentality thereof, if such individual or entity regularly engages in credit transactions, whether in connection with the sale of goods and services or otherwise, and extends credit for which the payment of a finance charge is required.

"(f)(1) 'annual percentage rate' means, for the purposes of sections 203(b) and 203(c), the nominal annual rate determined by the actuarial method (United States rule). For purposes of this calculation it may be assumed that:

"(A) The total time for repayment of the total amount to be financed is the time from the date of the transaction to the date of the final scheduled payment.

"(B) All payments are equal if every scheduled payment in the series of payments is equal except one which may not be more than double any other scheduled payment in the series.

"(C) All payments are scheduled at equal intervals, if all payments are so scheduled except the first payment which may be scheduled to be paid before, on, or after one period from the date of the transaction. A period of time equal to one-half or more of a payment period may be considered one full period.

"(2) The Board may prescribe methods other than the actuarial method, if the Board determines that the use of such other methods will materially simplify computation while retaining reasonable accuracy as compared with the rate determined under the actuarial method.

"(3) For the purposes of section 203(d), the term 'equivalent annual percentage rate' means the rate or rates computed by multiplying the rate or rates used to compute the finance charge for any period by the number of periods in a year.

"(4) Where a creditor imposes the same finance charge for all balances, within a specified range, the annual percentage rate or equivalent annual percentage rate shall be computed on the median balance within the range for the purposes of sections 203(b), 203(c), and 203(d).

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

"(h) 'organization' means a corporation, government or governmental subdivision or agency, business or other trust, estate, partnership, or association.

"(i) 'advertisement in interstate commerce or affecting interstate commerce' includes, but is not limited to,

"(1) the advertising of goods, services, loans, or open end credit plans through any means or instrumentality of interstate commerce; and

"(2) the advertising

"(A) of any goods which are made in whole or in part of any item which has been shipped and received in interstate commerce,

"(B) of any service which is to be performed using any item which was shipped and received in interstate commerce, or

"(C) of any loan or of any extension of credit under an open end credit plan which is to be made in whole or in part in interstate commerce.

"(j) 'State' means any State, the Commonwealth of Puerto Rico, or the District of Columbia.

"DISCLOSURE OF FINANCE CHARGES; ADVERTISING

"SEC. 203. (a) Each creditor shall furnish to each person to whom credit is extended and upon whom a finance charge is or may be imposed the information required by this section, in accordance with regulations prescribed by the Board.

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

"(1) the cash price of the property or service purchased;

"(2) the sum of any amounts credited as downpayment (including any trade-in);

"(3) the difference between the amounts set forth in paragraphs (1) and (2);

"(4) all other charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge;

"(5) the total amount to be financed (the sum of the amounts disclosed under (3) and (4) above);

"(6) the amount of the finance charge (such charge, or a portion of such charge, may be designated as a time-price differential or as a similar term to the extent applicable);

"(7) the finance charge expressed as an annual percentage rate;

"(8) the number, amount, and due dates or periods of payments scheduled to repay the indebtedness; and

"(9) the default, delinquency, or similar charges payable in the event of late payments.

Except as otherwise hereinafter provided, the disclosure required by this subsection shall be made before the credit is extended. Compliance may be attained by disclosing such information in the contract or other evidence of indebtedness to be signed by the obligor. Where a seller receives a purchase order by mail or telephone without personal solicitation by a representative of the seller and the cash price and deferred payment price and the terms of financing, including the annual percentage rate, are set forth in the seller's catalog or other printed material distributed to the public, the disclosure shall be made on or before the date the first payment is due.

"(c) This subsection applies to extensions of credit other than consumer credit sales or transactions under an open end credit plan. Any creditor making a loan or otherwise extending credit under this subsection shall disclose, to the extent applicable,

"(1) the amount of credit of which the obligor will have the actual use, or which is or will be paid to him or for his account or to another person on his behalf;

"(2) all charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge;

"(3) the total amount to be financed (the sum of items (1) and (2) above);

"(4) the amount of the finance charge;

"(5) the finance charge expressed as an annual percentage rate;

"(6) the number, amount, and due dates or periods of payments scheduled to repay the indebtedness; and

"(7) the default, delinquency, or similar charges payable in the event of late payments.

Except as otherwise hereinafter provided, the disclosure required by this subsection shall be made before the credit is extended. Compliance may be attained by disclosing such information in the note or other evidence of indebtedness to be signed by the obligor. Where a creditor receives a request for an extension of credit by mail or telephone without personal solicitation by a representative of the creditor and the terms of financing, including the annual percentage rate for representative amounts of credit, are set forth in the creditor's printed material distributed to the public, or in the contract of loan or other printed material delivered to the obligor, the disclosure shall be made on or before the date the first payment is due.

"(d)(1) This subsection applies to open end credit plans.

"(2) Before opening any account under an open end credit plan, the creditor shall, to the extent applicable, disclose to the person to whom credit is to be extended—

"(A) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;

"(B) the method of determining the balance upon which a finance charge will be imposed;

"(C) the method of determining the amount of the finance charge (including any minimum or fixed amount imposed as a finance charge), the annual percentage rate of the finance charge to be imposed, if any, and, in the case of an installment open end credit plan, the equivalent annual percentage rate; and

"(D) the conditions under which any other charges may be imposed, and the method by which they will be determined.

"(3) For each billing cycle at the end of which there is an outstanding balance under any such account, the creditor shall disclose, to the extent applicable,

"(A) the outstanding balance in the account at the beginning of the billing period;

"(B) the amount and date of each extension of credit during the period and, if a purchase was involved, a brief identification (unless previously furnished) of the goods or services purchased;

"(C) the total amount credited to the account during the period;

"(D) the amount of any finance charge added to the account during the period, itemized to show the amount, if any, due to the application of a percentage rate and the amount, if any, imposed as a minimum or fixed charge;

"(E) the finance charge expressed as an annual percentage rate;

"(F) the balance on which the finance charge was computed and a statement of how the balance was determined;

"(G) the outstanding balance in the account at the end of the period; and

"(H) the date by which, or the period (if any) within which, payment must be made to avoid additional finance charges.

"(4) If a creditor adds to this billing under an open end credit plan one or more installments of other indebtedness from the same obligor, the creditor is not required to disclose under this subsection any information which has been disclosed previously in compliance with subsection (b) or (c).

"(e) Written acknowledgment of receipt by a person to whom a statement is required to be given pursuant to this section shall be conclusive proof of the delivery thereof and, unless the violation is apparent on the face of the statement, of compliance with this section in any action or proceeding by or against an assignee of the original creditor without knowledge to the contrary by such assignee when he acquires the obligation. Such acknowledgment shall not affect the rights of the obligor in any action against the original creditor.

"(f) If there is more than one obligor, a creditor may furnish a statement of required information to only one of them. Required information need not be given in the sequence or order set forth in this section. Additional information or explanations may be included. So long as it conveys substantially the same meaning, a creditor may use language or terminology in any required statement different from that prescribed by this title.

"(g) If applicable State law requires disclosure of items of information substantially similar to those required by this title, then a creditor who complies with such State law may comply with this title by disclosing only the additional items of information required by this title.

"(h) If information disclosed in accordance with this section and any regulations prescribed by the Board is subsequently rendered inaccurate as the result of a prepayment, late payment, adjustment, or amendment of the credit agreement through mutual consent of the parties or as permitted by law, or as the result of any act or occurrence subsequent to the delivery of the required disclosures, the inaccuracy resulting therefrom shall not constitute a violation of this section.

"(i)(1) Prior to July 1, 1968, whenever an annual percentage rate is required to be disclosed by this section, the rate may be expressed either as a percentage rate per year, or as a dollars per hundred per year rate of the average unpaid balance.

"(2) After June 30, 1968, all rates required to be disclosed by this section shall be expressed as percentage rates.

"(j) No creditor, in order to aid, promote,

or assist, directly or indirectly, any consumer credit sale, extension of credit, or open end credit plan, may state or otherwise represent in any advertisement in interstate commerce or affecting interstate commerce

"(1) that specific credit terms are available with the purchase of goods or services or the obtaining of a loan, unless the advertisement clearly and conspicuously sets forth

"(A) the cash sale price,

"(B) the number, amount, and period of each installment payment,

"(C) the downpayment, if any,

"(D) the time sale price, and

"(E) the finance charge, expressed as an annual percentage rate;

"(2) that a specified periodic credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount; or

"(3) that a specified downpayment is required, unless the creditor usually and customarily arranges downpayments in that amount.

"(k) No creditor, in order to aid, promote, or assist, directly or indirectly, the extension of credit under an open end credit plan, may state or otherwise represent in any advertisement in interstate commerce or affecting interstate commerce any of the specific terms of such plan unless the advertisement clearly and conspicuously sets forth

"(1) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;

"(2) the method of determining the balance upon which a finance charge will be imposed;

"(3) the method of determining the amount of the finance charge (including any minimum or fixed amount imposed as a finance charge), and the percentage rate per period and the annual percentage rate of the finance charge to be imposed; and

"(4) the conditions under which any other charges may be imposed, and the method by which they will be determined.

"(l) No creditor may demand or accept any finance charge in connection with any extension of credit to a natural person which exceeds

"(1) the maximum rate or amount permitted under the applicable State law, or

"(2) 18 per centum per annum,

whichever is less.

"(m) No creditor may demand or accept in connection with any extension of credit any note or other document authorizing the confession of judgment against the debtor.

"(n) The provisions of this section shall not apply to

"(1) credit transactions involving extensions of credit for business or commercial purposes, or to governments or governmental agencies or instrumentalities, or to organizations;

"(2) transactions in securities or commodities in accounts by a broker-dealer registered with the Securities and Exchange Commission; or

"(3) credit transactions, other than real property transactions, in which the total amount to be financed exceeds $25,000.

"REGULATIONS

"SEC. 204. (a) The Board shall prescribe regulations to carry out section 203, including provisions

"(1) describing the methods which may be used in determining annual percentage rates under section 203, including, but not limited to, the use of any rules, charts, tables, or devices by creditors to convert to an annual percentage rate any add-on, discount, or other method of computing a finance charge;

"(2) prescribing procedures to insure that the information required to be disclosed under section 203 is set forth clearly and conspicuously; and

"(3) prescribing reasonable tolerances of accuracy with respect to disclosing information under section 203.

"(b) In prescribing regulations with respect to reasonable tolerances of accuracy as required by subsection (a)(3), the Board shall observe the following limitations:

"(1) The annual percentage rate may be rounded to the nearest quarter of 1 per centum for credit transactions payable in substantially equal installments when a creditor determines the total finance charge on the basis of a single add-on, discount, periodic, or other rate, and such rates are converted into an annual percentage rate under procedures prescribed by the Board.

"(2) The use of rate tables or charts may be authorized in cases where the total finance charge is determined in a manner other than that specified in paragraph (1). Such tables or charts may provide for the disclosure of annual percentage rates which vary up to 8 per centum of the rate as defined by section 202(f). However, any creditor who willfully and knowingly uses such tables or charts in such a manner so as to consistently understate the annual percentage rate, as defined by section 202(f), shall be liable for criminal penalties under section 206(b) of this title.

"(3) In the case of creditors determining the annual percentage rate in a manner other than as described in paragraph (1) or (2), the Board may authorize other reasonable tolerances.

"(4) In order to simplify compliance where irregular payments are involved, the Board may authorize tolerances greater than those specified in paragraph (2).

"(c) Any regulation prescribed under this section may contain such classifications and differentiations and may provide for such adjustments and exceptions for any class of transactions as in the judgment of the Board are necessary or proper to effectuate the purpose of section 203 or to prevent circumvention or evasion of, or to facilitate compliance by creditors with, section 203 or any regulation issued under this section. In prescribing exceptions, the Board may consider, among other things, whether any class of transactions is subject to any State law or regulation which requires disclosures substantially similar to those required by section 203.

"(d) In the exercise of its powers under this title, the Board may request the views of other Federal agencies which in its judgment exercise regulatory functions with respect to any class of creditors, and such agencies shall furnish such views upon request of the Board.

"(e) The Board shall establish an advisory committee, to advise and conduct with it in the exercise of its functions with respect to section 203 and this section. In appointing the members of the committee, the Board shall seek to achieve a fair representation of the interests of sellers of merchandise on credit, lenders, and the public. The committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation expenses and not to exceed $100 per diem.

"EFFECT ON STATE LAWS

"SEC. 205. (a) This title shall not be construed to annul, alter or affect, or to exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that such laws are inconsistent with the provisions of this title, or regulations issued thereunder, and then only to the extent of the inconsistency. This title shall not otherwise be construed to annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State, including, but not limited to, laws relating to the types, amounts or rates of charges, or any element or elements of charges, permissible under such laws in connection with the extension or use of credit, nor to extend the applicability of such laws to any class of persons or transactions to which such laws would not otherwise apply, nor shall the disclosure of the annual percentage rate in connection with any consumer credit sale as required by this title be evidence in any action or proceeding that such sale was a loan or any transaction other than a credit sale.

"(b) The Board shall by regulation exempt from the requirements of section 203 any class of credit transactions which it determines are subject to State law or regulation substantially similar to the requirements under that section, with adequate provision for enforcement.

"(c) Except as specified in section 206, section 203 and the regulations issued thereunder do not affect the validity or enforcibility of any contract or obligation under State or Federal law.

"CIVIL AND CRIMINAL PENALTIES

"SEC. 206. (a) (1) Any creditor who, in connection with any credit transaction, knowingly fails in violation of section 203, or any regulation issued thereunder, to disclose any information to any person to whom such information is required to be given shall be liable to such person in the amount of $100, or in any amount equal to twice the finance charge required by such creditor in connection with such transaction, whichever is the greater, except that such liability shall not exceed $1,000 on any credit transaction.

"(2) In any action brought under this subsection in which it is shown that the creditor disclosed a percentage rate or amount less than that required to be disclosed by section 203 or regulations prescribed by the Board (after taking into account permissible tolerances), or failed to disclose information so required, there shall be a rebuttable presumption that such violation was made knowingly. The presumption is rebutted if the creditor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error. A creditor has no liability under this subsection if within fifteen days after discovering the error, and prior to the institution of an action hereunder or the receipt of written notice of the error, the creditor notifies the person concerned of the error and makes whatever adjustments in the appropriate account as are necessary to insure that the person will not be required to pay a finance charge in excess of the amount or percentage rate so disclosed.

"(3) Any action under this subsection may be brought in any United States district court, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation. In any such action in which a person is entitled to recover a penalty as prescribed in paragraph (1), the defendant is also liable for reasonable attorney's fees and court costs as determined by the court.

"(b) Any person who knowingly and willfully gives false or inaccurate information or fails to provide information required to be disclosed under the provisions of this title or any regulation issued thereunder, or who otherwise knowingly and willfully violates any provision of this title or any regulation issued thereunder, shall be fined not more than $5,000 or imprisoned not more than one year, or both. The Attorney General shall enforce this subsection.

"(c) No punishment or penalty provided for a violation of section 203 or any regulation issued under section 204 applies to the United States, or any agency thereof,

or to any State, any political subdivision thereof, or any agency of any State or political subdivision.

"(d) No person is subject to punishment or penalty under this section solely as the result of the disclosure of a finance charge or percentage which is greater than the amount of such charge or percentage required to be disclosed by such person under section 203, or regulations prescribed by the Board.

"REGULATION OF CREDIT FOR COMMODITY FUTURES TRADING

"SEC. 207. For the purpose of preventing the excessive speculation in and the excessive use of credit for the creation, carrying, or trading in commodity futures contracts having the effect of inflating consumer prices, the Board of Governors of the Federal Reserve System shall prescribe regulations governing the amount of credit that may be extended or maintained on any such contract. The regulations may define the terms used in this section, may exempt such transactions as the Board may deem unnecessary to regulate in order to carry out the purpose of this section, and may make such differentiations among commodities, transactions, borrowers, lenders, as the Board may deem appropriate.

"EMERGENCY CONTROL OF CONSUMER CREDIT

"SEC. 208. (a) Whenever the President determines that a national emergency exists which necessitates such action, the Board shall issue regulations, which may include definitions of terms used in this section, to control, to such extent as the Board determines appropriate,

"(1) the extension of consumer credit, by means of any prohibitions, restrictions, or requirements relating to

"(A) the amounts in which and the purposes for which credit may be extended to any person,

"(B) the maximum maturity or other requirements as to the repayment or liquidation of any extension of consumer credit,

"(C) where consumer credit is used for the purchase of identifiable property, maximum loan-to-value ratios,

"(D) the terms of any arrangement for the lease or rental of personal property, and

"(E) such other elements in any extension of credit as may, in his judgment, require regulation in order to carry out the purposes of this title.

"(2) the extension of credit to finance directly or indirectly the extension of consumer credit. Controls imposed pursuant to this paragraph may be related to the borrower's financial history, or to the lender's other loans and investments, or to such other factors as the Board may deem appropriate.

"(3) in the case of any lender engaged both in the extension of consumer credit and in other types of financing, the proportion of such lender's assets which may be devoted to the extension of any type of consumer credit.

This section does not apply to extensions of credit to finance the acquisition of real property.

"ADMINISTRATIVE ENFORCEMENT

"SEC. 209. (a) Whenever the Board has reason to believe that any person has engaged, is engaged, or is about to engage in a violation of this title, and it appears to the Board that a proceeding by it in respect thereof would be in the public interest, it shall serve upon that person a complaint stating its charges and containing a notice of a hearing upon a day and at a place therein fixed at least thirty days after the service of the complaint. The person so complained of shall have the right to appear in opposition to the charges set forth in the complaint. The Board may upon good cause shown allow any person to intervene by counsel or in person in such a proceeding. The testimony in any such proceeding shall be reduced to writing and filed in the office of the Board. If upon the hearing the Board is of the opinion that the person charged in the complaint has violated, is violating, or is about to violate this title, the Board shall state its findings of fact in writing and shall issue and serve an order requiring the person not to engage in the violation. Until the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time, or, if a petition for review has been filed within such time then until the record in the proceeding has been filed in a court of appeals of the United States, as hereinafter provided, the Board may at any time, upon such notice and in such manner as it shall deem proper, modify or set aside, in whole or in part, any report or any order made or issued by it under this section. After the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time, the Board may at any time, after notice and opportunity for hearing, reopen and alter, modify, or set aside, in whole or in part, any report or order made or issued by it under this section, whenever in the opinion of the Board conditions of fact or of law have so changed as to require such action or if the public interest shall so require. The person subject to the order may, within sixty days after service of the report or order entered after such a reopening, obtain a review thereof in the appropriate court of appeals of the United States, in the manner provided in subsection (b) of this section.

"(b) REVIEW OF ORDER; REHEARING. Any person required by an order of the Board not to engage in a violation of this title may obtain a review of such order in the court of appeals of the United States, within any circuit where the act or practice in question was used or where such person resides or carries on business, by filing in the court, within sixty days from the date of the service of such order, a written petition praying that the order of the Board be set aside. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Board, and thereupon the Board shall file in the court the record in the proceeding, as provided in section 2112 of title 28. Upon such filing of the petition the court shall have jurisdiction of the proceeding and of the question determined therein concurrently with the Board until the filing of the record and shall have power to make and enter a decree affirming, modifying, or setting aside the order of the Board, and enforcing the same to the extent that such order is affirmed and to issue such writs as are ancillary to its jurisdiction or are necessary in its judgment to prevent injury to the public or to competitors pendente lite. The findings of the Board as to the facts, if supported by evidence, shall be conclusive. To the extent that the order of the Board is affirmed, the court shall thereupon issue its own order commanding obedience to the terms of such order of the Board. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for the failure to adduce such evidence in the proceeding before the Board, the court may order such additional evidence to be taken before the Board and to be adduced upon the hearing in such manner and upon such terms and conditions as to the court may seem proper. The Board may modify its findings as to the facts, or make new findings, by reason of the additional evidence so taken, and it shall file such modified or new findings, which, if supported by evidence, shall be conclusive, and its recommendations, if any, for the modification or setting aside of its original order, with the return of such additional evidence. The judgment and decree of the court shall be final, except that the same shall be subject to review by the Supreme Court upon certiorari, as provided in section 347 of title 28 of the United States Code.

"(c) JURISDICTION OF COURT. Upon the filing of the record with it the jurisdiction of the court of appeals of the United States to affirm, enforce, modify, or set aside orders of the Board shall be exclusive.

"(d) SERVICE OF COMPLAINTS, ORDERS, AND OTHER PROCESSES; RETURN. Complaints, orders, and other processes of the Board under this section may be served by anyone duly authorized by the Board, either (1) by delivering a copy thereof to the person to be served, or to a member of the partnership to be served, or the president, secretary, or other executive officer or a director of the corporation to be served; or (2) by leaving a copy thereof at the residence or the principal office or place of business of such person; or (3) by mailing a copy thereof by registered mail or by certified mail addressed to such person at his or its residence or principal office or place of business. The verified return by the person so serving said complaint, order, or other process setting forth the manner of said service shall be proof of the same, and the return post office receipt for said complaint, order, or other process mailed by registered mail or by certified mail as aforesaid shall be proof of the service of the same.

"(e) FINALITY OF ORDER. An order of the Board to cease and desist shall become final

"(1) upon the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time; but the Board may thereafter modify or set aside its order to the extent provided in the last sentence of subsection (a); or

"(2) upon the expiration of the time allowed for filing a petition for certiorari, if the order of the Board has been affirmed, or the petition for review dismissed by the court of appeals, and no petition for certiorari has been duly filed; or

"(3) upon the denial of a petition for certiorari, if the order of the Board has been affirmed or the petition for review dismissed by the court of appeals; or

"(4) upon the expiration of thirty days from the date of issuance of the mandate of the Supreme Court, if such Court directs that the order of the Board be affirmed or the petition for review dismissed.

"(f) SAME; ORDER MODIFIED OR SET ASIDE BY SUPREME COURT. If the Supreme Court directs that the order of the Board be modified or set aside, the order of the Board rendered in accordance with the mandate of the Supreme Court shall become final upon the expiration of thirty days from time it was rendered, unless within such thirty days either party has instituted proceedings to have such order corrected to accord with the mandate, in which event the order of the Board shall become final when so corrected.

"(g) SAME; ORDER MODIFIED OR SET ASIDE BY COURT OF APPEALS. If the order of the Board is modified or set aside by the court of appeals, and if (1) the time allowed for filing a petition for certiorari has expired and no such petition has been duly filed, or (2) the petition for certiorari has been denied, or (3) the decision of the court has been affirmed by the Supreme Court, then the order of the Board rendered in accordance with the mandate of the court of appeals shall become final on the expiration of thirty days from the time such order of the Board was rendered, unless within such thirty days either party has instituted proceedings to have such order corrected so that it will accord with the mandate, in which event the order of the Board shall become final when so corrected.

"(h) SAME; REHEARING UPON ORDER OR REMAND.—If the Supreme Court orders a rehearing; or if the case is remanded by the court of appeals to the Board for a rehearing, and if (1) the time allowed for filing a petition for certiorari has expired, and no such petition has been duly filed, or (2) the petition for certiorari has been denied, or

(3) the decision of the court has been affirmed by the Supreme Court, then the order of the Board rendered upon such rehearing shall become final in the same manner as though no prior order of the Board had been rendered.

"(j) DEFINITION OF MANDATE.—As used in this section the term 'mandate', in case a mandate has been recalled prior to the expiration of thirty days from the date of issuance thereof; means the final mandate.

"(k) PENALTY FOR VIOLATION OF ORDER.—Any person who violates an order of the Board to cease and desist after it has become final, and while such order is in effect, shall forfeit and pay to the United States a civil penalty of not more than $5,000 for each violation, which shall accrue to the United States and may be recovered in a civil action brought by the United States. Each separate violation of such an order shall be a separate offense, except that in the case of a violation through continuing failure or neglect to obey a final order of the Board each day of continuance of such failure or neglect shall be deemed a separate offense.

"REPORTS

"SEC. 210. Not later than January 3 of each year commencing after the effective date of this title, the Board of Governors of the Federal Reserve System and the Attorney General shall, respectively, make reports to the Congress concerning the administration of their functions under this title, including such recommendations as the Board and the Attorney General, respectively, deem necessary or appropriate. In addition, reports of the Board of Governors of the Federal Reserve System shall include the Board's assessment of the extent to which compliance with the provisions of this title, and regulations prescribed thereunder, is being achieved.

"EFFECTIVE DATE

"SEC. 211. The provisions of this title shall take effect July 1, 1968."

Mr. PATMAN (during the reading). Mr. Chairman, I would like to make a unanimous-consent request. After conferring with the minority side, and the gentleman from New Jersey [Mr. WIDNALL], in particular, I ask unanimous consent that section 101 be considered as read and printed in the RECORD at this point, and that the committee amendments first be considered and then any amendments to any part of that section may be considered.

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

There was no objection.

COMMITTEE AMENDMENTS

The CHAIRMAN. The Clerk will report the committee amendments.

The Clerk read as follows:

On page 2, line 7, strike "section" and insert "sentence".

Mrs. SULLIVAN. Mr. Chairman, I rise in support of the first committee amendment.

Mr. Chairman, it is, of course, merely a minor typographical correction, but while the Members are here on the floor I wanted to take this time to explain the sequence of issues on which there will be votes this afternoon.

There is no way any one of us managing this bill can assure a Member when any particular vote will occur. There are 35 committee amendments, and at least 20 of them are important. Then there will undoubtedly be additional amendments offered from the floor after the committee amendments are all disposed of. So we have a long afternoon ahead of us, and it should be a lively one, and well worth the Members' time on the floor.

There is nothing they could do in their offices this afternoon which would be nearly as important to as many of the constituents and businessmen in their districts as this first major bill to come before the House this session, one which will directly affect every citizen in many ways for years to come.

I hope we will not have to beat the bushes and the corridors, or ring the bells to get the Members here.

There is a lot to understand about the bread-and-butter, meat-and-potatoes, and keep-your-head-above-water family financial problems involved in this legislation. We will undoubtedly have rollcall votes later on some of these issues, and it would be worth while, I am sure, for the Members to know the extent of the impact of these votes on their consumers.

Consumer issues are funny in the sense that people will often get more excited over a 79-cent department store service charge, or the "points" on a mortgage, than over the most serious problems of health and safety. So nothing about this bill is really unimportant so far as the voters are going to be concerned, and some of the issues involved in it are as politically explosive as you can hope to find, so it is good to know what you are voting on.

I want to say there are no traps in this bill, no hidden gimmicks, no parliamentary sleight of hand, but some of the things are a little technical. From the dozens and scores of telephone calls the staff has been receiving from Members' offices about even minor details of the bill, it is obvious that we have a hot subject here, and one which has attracted the attention of the public and the attention of all the businessmen who grant credit to consumers.

I beg the Members to stay on the floor this afternoon and work with us.

Mr. LENNON. Mr. Chairman, will the gentlewoman yield for a question.

Mrs. SULLIVAN. I am happy to yield to the gentleman.

Mr. LENNON. Do I understand that the effective date of the Senate bill is July 1, 1969? I refer to the bill passed by the other body by a vote of 90 to 2.

Mrs. SULLIVAN. That is right; the effective date there is July 1, 1969. We have made our bill's truth-in-lending section effective as of 9 months from the date of enactment.

Mr. LENNON. But is it the intention of the floor managers of this legislation to amend the House bill so that it will coincide with the effective date of the Senate bill? I ask the gentlewoman this question because so many of the State legislatures will not be in session this year, and their laws would have to be amended accordingly to meet the criteria and the rules provided for in this Federal act.

What does the gentlewoman consider to be the likelihood of that action on the part of the House?

Mrs. SULLIVAN. We did consider that very carefully in committee while the bill was in committee. We have a committee amendment that will give 9 months from the date of enactment.

The committee amendment that we have adopted will provide 9 months after the final enactment of this bill for the regulations to be issued and the requirements set.

Mr. LENNON. Some of us interested in this bill would like to see the effective date July 1, 1969, in order to meet the situation I have described.

Mrs. SULLIVAN. We will have the 9 months provision.

As we get on a little further in the consideration of the bill when the matter of this effective date comes up, it will be thoroughly explained.

Mr. LENNON. I thank the gentlewoman.

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

Mrs. SULLIVAN. I am happy to yield to my colleague.

Mr. PATMAN. The question about the legislatures meeting is not involved, and that will not be necessary because this bill does not deal with usury, it deals with finance charges.

Therefore, I think the point that the legislatures will not be meeting is not particularly important at this point.

Mrs. SULLIVAN. I thank the distinguished chairman, the gentleman from Texas for his explanation. There is nothing in this bill to require the States to take any action. I think what the gentleman from North Carolina refers to is an opportunity provided to the States to take advantage of a provision of the bill which permits the States to take jurisdiction over credit disclosure if their State laws are at least as effective as the Federal law.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that the committee amendments, beginning on page 2, after line 8, through page 9, line 13, be considered en bloc.

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

There was no objection.

The Clerk read as follows:

Page 2, after line 8, insert the following:

"SECTION 1. SHORT TITLE AND DEFINITIONS"

Page 2, line 10, strike "SECTION 1.".

Page 2, line 20, strike "(a)".

Page 3, line 2, strike "Significant" and all that follows down through "currency." in line 12.

Page 3, strikes lines 18 through 23.

Page 5, line 1, after "all the", insert mandatory".

Page 5, line 17, after "transaction" insert ", or the premium, not in excess of those fees and charges, payable for any insurance in lieu of perfecting the security."

Page 6, line 20, strike "203(b) and 203(c)," and insert "203(b), 203(c), and 203(d),".

Page 6, line 22, strike "For purposes" and all that follows down through line 12 on page 7.

Page 8, after line 10, insert the following:

"(h) 'installment open end credit plan' means an open end credit plan which has one or more of the following characteristics: (1) 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), (2) provides for a repayment schedule pursuant to which less than 60

per centum of the unpaid balance at any time outstanding under the plan is required to be paid within twelve months, or (3) provides that amounts in excess of required payments under the repayment schedule are applied to future payments in the order of their respective due dates."

Page 8, line 21, strike "h" and insert "i".

Page 8, strike line 24 and all that follows down through line 13 on page 9.

The committee amendments were agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

Mr. PATMAN. Mr. Chairman, since this amendment on page 10 is directly related to the amendment on page 12, line 2, I ask unanimous consent that those two amendments be considered en bloc.

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

There was no objection.

The CHAIRMAN. The Clerk will report the committee amendments.

The Clerk read as follows:

Page 10, line 17, after "percentage rate", insert the following ", unless the finance charge does not exceed $10, and in ascertaining the applicability of this paragraph, a creditor may not divide a consumer credit sale into two or more sales to avoid the disclosure of an annual percentage rate pursuant to this paragraph."

Page 12, line 2, after "rate", insert the following: ", unless the finance charge does not exceed $10, and in ascertaining the applicability of this paragraph, a creditor may not divide an extension of credit into two or more transactions to avoid the disclosure of an annual percentage rate pursuant to this paragraph."

Mrs. SULLIVAN. Mr. Chairman, I rise in opposition to the amendments.

The CHAIRMAN. The gentlewoman from Missouri is recognized for 5 minutes.

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

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

Mr. PATMAN. Mr. Chairman, I make the point of order that a quorum is not present, since the vote on the amendments will be one of the most important votes we will have.

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

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

[Roll No. 10]

Andrews, N. Dak.	Green, Pa.	Resnick
Cederberg	Halleck	Ivers
Clark	Hansen, Wash.	Robison
Clausen, Don H.	Ichord	Rosenthal
Clawson, Del	Kupferman	St. Onge
Cleveland	Long, Md.	Shriver
Corbett	McClory	Smith, Iowa
Corman	McCloskey	Springer
Cramer	McFall	Stafford
Davis, Wis.	Mailliard	Stuckey
Diggs	Miller, Calif.	Taft
Dingell	Mills	Talcott
Erlenborn	Mink	Teague, Calif.
Evins, Tenn.	Monagan	Thompson, Ga.
Fountain	Moore	Tunney
Giaimo	Moss	Whalen
	Passman	Whitten
	Pelly	

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 11601, and finding itself without a quorum, he had directed the roll to be called, when 379 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The gentlewoman from Missouri [Mrs. SULLIVAN] is recognized for 5 minutes.

Mrs. SULLIVAN. Mr. Chairman, I ask unanimous consent to proceed for an extra 5 minutes so that I can explain the amendment.

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

There was no objection.

Mrs. SULLIVAN. Mr. Chairman, this amendment, which was adopted in committee, seems to confuse many of the Members.

The $10 exemption does not apply merely to a $10 purchase or a $10 loan. It means exempting from rate disclosure any credit transaction of whatever size or amount if the service charge involved is $10 or less. So this would cover most credit transactions up to about $110.

Mr. Chairman, this is one of the big ones—it is one of the two most important committee loophole amendments in the bill. The other big controversy, of course, has to do with the committee amendment extending exemption from annual rate disclosure for revolving credit.

In many ways this amendment now before us is far more important to the low-income consumer than anything else contained in this bill.

It hits him where he lives—in most of his credit transactions.

It hits him when he buys a toaster, or a washing machine, or dryer, or a radio, or a small television set, or a kitchenette set, or some chairs or a sofa—items costing up to $110. It hits him when he borrows up to $110. It hits him when he charges, let us say, $100 worth of work done on his car, or buys a set of tires on credit, or for any other item up to about $110 which he buys on credit.

Under the truth-in-lending title of H.R. 11601, we require the seller or the lender in all consumer credit transactions to tell the customer how much the credit charge will be, including the various fees incident to the credit. But on these $100 items, this amendment says you do not have to disclose the rate at which the charge is assessed. That raises the question: How does this conform to the statement of purpose of the truth-in-lending title of the bill, which is as follows:

It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit.

That is almost the same as the declaration of purpose in the Senate bill, also.

Now, how does a person compare credit terms in an "informed manner" without knowing the percentage rate that he is being charged? Suppose he knows that he can borrow at his credit union for 12 percent simple annual interest, with no fees and no side payments.

But suppose he goes to a loan company instead to ask about a $100 loan and is told it is $10 for the credit for 3 months? That is only 10 percent—compared to 12 percent at the credit union—or is it?

Remember that 3 months is one-quarter of a year—so the annual rate is 4 times 10 percent, and amounts to 40 percent, compared to 12 percent at the credit union.

But would a poorly educated person know that?

This amendment, which was adopted in the committee by a narrow margin seeks to make sure that the borrower does not find out what rate he is actually paying for credit.

A 40-percent rate or charge is low compared to many of the percentage rates which are often charged on transactions of this kind; that is, on loans up to $110, or credit sales for that amount.

These rates run into percentages in the hundreds, but they sound low and inviting to the poor fellow who thinks that $10 for a short-term loan of $100 amounts to only 10 percent.

We have got to help people to learn how to compare credit rates and percentages to get them out of the clutches of the loan sharks and into the legitimate business channels where they can borrow or buy on much, much better terms if they only know how to shop for credit and compare the rates. We call this the loan-shark amendment—we who are fighting it. It is a bitterly destructive wedge driven into this legislation. This is not a small business amendment as claimed; legitimate small business does not charge 500 percent on credit transactions. It is the fringe credit gyp and the slum district loan shark and the racketeering elements in the extortion rackets that charge astronomical rates to their victims. And yet the dollar charge may be only $5 or $10 for a $10 loan until pay day, or for a $25 loan until next week. The loan sharks turn these loans over week after week, month after month, always at a dollar charge of $5 or $10, but at cumulative interest charges which reach for the moon.

The minority leader and some of our colleagues on the other side talk about outlawing loan sharking. Then, let us not hand the loan shark the privileged sanctuary that this amendment adopted in the committee would give him.

I do not mind admitting that the banks and merchants which have joined me in opposing the revolving credit exemption would just love to see this $10 exemption kept in the bill. They would be able to hide the rate of credit charge on the transactions in which they charge their highest rates of all. The 36-percent annual interest rate on a small loan of up to $100 for 3 months would not have to be revealed, not even the monthly rate of 3 percent. How can we talk about fighting loan sharking while at the same time encouraging and promoting it, as this committee amendment would do?

This is the real chance of the minority to strike a blow against crime, and against loan sharking in particular.

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

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

Mr. PATMAN. I assume from what the gentlewoman from Missouri [Mrs. SULLIVAN] is saying, that you want us as Members to vote against this proposal. The proposal consists of 2 amendments in the bill appearing on page 10 from line 17 to line 21, and on page 12, from line 2 to line 6, which are being considered at the one time under the unanimous-consent agreement. You want a "no" vote on that?

Mrs. SULLIVAN. That is correct, Mr. Chairman. I want the Members to join us in going down the line to kill this amendment. Help us to kill it right here in the Committee of the Whole House, and there will be no rollcall on it. We would be serving no business special interest, or no hoodlum criminal loan shark, by such a vote. But we would be serving our low-income constituents, and our consciences as well. There is no interest lined up against this amendment except the public interest—and human decency. A "no" vote on this amendment should assure the Members a good night's untroubled sleep. Please, I implore the Members, please vote your heart on this one, and vote "no."

Mr. WIDNALL. Mr. Chairman, I have no objection to what has been proposed by the gentlewoman from Missouri [Mrs. SULLIVAN]. I have no intention to fight what she has stated in that connection. I personally am going to vote "no."

Mr. HALPERN. 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 New York?

There was no objection.

Mr. HALPERN. Mr. Chairman, I rise to express my opposition to the amendment to exempt transactions with a credit charge of $10 or less from required disclosure of the credit cost as an annual rate. Although there may appear to be valid reasons for adopting this exemption, I believe that it would do the greatest harm to those consumers who are most in need of the aid that this legislation was designed to provide.

First, it should be made clear that the "$10" figure refers not to the cost of the item purchased, but to the cost of the credit involved in the purchase. Thus, exempting transactions with finance charges not exceeding $10 means exempting purchases which might cost $100 or more. We are considering, therefore, purchases or loans of major importance to a low-income family.

It is argued that these $10 credit-charge transactions should be exempted from annual rate disclosure because of the difficulties which might arise for small merchants in calculating an annual rate. The logic of this argument seems somewhat less then forceful, however; the exemption was not based on the size of the business, but on that of the transaction. The small furniture or jewelry merchant would have to make this annual rate calculation whereas the owner of a small clothing store would not.

Furthermore, various witnesses submitted exhibits to demonstrate that the difficulty of this calculation has been overestimated. The small store is unlikely to offer a series of highly complicated credit arrangements. Computation of an annual rate for a straightforward credit transaction can easily be accomplished with the aid of various tables or charts available from Government agencies or banks.

Whereas the merchant would not be greatly inconvenienced by having to provide this annual rate, the consumer might suffer a significant loss by virtue of the lack of this information. A $10 credit charge results from a purchase of a much higher value. Exempting these transactions would mean that the low-income consumer would be deprived of the knowledge of the annual rate he is paying for credit on the majority of his purchases.

It has also been suggested that requirement of annual rate disclosure on so-called small transactions might deprive the consumer of certain types of short-term, small-loan bank credit. A bank which offers a $100 loan for 1 week with a credit charge of $5 might be reluctant to disclose that the credit cost on an annual basis is 260 percent; the bank might prefer not to offer these loans.

However, if such charges are indeed justified on the basis of bookkeeping costs, then all banks and finance companies will be forced to charge similar rates in order to cover their operating costs. Thus, no one credit source will suffer a competitive disadvantage from this disclosure. If, on the other hand, these high charges are not justified, and if these small, short-term loans are available more cheaply at some other source, does the consumer not have a right to know? Furthermore, should consumers not become educated about the cost of these short-term emergency loans and the benefits of better financial management?

Mr. Chairman, I believe that adoption of this amendment would withhold some of the most essential information from that group of consumers most in need of the clearest possible picture of the cost of its credit transactions. I strongly urge an overwhelming "no" vote on this amendment.

Mr. HANNA. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from California is recognized for 5 minutes.

Mr. HANNA. Mr. Chairman, I believe, inasmuch as I am in the same position as the gentleman from New Jersey [Mr. WIDNALL], I am not going to oppose the motion of the gentlewoman from Missouri on this particular issue. But I think it would be unfair to the Members not to explain how this provision got into the measure reported from the committee.

The language about which we are speaking is precisely the language inserted in the bill by the Senate. The argument in the Senate indicates that the provision was placed in on the presentation that without what they called the small businessman's exemption, there would be a material diminution in the offering of credit to people in low-income brackets who really need the credit, and if you put these merchants under the requirement of making all the reports as set forth in this bill and encompassing small transactions, the cost of doing so would probably place them in a position of not even being able to offer merchandise in the credit field to the people who might be seeking it.

That is the background in the Senate, which put this into the bill. As I say, I am not going to object to its being taken out, because it is up to the Senate to defend that position. No one presented a strong case for this in the committee.

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

Mr. HANNA. I yield to the gentleman from Michigan.

Mr. CONYERS. Mr. Chairman, is the gentleman saying that there will be fewer poor people that will be able to pay these high rates of interest if this amendment is deleted?

Mr. HANNA. No. I am just giving the Senate position, as I understand it. I am explaining how this was put in the bill in the first instance. I am not defending it. I am merely explaining it. The Senators on the floor stated in their argument that they felt there would be less merchandise offered to poor people—not less poor people to buy, but less merchandise offered.

Mr. CONYERS. What about the interest rates?

Mr. HANNA. Mr. Chairman, I am not arguing the point. I am merely setting forth what the amendment was, and I am setting it forth so the House understands why it is here. I am not defending it.

If the gentleman wishes to attack it, he may do so by asking for time.

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

Mr. HANNA. Yes; I yield to my chairman.

Mr. PATMAN. Is it not a fact that, although we strike it, this is the Senate language, and it will be in the conference anyway?

Mr. HANNA. Yes.

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

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

Mr. MOORHEAD. 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 Pennsylvania?

There was no objection.

Mr. MOORHEAD. Mr. Chairman, I oppose the committee amendment exempting finance charges of $10 or less from the annual rate disclosure provisions of the bill before us.

This "loan shark" loophole lays a blanket of concealment over the percentage costs of a huge number of consumer credit transactions, including deferred payment sales and loans up to about $110.

This amendment permits the suppression, rather than forces the disclosure, of the most important information a consumer requires in order to use credit intelligently in most of his day-to-day transactions.

The annual rate disclosure provisions, as the bill is now written, apply only to the largest credit transactions the aver-

age family may make—the purchase of a home, or an automobile, or a costly appliance on which the payoff period runs beyond 19 months, or a substantial loan.

The committee amendment exempts a vast proportion of smaller consumer credit transactions, leaving out of the bill the majority of instances in which most consumers use credit.

Advocates of this amendment argue that it is intended to preserve the availability of small short-term credit for consumers who find themselves in need of such "accommodation" loans, and to relieve small merchants of calculating the annual interest rate on relatively small credit transactions.

Mr. Chairman, I submit that the committee amendment conceals the truth about the cost of "accommodation" loans and small credit transactions from the consumers who most need to know the truth.

If this amendment is allowed to stand, lower income families will continue to spend most of their credit dollars without having an opportunity to learn how to use those dollars wisely.

Advocates of the amendment argue that requiring legitimate lenders to state the $10 cost of a $100 1-month "accommodation" loan at an annual rate of 120 percent will cause reputable lenders to stop offering this kind of credit and drive borrowers to loan sharks.

But, Mr. Chairman, I submit that the amendment will throw the protective arm of the law around the very loan sharks its backers claim it will keep the consumer away from.

People who are desperately in need of loans will pay at whatever rate they are asked to pay. The committee amendment will shield from annual disclosure not only banks and other reputable lenders, but predatory loan sharks who might charge $10 for a 1-week loan of $100 and constantly refinance it to avoid telling the borrower about anything but its weekly cost.

Far from drying up legitimate sources of "accommodation" loans, across-the-board annual rate disclosure will enhance the short-term credit competitiveness of banks and other legal lenders and put the loan sharks out of business.

For no matter how desperate a borrower is, he will find his bank's rate of 120 percent a year on the $10 charge for a 1-month loan of $100 dirt cheap if the local loan shark is required to state that his $10 weekly charge for the same loan amounts to 520 percent a year.

As for the argument that the amendment will relieve small merchants of the burden of calculating the annual interest rate on their occasional small credit sales, I submit that without this amendment, the Federal Reserve Board, through its regulations, can exempt very small businesses from the annual rate disclosure requirements while safeguarding the consumer from the abuses this amendment invites on the part of larger businesses.

I urge my colleagues to vote against the committee amendment. A vote against the $10 loophole is a vote against the loan sharks and credit gyps who now prosper handsomely by exploiting and gouging the ignorant and the very poor. A vote against this amendment will bring truth in lending to those who need it most.

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

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

Mr. BINGHAM. Mr. Chairman, I rise in favor of Mrs. SULLIVAN'S position in opposition to the $10 financing charge exemption from the truth-in-lending bill. Throughout long subcommittee and committee debates, I shared the views of those who not only argued that there was no need for the exemption but that it was subject to serious abuse. I felt strongly that the exemption would have hurt those most seriously in need of the protection of this bill. By excluding relatively small purchases of up to $100 or $110—such as clothing, appliances, and jewelry—we leave open the door to deception and concealment for the commonplace day-to-day purchases made by the average family.

In addition to being difficult to police, the exemption would be relatively simple to manipulate. By selling components of one item separately, by use of "split-ticketing" the requirement of annual percentage rate disclosure could easily be avoided in spite of the bill's attempt to prevent this. Most distressing of all, the exemption would cover all types of small loans—those made by "loan sharks" who prey on the poor and the ignorant as well as loans made by legitimate banks and finance companies. Why should they receive a license to mislead and dupe just because they are dealing with smaller amounts of money?

By refusing to make this unwise exemption, the House can assure that all consumers will receive the full protection of its broad disclosure requirements so that they can make intelligent choices based on the most accurate and complete information available.

Mr. MATSUNAGA. Mr. Chairman, I move to strike the requisite number of words.

(By unanimous consent, Mr. MATSUNAGA was allowed to proceed for 3 additional minutes.)

Mr. MATSUNAGA. Mr. Chairman, as a cosponsor of an identical bill, H.R. 11806, I rise in support of H.R. 11601, the Consumer Credit Protection Act, better known as the truth-in-lending bill.

The key to this landmark legislation is found in its declaration of purpose; the informed use of credit.

It is a matter of common knowledge that billions of dollars of credit is extended to consumers every year. Some of this credit takes the form of contracts which run from payday to payday, and some of it extends over several decades of repayment with interest. Credit, however, has come to mean something more than a mere means for retailers to sell their merchandise. For thousands of financial institutions, as well as retailers, credit itself has become a commodity to be sold at a profit, which too frequently exceeds the profit realized from the sale of the merchandise involved.

Present practices which are followed in the extension of consumer credit are designed to emphasize such features of the credit contract which will make the contract appear inexpensive and easy to pay off. It is true that some States by statute regulate credit contracts with respect to the information which must be disclosed, and with respect to the maximum rates which may be charged, but, shocking as it may seem, most of the States neither require the creditor to inform the prospective credit purchaser what the total amount of his debt is going to be nor the number of payments he must make, nor the rate of interest he is being charged. And only in exceptional instances do the States which have disclosure statutes require disclosure of all the information which is necessary to a rational use of credit by the customer. With the tremendous increase in retail sales on credit, the need for Federal legislation has become abundantly clear in the last few years.

It has become equally evident that a truly effective legislation in this field must include the requirement that full disclosures be made on all consumer credit transactions.

Mr. Chairman, for this reason I strongly urge opposition to the proposed amendments which would provide exemptions for the so-called revolving credit, and finance charges of $10 or less. There is indeed no sound basis for the granting of preferential treatment to retailers with this type of credit practice, and at the same time demanding full disclosure of annual interest rates on all other credit charges.

As distasteful as the word may be to many Americans, lawmakers, and consumers alike, the amendments would definitely provide a "loophole" which would constitute an open invitation to turn every imaginable type of credit transaction into a revolving credit or to assess a straight carrying charge of $10 or less for every sale, to avoid disclosure.

In the final analysis, we would be penalizing the poor, for they will be paying the high cost of credit financing without even being cognizant of it. For example, a housewife purchasing a $50 electrical appliance would pay an $8 carrying charge for a 90-day credit without knowing that she is in fact paying an equivalent of an annual interest rate of more than 60 percent. And a man buying a power saw for $29.95 with a carrying charge of $6 for a 90-day term would in effect be paying an annual interest rate of 80 percent, without even knowing it.

To safeguard those consumers who need protection most, therefore, we must insist on full disclosure in all credit transactions. Consumers buying anything with finance charges of $10 or less must not be kept in the dark as to the interest rate they are actually paying.

With reference to another provision in the bill, Mr. Chairman, I am told that an effort will be made to remove the garnishment provisions of this bill. If such a move succeeds we would be helping to perpetuate the cruelest device ever used against the innocent user of credit—the garnishment of the poor man's wages. If approved, the garnishment provisions of this bill would force the creditor, who

now pushes credit sales of shoddy furniture, frozen foods, and other goods with complete disregard of the carrying capacity of the debtor, to exercise restraint in order not to oversell credit to his customers. The committee-supported provision which would restrict garnishment to 10 percent of earnings above $30 per week, appears to be fair and equitable, both to the wage earner and to honest and ethical creditors. It should be adopted.

Mr. Chairman, the decision is ours to make as to whether or not H.R. 11601 will offer consumers a substantial range of protection against misuse of their money and of the Nation's credit and related economic resources. Ours must be a decision to provide a comprehensive consumer protection act for all of our Nation's consumers. The declared purpose of this legislation cannot be fulfilled if we are to accept amendments which would leave that segment of our consuming public which needs the greatest protection, unprotected. Let us on this day write a truly great chapter in American legislative history. Let us legislate for the truth, the whole truth, and nothing but the truth in lending.

The CHAIRMAN. The question is on the committee amendments on page 10, line 17, and page 12, line 2.

The amendments were rejected.

Mr. PATMAN. Mr. Chairman, we have three other committee amendments on pages 13 and 14 which really should be considered together because they are related. The first one, on page 13, line 12, strikes the word "annual." We oppose that. The second one, on page 13, line 13, after the word "rate," inserts the words "per period." We want to oppose that amendment, also. And on page 14, lines 10 and 11, it strikes "the finance charge expressed as an annual percentage rate" and inserts some other language. We want to oppose that amendment, also.

Mr. Chairman, I ask unanimous consent that these amendments be considered en bloc.

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

There was no objection.

The CHAIRMAN. The Clerk will report the committee amendments.

The Clerk read as follows:

Page 13, line 12, strike "annual".

Page 13, line 13, after "rate" insert "per period".

Page 14, lines 10 and 11, strike "the finance charge expressed as an annual percentage rate" and insert the following: "the rate, if any, used in computing the finance charge and, in the case of an installment open-end credit plan, the equivalent annual percentage rate."

Mrs. SULLIVAN. Mr. Chairman, I rise in opposition to the committee amendments.

Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

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

There was no objection.

Mrs. SULLIVAN. Mr. Chairman, this is the most controversial thing in the bill. We have talked about it for 8 years, and now we come to the moment of truth in truth in lending. Are the department stores in the merchandising business, or in the money business? This committee amendment seeks to let them have it both ways. The American Retail Federation has had 7 straight years of victory on this issue, which is a very good batting average, but enough is enough. The wheel has revolved another turn and now it is time to get off. Literally, that is what has happened in the past 2 days. On Monday, three of the biggest mail-order houses notified me for the first time—the first time since I have been involved in this issue, and that is since I introduced truth in lending back in 1963—that they can live with an annual rate requirement on their revolving credit. That does not make this automatically a bad amendment, any more than their support for it would have convinced me it is a good amendment. But it is very significant that Sears, Spiegel's, and Montgomery Ward oppose this amendment now while only J. C. Penney, among the largest chains, holds out for it. As I pointed out yesterday, Penney's originated this amendment. It is tailor made for Penney's own revolving credit plan.

This is not said as an accusation. I think that yesterday the gentleman from California [Mr. HANNA], who sponsored the amendment in the House bill, felt that my reference to Penney's role in originating the language was a reflection on him or on Penney's. I certainly had no such intention. Penney's has every right to be proud of its credit plan. But I do not think it has a right to saddle the consumer with a law which prevents the public from knowing the comparative cost of credit at Penney's, or other department stores, in relation to other forms of credit, or in relation to the rate of return on savings.

Throughout our hearings and committee deliberations and in the debate yesterday, the two different concepts of interest rate and yield were constantly used interchangeably, as if they meant the same thing. The department stores generally achieve a yield of much less than 18 percent on their revolving charge accounts, but the rate, in most instances, is 18 percent—the nominal annual rate—if the monthly rate is 1½ percent.

But let us not stumble about in semantics. We are voting on this committee amendment at a time when there has been an almost complete collapse of business support for it. As I said, only one segment of the credit industry would benefit from it, but the whole concept of truth in lending would suffer from it, and the declaration of purpose in this title of the bill would be defeated insofar as the fastest growing type of credit is concerned.

Yes, only about 5 percent of all consumer credit is in revolving credit accounts. Possibly only 3 percent would come under this amendment. But the amendment would generate universal adoption of this type of credit. The gentleman from New Jersey [Mr. WIDNALL] indicated yesterday that this would be a very good thing; it would, he said, stimulate the credit industry to cut back sharply the time period it allows for repayment in order to take advantage of the special nondisclosure privileges of this amendment. This would be a novel way to achieve credit controls.

Instead of passing a law saying all consumer credit should be limited to 18 or 19 months—which the House, I am sure, would shout down in derision—we are being asked to achieve the same result by exempting from the requirement of revealing their annual interest rate on their credit all firms which set up their repayment schedule in that fashion.

The sudden reversal of position of Montgomery Ward on this issue—joining the furniture dealers, the banks, the automobile dealers, the radio-TV stores, the hardware stores, the music stores and all of the other merchants who have opposed this department store special exemption right along, is particularly significant to me, because the man who two days ago announced that decision for Montgomery Ward, the vice president for credit, Mr. Ashley D. De Shazor, was the person who represented the American Retail Federation before our subcommittee, and who testified for this amendment in behalf of all of the major retailers at our hearing 5 months ago.

I was flabbergasted when I talked to him Monday after receiving his wire, and more so after talking to Sears' vice president and general counsel a few minutes later. Both firms prefer the revolving credit formula in my bill—which would be deleted by the committee amendment—to the revolving credit formula in the Hanna amendment. They would, of course, prefer a straight monthly rate on all revolving credit, with an annual rate only for installment credit. The gentleman from Ohio [Mr. WYLIE] wants to go them one better, and give every form of consumer credit a monthly rate. But, as we say in the supplemental views in our committee report, this would make some sense in achieving truth in lending only if we also, at the same time, required the banks and the bond houses and the Treasury and the savings and loans and the credit unions and all financial institutions which now cite their interest or dividends on the basis of so much percent per annum—to give only the monthly rate instead. In that case—and just think of this for a moment—a bank now paying 4 percent interest, and bragging about it, would be required to say instead, that it would pay you the magnificent return of one-third of 1 percent a month on your savings account.

Mr. Chairman, if we defeat this amendment, as I hope and trust we will, revolving credit will neither die, nor suffer, from revealing that the credit rate of 1½ percent a month—or whatever the monthly rate is—figures out to an annual rate of 12 times as much. In addition to quoting the annual rate, the department stores can give the monthly rate also, if they wished. They have this privilege of showing the monthly rate as well as the annual rate. Penney's can tell its customers how its system differs from Sears' or Ward's or Spiegel's; the furniture stores can compete on even terms with the department stores, and so can the tire dealers and the other independent merchants. And the Members of this House can look their consumer-constit-

uents right in the eye. So let us do it, by voting "no" on this committee amendment.

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

Mrs. SULLIVAN. I will be happy to yield to the gentleman from Ohio.

Mr. ASHLEY. Mr. Chairman, I want to express my deep respect for the gentlewoman from Missouri, who has worked many, many months in this most important area. I want to congratulate the gentlewoman for the bill we are considering today.

When it first came to the committee, there were many areas with which I did not agree. The results of our legislative process in committee have produced the bill that we are considering today, and I believe that I speak for a number of the members of the committee—all of the members of the committee, I might say—in expressing congratulations, and I join with my colleagues of the committee who have come to understand what the gentlewoman from Missouri has been saying for many months and, indeed, many years.

I agree with the gentlewoman on the amendment that is before us at this time, and I shall take pleasure in following her leadership.

Mr. Chairman, I rise to speak in opposition to the committee amendment exempting revolving credit transactions from the requirements of disclosure of the annual percentage rate.

We can all readily understand the argument that this exemption prohibits the consumer from effective comparison shopping in connection with his credit transactions. After all, what we seek under this legislation is to provide for disclosure in connection with credit transactions so that the consumer can comparison shop. In other words, if a family decides it is going to purchase an armchair for the living room and does not want to or cannot afford to pay cash for the armchair, the fact that they purchase the armchair from the Hecht Co. on a revolving credit account as opposed to buying it from their local independent furniture dealer should not determine whether or not they obtain annual rate of disclosure.

However, the fact of the matter is that under the bill as reported by the committee, in their purchase from the department store they will be told that the finance charges are at a rate of 1½ per month while the furniture dealer will have to disclose an annual rate of 18 percent. This is confusing and unwarranted and obviously runs contrary to the basic purpose of the legislation.

However, the major argument put forward by the proponents of the committee amendment is based upon confusion between the concepts of rate disclosure and yield disclosure. The proponents of the big chain store say that while the monthly rate applied to a charge account may be 1½ percent a month, and while 12 times 1½ percent per month is 18 percent, the particular schedule of payments and purchases when combined with the so-called free-ride period does not justify expressing the 1½-percent-per-month rate as 18 percent per year.

Now let us be clear about the concepts of rate and yield. There is a simple example of the difference between yield and rate which we are all familiar with. We all know that 4¾ percent is the rate the savings and loan associations of the District of Columbia offer on savings. However, we similarly recognize that the yield we will receive on our savings accounts depends upon what time of the month we deposit money and what time of the month we withdraw funds.

If one savings and loan association only credits an account when funds are deposited on the first of the month, while another savings and loan credits an account with funds that are deposited by the 20th of the month, the rate of 4¾ percent will be the same for both but the yield on the account where funds are deposited on the 20th will be considerably higher. Both savings and loan associations in this example advertise a 4¾ percent rate. One, however, can and will advertise the yield advantage to the depositor permitting his deposits to be received and credited when such deposits are made by the 20th.

Similarly, the committee bill as originally introduced would have required all revolving charge account creditors to uniformly disclose the annual rate while permitting them in their advertising to describe the particular advantage to the consumer of the specific system they use.

Let us remember that the very purpose of this legislation is to provide disclosure, not to regulate. If we do not provide uniformity of disclosure so that the consumer can comparison shop, we are defeating the very purpose of the legislation. For this reason I support rejection of the committee exemption on revolving credit.

Mrs. SULLIVAN. Mr. Chairman, I thank the gentleman from Ohio for his remarks, and I yield back the balance of my time.

Mr. WIDNALL. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I rise in support of the committee amendment. I think yesterday's debate was extremely enlightening to the House. I was interested to hear the gentlewoman from Missouri [Mrs. SULLIVAN] continue to refer to the committee amendment as the big retailer amendment. In her statement the gentlewoman from Missouri [Mrs. SULLIVAN] then went on to tell the House that Sears, Roebuck—a billion-dollar-a-month retailer—Montgomery Ward—the store which recently tried to require their customers to purchase credit life insurance whether they liked it or not—Spiegels—a catalog house which is a subsidiary of a huge finance corporation and which has a Kentucky subsidiary charging 30 percent annual interest rate on small loans—and many other large retailers are supporting the Sullivan approach. In short, the biggest retailers in the Nation are supporting the gentlewoman from Missouri [Mrs. SULLIVAN].

The biggest banks in the Nation employing bank credit cards are also supporting the gentlewoman from Missouri [Mrs. SULLIVAN].

The auto companies are supporting the gentlewoman from Missouri [Mrs. SULLIVAN].

Who, then, is supporting the committee amendment?

The gentlewoman from Missouri [Mrs. SULLIVAN] seems to take great pleasure in reminding the House that the committee amendment is sometimes referred to as the "Penney" amendment. I think that is a good name to call it, because the J. C. Penney Co. happens to be the one large department store which charges its customers the least amount on revolving charge of any retailer in the country.

It seems clear to me that the biggest retailers who have never supported the Senate bill or the House committee amendment are seeking to have everybody treated alike so that the entire Nation will be covered with an 18-percent annual interest rate floor on retail credit.

The purpose of the committee amendment has been and always was aimed at encouraging shorter term, less expensive carrying charges on revolving charge accounts.

If the House rejects the committee amendment, there is absolutely no question that the low-cost department stores, many of them small department stores, will be penalized for employing the lowest cost type of revolving charge systems. If they are faced with the requirement to place on their bills a statement that they are charging 18-percent annual rate of interest, there is no question but that they will be forced to abandon their present systems and make certain they actually do charge 18 percent. The net result will be to add tens of millions of dollars to the cost of consumer debt to the American public each and every year.

I urge the House to support the committee amendment.

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

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

Mr. BINGHAM. Mr. Chairman, I would ask the gentleman if it is not true that all of the consumer groups, and the AFL–CIO are supporting the gentlewoman from Missouri's [Mrs. SULLIVAN] position in this regard?

Mr. WIDNALL. That is true.

Mr. BINGHAM. Thank you.

Mr. WIDNALL. We have received messages to that effect. But, also, I believe my colleague the gentleman from New York [Mr. FINO] should read the telegram from the American Retail Federation representing the small business group.

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

Mr. WIDNALL. I yield to the gentlelady.

Mrs. SULLIVAN. The gentleman says that if this committee amendment is defeated, then all the department stores and the catalog houses are going to have to charge 18 percent. Is that true? Is that what you said?

Mr. WIDNALL. I do not say that they have to, but they will.

Mrs. SULLIVAN. Has competition disappeared? I think they will compete for credit customers by charging the lowest rate possible, if others are also compet-

ing. But will you tell me whether or not you come out to any different annual figure than 18 percent as long as they charge 1½ percent monthly? If you figure the monthly balance due, and multiply it by 18 percent, and divide that by the 12 months in a year—or multiply the monthly balance due by 1.5 percent—you come out to exactly the same figure. The annual rate cannot be any different than 12 times the monthly rate. The service charge would come exactly the same by either method of computation.

So it is not how much they are going to charge annually. If they apply that 1.5 percent a month, it cannot come out any different than at a rate of 18 percent a year.

Mr. WIDNALL. You are talking about the rate and not about the actual charge.

Mrs. SULLIVAN. We are talking about the annual percentage rate.

Mr. WIDNALL. But you are not talking about the charge.

Mrs. SULLIVAN. I do not understand the gentleman. What do you mean, the annual charge?

Mr. WIDNALL. I am talking about dollars and cents.

Mrs. SULLIVAN. We are talking about how they apply the 1.5 percent a month to the unpaid balance; are we not?

Mr. WIDNALL. All I can say is that we are trying to reduce the cost to the consumer and I think that this will up the charge in the average instance to the consumer by naming the 18-percent rate.

Mrs. SULLIVAN. I am sorry but I cannot agree with the gentleman on that.

The CHAIRMAN. The time of the gentleman has expired.

Mr. HANNA. Mr. Chairman, I rise in support of the committee amendment.

Mr. Chairman, I oppose the position taken by the gentlewoman from Missouri and I do so with great regret. She has my deep respect, as she has earned the respect of the most knowledgeable consumer groups for her dedicated work in this field.

She has, I want to assure her, my continuing affection as a friend and colleague.

However, Mr. Chairman, we part company on this issue, on a very fundamental distinction. The gentlewoman from Missouri [Mrs. SULLIVAN] and those who have followed her—and I want to emphasize to you that I do not stand here in the role of being with the angels today. All the wings were issued out long before I arrived on the scene. There is a commitment that goes way back by the consumer groups and labor groups, to the idea that truth in lending is tied to disclosure of a simple annual interest rate.

There are a lot of people who have their prestige, their reputation and their position tied up now on this proposition—with 8 years of dedication to it.

So all I can do is appeal to you on the basis of honesty and with humility. I do not agree that their position is correct.

I want to tell you, I think it is more important to the consumer to know how a rate is applied to get the yield he must pay. The amount that the offerer of credit gets, the consumer pays.

Unless you provide some way of bringing some intelligence to him of what the lender is going to get and he is to pay, you are not helping him.

I suggest to you, if you analyze this proposal correctly, you are going to have under the Sullivan version a law that is weak. A very gratuitous act telling the public that 1.5 percent interest times 12 is 18 percent.

That may make you look good in lots of places, especially if it is festooned with the grandiose statements that attach to that original idea that truth in lending is the annual interest rate.

But I humbly believe that you are going to be misleading yourself and misleading the public.

If you look at the bill—and that is very rarely done—I want to tell you that we make this distinction in two ways.

First, the committee carefully distinguished the short-term from the long-term revolving credit.

In the definitions that are found on page 8, starting on line 14, you will find that installment open-end credit plans, which means installments and not short term includes any revolving credit in which there is less than 60 percent total amount paid off in a year. In other words revolving credit which approaches in time and terms the pattern of installment credit is treated exactly like installment credit.

Let me tell you that is exactly why the large catalog houses are with the gentlewoman from Missouri [Mrs. SULLIVAN] because in the application of their revolving credit, they nearly all fall under installment credit. So why should they not go along with the gentlewoman?

When you look at the other distinction, you will find in the bill starting on page 12, line 24, and proceeding through that section, you will find things that have to be disclosed in short-term revolving credit, to tell the creditor something about how the monthly rate is applied.

In section f it states that if you are really talking about short-term revolving credit, you must state not only the balance but how the balance was determined against which you are going to apply the rate. If such balance is determined without first deducting the payments made that month, you have to tell that.

So this gives the buyer some idea of what 1½ percent is applied to.

Let me explain this: 1½ percent each month is something different than just one-twelfth of 18; 1½ percent each month is different from 1½ percent per month, if you understand the application of interest rates, because it is going to be applied for a particular period and at a particular point, and then the principal will change in the next month. So that the application is against a changing situation; whereas in an installment plan the whole pattern is already set out. You know how long it is going to run and what the principal is.

(By unanimous consent, Mr. HANNA was allowed to proceed for 3 additional minutes.)

Mr. HANNA. So I should like to explain to the House that when you tell the consumer that 1½ percent applied to a period of time, 1 month, relates to an 18-percent annual interest rate, you are not helping him at all in trying to solve his problem as to how much the credit is costing him, because he can only find that out by knowing three things: First, what is the rate that is being applied at a given time; second, against what balance; and, third, how the balance was arrived at? When he gets that information and multiplies it up, he can find what his interest rate would project, assuming that he went on with the same kind of payment balance and exactly the same amount owing.

If you think that you can oversimplify this matter for the American public, and if you think that we should engage in the gratuitous act of telling the American public that 1½ times 12 is 18, then you will, of course, not see the wisdom in what we are trying, under difficult circumstances, to explain. The people we are trying to help are the new people in the competition for credit. The old established houses—Sears, Roebuck, Montgomery Ward and Spiegel—and all the time-payment plans that have been with us for 50 years are for the gentlewoman from Missouri [Mrs. SULLIVAN], because her proposal would protect the status quo. The new competition for credit that the little merchandiser is trying to get into and be a part of will be cut off on a competition wave if you go along with the Sullivan amendment. Please believe that. I very sincerely believe that you would be making a mistake in the competitive position of credit in the marketplace for the consumer if you take the easy way out.

I am not unmindful of the preponderance of sentiment and the weight of persuasion that attaches when forces like the AFL–CIO and consumer groups have for 8 years committed their prestige and reputation to a cause. When that cause oversimplifies in a slogan like "Truth in Lending" and such a slogan is made synonymous with "annual interest rate disclosure," it is difficult to come to the floor and face this great weight with a reasoned explanation of a complex set of facts and figures.

It is questionable that my poor rhetoric could prevail in such an environment. I can only sincerely confirm that my conviction remains that as matters now stand in the marketplace, the experience in actual life there is completely at odds with the popular belief perpetuated by the well-meaning forces behind this legislation. That being so, if we pass the Sullivan version, I hope the House will be willing to correct their error when the light of experience finally dawns.

Mr. FINO. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from New York is recognized for 5 minutes.

(By unanimous consent, Mr. FINO was allowed to proceed for 5 additional minutes.)

Mr. FINO. Mr. Chairman, I would like the Members of this House to know that all of us are concerned with this legislation, both the minority and the majority, and we are here to try to support the position of the committee.

One of the publications that has very strongly supported the gentlewoman from Missouri [Mrs. SULLIVAN] in her efforts to make revolving credit sellers

and lenders use an annual-rate figure has been Consumer Reports, a magazine with which most of us are or should be familiar. I have a copy of that magazine which discusses this very issue and which contains some very, very revealing information.

With all due respect to my fine colleague, Mrs. SULLIVAN, and the editors of this magazine, I think they have inadvertently made a very strong case for not—and I repeat "for not"—requiring a statement of annual rate in revolving credit, by making certain facts regarding revolving credit accounts public.

In this issue, which is the September 1967 issue of the Consumer Reports, this magazine points out that even though the rate applied to different accounts may be the same, the results in terms of dollar costs are often very different. This magazine illustrates six different and separate methods of applying the one-and-a-half-percent charge to an identical set of purchase and payment circumstances.

Under the cheapest method discussed, the customer would pay $2.28 in service charge. Under the most expensive—and this applies to identical purchase and payment circumstances—under the most expensive, the same customer, without doing anything different on his own part, would end up being charged $5.44, or more than twice as much.

As the magazine points out in introducing these examples, and this is a quote from the magazine:

Service charges on revolving accounts vary widely from store to store and from bank to bank even though the stated interest rate is usually the same.

I ask the Members of this House, what protection is the stated annual rate? Obviously if the actual dollar charges can vary over 100 percent while the stated annual rate remains the same, the stated annual rate is worse than worthless. I say to the Members of this House, it is misleading and deceptive to the consumers—the very people we are trying to protect with this legislation.

Congress has been bombarded, and I know many Members of this House have received a great deal of mail from the lenders who, for many years, opposed any kind of truth-in-lending bill, who are now saying, "We are for the bill if everybody can be treated alike, if the annual rate will be stated on all revolving credit accounts."

This sudden reversal of position has surprised many people. But the figures given by Consumer Reports now make it clear why they are switching—and we are not talking about cigarettes, we are talking about the pocketbooks of our customers.

If you are charging $5.44 and your competition is charging $2.28 for the same service, would you not favor a law which would lead the customer to believe that both firms were actually charging the same rate? It is instructive to note that those most vocal in demanding equal treatment are almost invariably those whose credit plans are the most expensive to the consumer.

Consumer Reports—referring to the same publication—reluctantly admitting some difficulty in this area, says:

The drafters of the Senate Truth-in-Lending Bill recognize this obstacle to credit price comparisons. Their solution is to require each revolving credit contract and monthly statement to explain its billing system. The Federal Reserve Board, which will have to write the necessary regulations, has its work cut out.

The magazine then goes on to demonstrate how difficult such an explanation is. They then weaken their own argument for annual rate as the panacea to this problem, in my opinion, when they say:

With slight amending, it (Mrs. SULLIVAN's original bill) could assign the Federal Reserve Board to tackle the billing problem.

If in the one instance—implementation of the Senate bill, which is quite straightforward—the Federal Reserve Board "has its work cut out," how can we expect that with "slight amending" the whole problem will go away and disappear when the added complication of admittedly misleading annual rate is added?

I have not used any sources of information in this discussion which are unfriendly to the distinguished chairman of the Subcommittee on Consumer Affairs, the gentlewoman from Missouri [Mrs. SULLIVAN]. I have quoted entirely from a publication which passionately defends her point of view. But I submit to the Members of the House that this annualization of revolving credit charges is fraught with so many problems and so ignores the obvious variables involved that the wisest course of action we can take here on this floor today would be to endorse the position of the majority of the members of the committee and support the committee amendments.

We know that the members of the Senate committee wrestled with this very problem for more than 6 years. They finally came to the same conclusion as the House committee did. The Senate itself endorsed that position with an unanimous vote, 92 to nothing.

I do not want to try to upset 7 years of careful study on the basis of a single afternoon's debate on the floor of this House, particularly when the case offered us is as shaky as I have shown it to be.

Now, the gentlewoman from Missouri [Mrs. SULLIVAN] showed great concern today for the big corporations that we are trying to defend. I believe the gentleman from California pointed out very correctly that the big "fat cat" corporations, the big wholesale houses—Sears, Montgomery Ward, Spiegels, et cetera—are with the gentlewoman from Missouri [Mrs. SULLIVAN]. We are interested in the little fellow. All of the Members of this House who are so concerned about the small businessman, the little fellow who is being driven out by these big "fat cat" corporations and business houses, should know that they have a position which they have taken, and it is our position as well.

I should like to read for the benefit of the Members a telegram I received from the American Retail Federation, which represents not the "fat cat" corporations but the small businessman in your own communities.

This is the telegram I received today from the American Retail Federation which, as I indicated, is representative of small business people:

The American Retail Federation continues its support of truth-in-lending and requests your support of the bill as reported thirty to one by the House Banking Committee. We urge you to oppose those members seeking to defeat a workable realistic compromise which has taken seven long years to achieve. That compromise was designed to protect and inform consumers on the true cost of revolving credit charges. To require revolving credit grantors to state that they are charging eighteen per cent per year will tend to encourage them to collect that amount as a yield. Revolving credit grantors average yield rate is substantially below eighteen per cent per year on periodic charges of one and one-half per cent.

The CHAIRMAN. The time of the gentleman from New York has expired.

(By unanimous consent, Mr. FINO was allowed to proceed for 1 additional minute.)

Mr. FINO. Mr. Chairman, the telegram continues:

Mr. Patman and Mrs. Sullivan would require retailers to disclose eighteen per cent per year on revolving credit. If their proposals carry retailers may be tempted to increase their yields to the applied annual rate required to be disclosed. Increased credit costs cannot benefit or protect consumers.

EUGENE A. KEENEY,
Executive Vice President.

So I say, Mr. Chairman, that I intend to support the committee amendment on revolving credit charges and urge the other Members of this House to do likewise.

Mr. PATMAN. Mr. Chairman, I would like to know if we might agree on a time limitation? I wonder how many would like to speak? I count at least seven.

I think I will abandon that at this time, Mr. Chairman. Mr. Chairman, I rise in opposition to the amendments.

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

Mr. PATMAN. I yield to the gentleman.

Mr. FARBSTEIN. Mr. Chairman, I thank the gentleman for yielding.

I might suggest that I, too, have been bombarded with telegrams, but my bombardment has been from civic organizations and from people who are directly affected with this bill. In this connection let me say that they favor the Sullivan amendment.

Mr. Chairman, last summer I cosponsored a comprehensive consumer credit bill designed to assure the American consumer full disclosure of credit terms. I am happy to see that the bill, under consideration today, contains several of the provisions I then proposed. Beside the truth-in-lending provision, these include a provision restricting garnishment of wages and one establishing a National Commission on Consumer Finance.

Mr. Chairman, credit is an integral part of our economic way of life. It has been estimated that consumer credit today totals approximately $96 billion. I believe that the Congress has a direct responsibility to the American taxpayer to see to it that he receives accurate credit

information in terms he can understand and can use for comparative shopping.

One of the most controversial parts of this 7-year debate over consumer legislation has been that concerning disclosure of financial terms on revolving credit plans. The bill as reported out by the Committee on Banking and Currency distinguishes between installment and the short-term revolving credit. This bill does not require short-term revolving plans to disclose interest rates in annual terms. I had hoped that the committee would move to require all credit plans to fully disclose interest rates. I support the amendment to require the disclosure of annual interest rates on revolving credit.

I believe this is particularly inconsistent when one notes that the truth-in-lending advertising provision requires that all revolving credit plans, including the short term, set out annual percentage rates. The committee bill under consideration does require all creditors to furnish an estimate of the approximate annual percentage rate for a transaction where the customer requests it. I support this measure. However, I had hoped that they would require disclosure of an annual rate for all transactions, negating the need for this amendment.

The committee also adopted an amendment exempting from annual rate disclosure consumer credit transactions where the finance charge does not exceed $10, usually involving credit of approximately $100 or less. As I observed in my statement before the Subcommittee on Consumer Affairs, I believe there should not be a minimum limit on the dollar size of a credit transaction because low income citizens would be the ones most injured by abuse of credit practices on small dollar purchases and there should be a disclosure of all consumer credit transactions irrespective of the amount.

Along with the rise in credit usage has come an alarming increase in the levels of personal bankruptcies. As the committee commented, in its report, evidence clearly established the causal connection between high levels of personal bankruptcies and harsh garnishment laws. In States where entire wages can be garnished, the records show that personal bankruptcy is extremely high. My own State of New York has adopted a much sounder approach to this problem by substantially limiting garnishment practices. The result is a low rate of personal bankruptcy. I have advocated a complete restriction on garnishment of wages in the past and will continue to do so. However, I believe the committee's 10-percent limit on garnishment of weekly wages above $30 is a just measure for both debts and creditors alike and represents a move in the right direction.

Finally, let me simply say that I believe all of us owe a great measure of gratitude to the individual members of the Committee on Banking and Currency. They have worked long and hard to reach agreement on this controversial bill. Although I disagree with certain provisions adopted by the committee, I believe they have reported out an effective bill—one which all of us will, after floor debate, be able to support in final passage.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent to proceed for 3 additional minutes.

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

There was no objection.

Mr. PATMAN. Mr. Chairman, this has been a very interesting debate, but it resolves itself down to one question, which is whether or not we will have revolving credit fully covered in this bill. These three amendments that the gentlewoman from Missouri [Mrs. SULLIVAN] is opposing involve revolving credit. I believe all Members of the House—and I know I have—have received telegrams. Practically every one of them said, "We do not object if you will make it include revolving credit and include everybody alike. We just do not want to be singled out." That is what practically every telegram says. The proposal of the gentlewoman from Missouri [Mrs. SULLIVAN] carries out the will and the wishes of those sending those telegrams. May I invite your attention to the fact that if this bill stays as it is and we are unsuccessful in striking out these three amendments, then your vote will be, if you vote for this bill in that form, to discriminate against small business, consumers, and workers.

Mr. Chairman, I know the Members of the House pretty well, and they are generally friends of small business. Oftentimes we have questions before us that are so confused that sometimes we vote opposite to the way we really expect to vote, but this time we know that if you vote for this bill as it is and do not defeat the three amendments the gentlewoman from Missouri [Mrs. SULLIVAN] is opposing, you will be casting a definite and positive vote in favor of the big man and against the little man, discriminating against small business. I do not think that Members generally would want to do that, but that is exactly what would happen.

There is only one organization that has not come over to the viewpoint that is expressed here by the gentlewoman from Missouri [Mrs. SULLIVAN]. This is a big national concern, but it is small in comparison to the aggregate of all other concerns. There is only one. All of them now have come over to support a vote to make this requirement just exactly alike for all businesses, with equality for all concerned. That is what we would like you to do: vote "No" on these three amendments. They are devastating; they are destructive; and they put you in a position of voting against small business.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I cannot yield right now before I finish my general statement. After I complete my general statement I shall be delighted to yield to the gentleman from Missouri.

Mr. Chairman, the organizations that have endorsed the position on this of the distinguished gentlewoman from Missouri [Mrs. SULLIVAN], represent all small business organizations, labor, and consumers. It has been endorsed by the Independent Bankers Association, the American Bankers Association, the savings and loan associations, the National Automobile Dealers Association, the National Furniture Dealers Association, the National Association of Mutual Savings Banks, the AFL–CIO, and the National Consumers Conference. May I say, Mr. Chairman, that I happen to know something about the American Retail Federation that perhaps some members of the Committee of the Whole House on the State of the Union do not know. They were not organized to represent little men. They were organized to represent big business. There was such a scandalous proposal that came out when they made the announcement that there was a resolution introduced by a former Member of this House from Missouri to investigate the American Retail Federation, that before the bill was adopted Speaker Byrnes stated that the former gentleman from Missouri could not be the chairman of that special committee and then asked me to be chairman of that special committee.

Mr. Chairman, we investigated and made reports as to what this organization was organized to do, and I can assure the members of the Committee that it was organized for big business and against little business. And, Mr. Chairman, by reason of that investigation, there was a law passed. It resulted in a law to protect little business, a law known as the Robinson-Patman law.

So, Mr. Chairman, the American Retail Federation is more responsible for that law than any other group, because it was decided by the Congress of the United States that they were organized to represent big business concerns, to help big business, and to harm small business.

So, Mr. Chairman, when they cite the American Retail Federation as an example of the little fellows that are for the bill as written and against the Sullivan amendments, they are not citing a good example.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. Of course, I now yield to the distinguished gentleman from Missouri.

Mr. JONES of Missouri. The question that arises in my mind—and I cannot get anyone to explain it to me—is this: The committee which is headed by the gentleman from Texas [Mr. PATMAN] had this bill under consideration for a long period of time. And, I take it that these amendments which were adopted by the committee were the result of considerable consideration.

Mr. PATMAN. By a very close vote.

Mr. JONES of Missouri. And, Mr. Chairman, if the gentleman from Texas will yield further, after the bill comes out, and with a report thereon by the committee, or the majority of the committee, and then the main sponsors of the bill say that these committee amendments that you voted for——

Mr. PATMAN. No; I voted against them. Most everyone here today voted against them. It just happens that our committee division is very close. The division between the Democrats and the Republicans is very close. It does not take very many votes to change the result. This was a very close vote, and I can assure the gentleman from Missouri that

everyone who voted, who wants to vote for the little man, should vote against these amendments.

Mr. JONES of Missouri. Mr. Chairman, I have usually tried to follow the practice in voting upon legislation of following the cardinal rule of endorsing or undertaking to understand, the committee action thereon. I say this, because I feel that the committee under whose jurisdiction the particular question falls has given great attention and study to the bill. However, when such committee comes out and brings a bill onto the floor of the House and asks the Members of the House to rescind its action, this is not very convincing.

Mr. PATMAN. The majority of the members of the Committee on Banking and Currency are for these amendments.

Mr. JONES of Missouri. Mr. Chairman, if the gentleman will yield further, how did these amendments get in the bill if a majority of the members of the committee were not for them?

Mr. PATMAN. I have explained to the distinguished gentleman from Missouri that this action was taken upon a very close vote. We have two vacancies on the majority side of our committee.

Mr. JONES of Missouri. Well, you ought to fill them.

Mr. PATMAN. We had a disadvantage, but at the same time it was a very close vote. I am confident that the gentleman from Missouri always votes in the interests of the American public and, therefore, I would counsel the gentleman that his vote is "No" on these amendments and, therefore, the gentleman will be voting right.

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

Mr. PATMAN. Of course, I yield to the distinguished gentlewoman from Missouri.

Mrs. SULLIVAN. Mr. Chairman, in order to answer the interrogation propounded by the distinguished gentleman from Missouri, I want him and I want the members of the Committee of the Whole House on the State of the Union to know that the position that I am fighting for today, and that Chairman Patman is fighting for, is the position of the majority party in the committee. If the gentleman will look at the committee report, at page 106, the gentleman will see that most of the Democrats on the committee voted against a revolving credit exemption—and against the $10 exemption.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent to proceed for 1 additional minute.

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

There was no objection.

Mrs. SULLIVAN. I might say that on the revolving credit amendment we lost on a 17-to-14 vote. Of the 14 who voted no, we had one Republican vote. Of the 17 who voted yes, I believe, four or five Democrats voted with the Republicans. And that is how the two bad committee amendments were adopted. When the subcommittee was considering the bill, the subcommittee was locked in a tie vote; we could not get it out of the subcommittee because we were divided six to six, and that was because we lost several Democratic votes in that subcommittee.

So I brought it to the full committee, to have this bill advanced, and we got a very good bill through except for these two amendments supported largely by the other party.

The gentleman from Texas [Mr. PATMAN] and I are arguing for the Democratic point of view on this issue, and we appreciate the support of the few Republicans who helped us.

Mr. PATMAN. In this connection, we, of course, would have to have a record vote on this issue if we were to be unsuccessful in Committee of the Whole House on the State of the Union, because this is too important not to give the greatest attention to it. We do not want to be recorded as discriminating against small business, so vote "no" on the committee amendments.

Mr. HALPERN. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the committee amendments.

Mr. Chairman, I would like to express my strong opposition to the amendment which would exempt revolving credit accounts from the requirement to disclose their credit charges in terms of an annual rate, and substituting instead, a monthly rate. This issue has been argued and debated as long as credit disclosure legislation has been under consideration in Congress, and I feel that the complexity of the problem has been highly exaggerated by those who favor this exemption. I believe that one example can be presented to reveal the spurious nature of this whole issue.

Let us remember, first, the basic purpose of our "truth in lending" legislation. We are seeking to enable the consumer to make informed and rational choices in his purchases and credit arrangements. And, the basic conclusion which motivates this bill is that the consumer cannot make intelligent choices unless alternatives are presented to him in a uniform, and thus easily comparable fashion.

We do not need this legislation merely to insure that consumers are told the "truth"; there are already laws which protect individuals from deliberate fraud. What the consumer does need is to be told the truth in a form which is meaningful to him. Significant truth in the area of credit means credit terms for all transactions presented in a uniform fashion, so that the consumer can compare credit terms with the same ease that he is able to compare initial prices. The exemption of revolving credit accounts from required disclosure of rates on an annual basis, the basis on which other rates must be disclosed, would defeat this primary function of our legislation.

Mr. Chairman, I do not intend, at this time, to foist upon this body the entire Pandora's box of mysteries and complexities which supposedly surround the issue of revolving credit accounts. I firmly insist, in fact, that these difficulties are completely spurious and that this particular box is filled with nothing but cobwebs and shadows.

I submit, Mr. Chairman, that if a savings bank can provide an annual rate to its depositors, then a revolving credit dealer can do the same for its customers. And, if variations remain in the type of savings accounts offered to depositors, then there is no danger of complete standardization in the terms of revolving credit accounts.

It has been demonstrated, in the lengthy hearings held on this bill, that savings accounts operate on a principle very similar to that of revolving credit accounts. In revolving credit accounts, customers continually make purchases and pay off their debts, with these operations often overlapping. In savings accounts, customers make deposits and withdrawals, at irregular and overlapping intervals. Both types of accounts offer grace periods, different methods and intervals of calculating balances or compounding interest, as well as diverse other inducements or charges.

Does the disclosure of an identical annual rate by different savings banks result in inaccurate information for the depositor, given that banks offer different grace periods, different compounding intervals, and so on? Not at all. The annual rate on which interest is calculated is, in fact, 4 percent, or 4½ or 5. The depositor would have no more accurate information if he were told that the monthly rate is one-third of 1 percent.

Does the fact that all the banks in one district are compelled to reveal an identical rate seem to have diminished or destroyed competition on other terms for savings accounts? Hardly. In the same advertisement, or on the same application, on which the interest terms are revealed, the bank also discloses its longer grace period, more frequent discounting intervals, initial bonus gift, and so on.

Mr. Chairman, the two main arguments offered by those favoring the exemption of revolving credit accounts from disclosure of an annual rate are that an annual rate would be less accurate than a monthly rate and that it would lead to the disappearance of all variation among different revolving accounts. I submit that neither of these points is valid, as revealed in the aforementioned example, and that preservation of the meaning and purposes of this legislation requires that this amendment be defeated.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that all debate on the pending three amendments, and all amendments thereto, close at 3 o'clock.

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

Mr. WILLIAMS of Pennsylvania. I object.

Mr. PATMAN. Mr. Chairman, I move that all debate on the pending three amendments, and all amendments thereto, close at 3 o'clock.

The motion was agreed to.

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. BINGHAM].

Mr. BINGHAM. Mr. Chairman, much has been made of the claim that the 18-

percent annual rate is somehow misleading and that the matter of how much interest is actually earned on a revolving credit account is so complicated and so difficult to figure that the 18-percent figure is not accurate.

Mr. Chairman, the committee amendment calls for 1.5 percent per month interest.

If 18 percent per year is inaccurate and misleading, then 1.5 percent per month is inaccurate and misleading.

Why is it that some of the retailers want so much to avoid putting down 18 percent a year? It is for one reason and one reason only: 1.5 percent a month sounds cheaper to the consumer. It sounds like a credit bargain; 18 percent a year sounds expensive. That is the simple reason why they do not want to make the change.

Much has been said about the fact that some of the larger retailers have come in recently and accepted the proposition as represented by the gentlewoman from Missouri [Mrs. SULLIVAN]. The reason for that is not sinister. The reason is that they do not want to try to make a distinction between the two types of installment credit that the committee amendment provides.

The CHAIRMAN. The Chair recognizes the gentleman from Pennsylvania [Mr. WILLIAMS].

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I wish to correct any impression that may have been left here to the effect that the committee amendment to which we are referring does not protect the consumer. It very definitely does protect the consumer. The very reason the Spiegel's, Sears, Montgomery Ward and others do not want the committee amendment is that many other stores throughout the country are applying their interest rates in such a way as to get a yield of from 9 to 12 percent from their interest charge instead of the 18 percent that some of the big giants are charging and the large stores want to avoid disclosing this fact.

I also want to clear up another point. Many of these consumer groups are against the committee amendment because they think the committee amendment would not control revolving charge accounts. It definitely would. Starting on page 13 there are eight provisions which must be disclosed to any customer using a revolving charge account.

The CHAIRMAN. The Chair recognizes the gentleman from Pennsylvania [Mr. MOORHEAD].

Mr. MOORHEAD. Mr. Chairman, I oppose the committee amendment exempting open-end credit plans from the annual rate disclosure provisions of the bill.

Mr. Chairman, the principal purpose of the bill before us is to assure the American consumer of accurate, understandable, and, most important, readily comparable information about the cost of credit—not of some credit, but of all credit.

The committee amendment subverts this purpose by freezing into law the very differences in the expression of credit costs that now cause so much confusion and misunderstanding among credit users.

Undisputed testimony before this committee's Consumer Affairs Subcommittee showed that mathematically identical credit offers can be stated in terms that make them appear to be dramatically different. Mathematically, 1½ percent a month translates easily into 18 percent a year; psychologically, the monthly rate seems much lower.

Mr. Chairman, in the courts of law, we require all witnesses, not some witnesses, to "tell the truth, the whole truth and nothing but the truth." If we are going to have a truth-in-lending bill, we should require not just some creditors, but all creditors to "tell the truth, the whole truth and nothing but the truth."

The committee amendment gives a tremendous competitive advantage to the large, computerized retailers, allowing them to tell only one-twelfth of the truth, while requiring small retailers, banks, finance companies, mortgage lenders and most other creditors to tell the whole truth.

Mr. Chairman, if we are to faithfully serve the interests of the American consumer, we must put all consumer credit transactions on an equal footing. The common denominator of the annual rate is the only standard by which consumers can meaningfully compare credit offers and determine which is cheapest.

This amendment was adopted in committee by a margin of only three votes of the 31 cast. The majority accepted at face value the large retailers' assertion that the 1½ percent most of them charge on unpaid revolving account balances cannot be expressed as an annual rate of 18 percent because of the "free ride" period they offer.

This argument has two terrible flaws. First, it ignores the fact that in the revolving credit system, a transaction is, for a specified period, a cash deal, with no service charge whatsoever. Only when the grace period expires does the deal become a credit transaction. When the 1½-percent charge is then applied, the rate will always be 18 percent a year.

Second, the retailers' argument deliberately confuses yield on accounts receivable with the rate at which charges are assessed. When a retailer's monthly charge begins to run at 1½ percent, the annual rate cannot be other than 18 percent, even though the yield on that account over a year's time may be far less than 18 percent, depending on how often during the year the account is paid up within the specified "free ride" period in which no charge is made.

The defeat of the committee amendment and the application of the annual rate disclosure requirements to the large, computerized retailers will do nothing to reduce competition among them or between them and other lenders. It will merely require them to disclose their credit charges the way other creditors do—on an equitable, annual rate basis.

Nothing in this bill prohibits a retailer from emphasizing to its customers the length of its "free ride" or the low average yield on its accounts.

Indeed, as far as advertising is concerned, the bill encourages revolving credit lenders to compete. I quote from page 17 of the committee report:

> The advertising standards provided for in the Committee bill are intended to be minimal. Sellers and lenders who wish to go beyond what is called for in the bill and explain their terms in more detail are encouraged to do so, provided that the details they supply are accurate and in no way misleading. Detailed explanation is particularly to be desired in the case of revolving credit plans, where differing billing methods have as much impact on consumer charges as differing rates.
>
> Once every lender and seller is required to make the basic facts available in his advertising, those who wish to go into such additional details as average yields for all accounts will be able to do so in an atmosphere of greater consumer understanding.

I urge my colleagues to keep faith with the American consumer and the competitive free enterprise system by voting down this discriminatory committee amendment and requiring not some, but all creditors to "tell the truth, the whole truth, and nothing but the truth."

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. RYAN].

Mr. RYAN. Mr. Chairman, I rise in opposition to the committee amendments and in support of the position taken by the distinguished chairman of the committee [Mr. PATMAN] and the distinguished chairman of the subcommittee [Mrs. SULLIVAN]. The loophole which exempts revolving credit should be closed. For the benefit of the members of the committee, I should like to read a statement issued January 27, 1968, by the Chairman of the President's Consumer Advisory Council on this very point. He said:

> To be effective, full disclosure of credit charges must embrace all forms and amounts of credit . . . Permitting no disclosure of credit costs for revolving credit by the annual percentage rate method will invite more firms to use this type of credit to avoid disclosure and comparison with the charges of other credit vendors. It is unfair to give preferential treatment to any one business group by exempting it from the disclosure required of competitors.

That statement by Bronson C. LaFollette, attorney general of Wisconsin, and Chairman of the President's Consumer Advisory Council, sums up the issue.

There has been much discussion of whether it is fair to require disclosure of an annual rate of interest when payment is usually made over a shorter period of time. The speedometer analogy in the supplemental views is very apt. Just as miles per hour is the standard for measuring speed, annual rate is the standard for measuring interest rates, regardless of whether the car traveled a full hour or the loan was outstanding for a full year.

Revolving credit is the most rapidly expanding form of credit. It would be encouraged to expand even more rapidly by the shelter contained in the committee bill. To permit one category of credit to disclose rates on a monthly basis, while requiring the rest to state a uniform yearly rate is to confer an unfair psychological competitive advantage. The rate of 1½ percent a month simply sounds preferable to 18 percent per year. This loophole gives one of the more costly forms of credit a favored position

compared to lower cost conventional loans.

The key to an effective truth-in-lending statute is consistency and uniformity. If certain categories are exempted or permitted to calculate credit charges on a distinct basis consumer credit will remain in a morass of confusion.

The CHAIRMAN. The Chair recognizes the gentleman from Georgia [Mr. BLACKBURN].

Mr. BLACKBURN. Mr. Chairman, I wish to call the attention of the House to a situation which has not been fully dealt with, and which has bearing on the subject under discussion. Although the bill makes no attempt to regulate profits from credit charges, the underlying hope is that by exposing those charges, the Congress will help the competitive process bring them down. We have heard a number of statements over the past few weeks about how high these charges really are, particularly in the case of revolving credit, where merchants are said to be getting up to 18-percent return on their outstanding receivables.

Every study that has been made of the issue makes it clear that these high yields are a myth—that very few if any retailers are making money on their credit operations. Rather, they use credit as a loss leader of sorts to aid in the sale of merchandise. The cost of credit programs which is not covered by the service charge revenue is made up in the cost of the merchandise itself. The question which then arises is, "If this is true, how can the banks survive competitively? They have no merchandise sales in which to hide any of their costs."

The fact is that the banks and other financial institutions which have credit card plans and check credit plans operating on a revolving charge basis do have a merchandise sale against which a cost of credit is levied. It is called the "bank discount," and this bill does not deal with it in any way whatsoever. It is ironic that the banks are among the leaders in urging Congress to "treat everyone alike—make everyone disclose on the same basis" because this integral part of the banks' system is not required to be disclosed to the public by Mrs. SULLIVAN's bill or by her amendment to the committee bill.

The discount system to which I refer works this way. When a merchant honors a bank credit card, he pays the bank a "discount" on the sale which is made on the card. Usually, it ranges from 2½ to 3 percent. That means that if you buy a $100 suit and pay for it by offering a bank credit card, the retailer selling that suit pays the bank $2.50 to $3 on that sale. The bank then sends you a bill for $100, and they add a service charge of $1.50 to it if you do not make a payment by the billing date.

The net result is that the bank has its money from the retailer right from the beginning. Anything you pay it is extra, and the net yield to the bank on the money outstanding is always higher than the published rate. Under Mrs. SULLIVAN's amendment, the bank would disclose to you that you were being charged 18 percent a year, whether that is how it worked out or not. But you would not be told about the discount provision at all. There is no requirement that the retailer or the bank tell you that at some point you are paying not only the service charge but also the bank "discount" charge.

Understandably, retailers with their own credit plans are upset about this kind of "equal treatment." Since it has been demonstrated that the yield they receive from their revolving credit plans is almost always less than the 18 percent figure which Mrs. SULLIVAN would require to be stated, they will be put in the position of always overstating their charges while their competition has a source of credit revenue about which the consumer is never told.

The wisest course to follow is that outlined by the majority of the committee. The committee does not call for any theoretical annual rate, but for a straightforward statement of the actual terms of each and every account. True, the bank discount is not required to be disclosed, but if the retailers are not trying to explain away annual rate, such disclosure is not needed. Under the committee bill, the consumer will be told everything she needs to know to make a meaningful dollar comparison of charges to her, and there will be no competitive pressure on the lenders and sellers to hide charges in discounts or higher prices in order to advertise an attractive "lower" rate.

What all this means is that we should frankly and openly face the fact that revolving charges are different than traditional installment contracts, and therefore treat them differently. That is the only intelligent way to approach the problem. An attempt to force every type of credit into the same mold of identical disclosure can only do violence to the nature of some types of credit, and we all know that under those circumstances it is the consumer who will eventually be made to pay. Far better to let the market set the conditions of the accounts, and the Congress merely to require that all of those conditions be set forth in clear and honest fashion. For that reason, I support the committee amendment on revolving credit.

The CHAIRMAN. The Chair recognizes the gentleman from Maryland [Mr. MACHEN].

Mr. MACHEN. Mr. Chairman, I rise in support of the position taken by the chairman of the committee and the chairman of the subcommittee and in opposition to the committee amendment. I was also very happy when this so-called loan shark provision recommended by the committee was rejected.

Mr. Chairman, the field of consumer credit has become an impenetrable jungle of confusing terms and incomprehensible concepts. If consumers were already thoroughly knowledgeable about credit terminology and interest rate percentages, there would be no real need for truth-in-lending legislation.

Consumer credit in the United States has been growing at a rate equal to four times that of the national economy. At the end of 1945, consumer credit was at a level of about $5.6 billion. As of March 1967, the total amount of consumer credit was estimated to have jumped to $92.8 billion and in September to $98.8 billion. The size of consumer credit in this country has increased by 17 times over that for 1945.

American families are now paying about $13 billion a year in interest and service charge payments for consumer credit. This is just a little less than the yearly interest which the Federal Government pays on the national debt.

There are many extraordinary and much-needed provisions in the bill we are considering today. The Consumer Credit Protection Act would, first, safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions and in offers to extend credit; second, restrict the garnishment of wages to prohibit the attachment of more than 10 percent of a worker's wages, after exempting $30 of his earnings, and forbid an employer from firing a garnished worker for his first garnishment; third, provide for "truth in advertising" by requiring rate disclosure, as well as all credit terms whenever any mention is made of any credit requirement in an advertisement; fourth, requires sellers and lenders, whenever credit life insurance is mandatory, to disclose the cost of such insurance along with other information regarding the total finance charges; fifth, require mortgage lenders to disclose annual rates and total finance charges including "closing costs" in transactions involving first and second mortgages; sixth, provide that creditors must furnish a written estimate of the approximate annual percentage of finance charges on open-end credit plans whenever a customer requests it either orally or in writing, and specify a repayment schedule and other essential credit terms as may be prescribed by regulation; seventh, require disclosure of payments and credits not deducted during a billing period before a finance charge is added; eighth, create a National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry, as well as consumer credit transactions generally.

I fully support all these provisions of the bill. However, I feel compelled to agree with several members of the committee concerning two particular committee amendments to the bill. I believe that if these amendments are allowed to remain in the bill—rather than having real truth in lending—we would be, in essence, freezing into law many of the very differences in the expression of credit costs which caused so much trouble to begin with.

In title I of this bill, there are two loopholes which I believe should be deleted to insure the effectiveness of this legislation in really achieving truth in lending.

The first of these loopholes is the "open-end" exemption which would permit very large department stores and chains, mail order houses, and other sellers using computerized "revolving credit," and some credit card systems, to express their credit charges to their customers on a periodic basis—custom-

arily a monthly rate—rather than the annual rate method which is prescribed in the bill for other forms of consumer credit.

The second of these loopholes is the $10 "loan shark" provision. This loophole would throw a blanket of concealment over the costs, on a percentage basis, of a vast number of additional consumer credit transactions where the credit charge does not exceed $10.

Under the first loophole, annual rate disclosure would be required for the largest and perhaps the most important credit transactions that the average family would make—such as the purchase of a home or automobile, furniture, or a large ticket appliance on which the payoff period extends beyond 19 months, or substantial loans, and so forth.

While these circumstances may represent the bulk dollarwise of consumer credit transactions, they do not cover the majority of instances in which most families use credit. It is true that revolving credit now represents only about 5 percent of consumer credit outstanding other than real estate credit. However, it has been growing at a tremendous rate; and according to some experts, it will capture about 50 percent of the consumer credit market in the next 5 years. If this form of credit is favored by this special exemption in truth-in-lending legislation, the already strong trend toward open-end credit plans will be greatly accelerated.

If these committee amendments are allowed to remain in the bill, lower income families would still spend most of their credit dollars without having an opportunity to learn how to use these dollars wisely. Without knowing it, they could be paying at rates of 18 to 24 percent or more for what they are told are "easy terms" of 1½ or 2 percent a month on revolving credit. And they would be paying at rates of 120 to 240 percent, or even more, on other transactions on which credit charges are given as only $10.

The purpose of truth in lending is to have credit charges stated in a way so that the consumer can make an informed judgment on the cost of alternative credit sources. It seems to me that a single standard for stating these charges is essential to achieving this purpose. A variation would constitute a built-in distortion of the truth.

Mr. Chairman, I support uniform annual disclosure of rates for all categories of lenders covered under this bill. I urge my colleagues to pass the strongest truth-in-lending bill possible.

The CHAIRMAN. The Chair recognizes the gentlewoman from Massachusetts [Mrs. HECKLER].

Mrs. HECKLER of Massachusetts. Mr. Chairman, I am disappointed that partisanship has been introduced into the debate, because certainly the concept of truth in lending, I feel, is too important for partisan considerations.

I should like to bring to the attention of my colleagues the experience in Massachusetts with a State law which is similar to the proposals made by Mrs. SULLIVAN.

The Massachusetts truth-in-lending law, which has been in effect for the past 1 year, has contributed to the following results:

Massachusetts recorded a 3-percent increase in retail sales, a large portion of which involved credit, whereas retail sales in all of New England have risen by merely 1 percent. This fact is especially significant since personal income in Massachusetts grew at a slower rate than in other New England States.

The CHAIRMAN. The time of the gentlewoman has expired.

(By unanimous consent, Mr. PATMAN yielded his time to Mrs. HECKLER of Massachusetts.)

Mrs. HECKLER of Massachusetts. Mr. Chairman, during the same period after enactment of the Massachusetts law, consumer credit rose 5 percent at commercial banks and 43 percent at savings banks.

Full disclosure of credit terms including revolving credit provides the Massachusetts purchaser with a far greater ability to truly shop for a bargain. Bargain hunting is a tradition among American women, and, as a matter of fact, the Massachusetts truth-in-lending law was substantially assisted by the strong support of the Massachusetts Federation of Women's Clubs.

As an American woman in this Congress, I feel that we should come to the aid of every American consumer who shops in the marketplace by enacting a fair and workable disclosure law.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. WYLIE].

Mr. WYLIE. Mr. Chairman, I voted "no" on this bill in committee. As a matter of fact, I cast the lone dissenting vote. This does not mean that I am against truth in lending. I am for truth in lending, but I am not for either position which has been stated here and which are now being debated.

Members can understand my confusion when I had to listen to this argument for 2 weeks. After the 2 weeks I decided that we want uniformity, of course, so the American consumer can compare. But on the other hand, I think the revolving credit people do have a point in that they cannot comply with an annual rate disclosure provision.

So, at the end of the reading of this section, I will offer an amendment which will require everyone to disclose on a uniform monthly rate basis, and if Members are confused and want another place to go, and want uniformity in disclosure, and want to provide for the revolving credit people, who do have a legitimate argument, they can support my amendment.

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. FINO].

Mr. FINO. Mr. Chairman, the gentleman from Missouri [Mr. JONES] earlier today expressed confusion regarding the committee amendment. He was at a loss to understand why a majority of Democrats had voted for this committee amendment. I just want the Members of this House to know that this bill was reported out of committee by a vote of 30 to 1, and the only objector was the gentleman from Ohio [Mr. WYLIE], a Republican.

Also, I want to bring to the attention of Members of this House that on a record vote in the Senate, the exact provisions of this bill were adopted by a vote of 92 to 0.

All of the Democrats in the Senate voted in favor of this legislation.

I also want to bring to the attention of the House the fact that the President of the United States, in his state of the Union message here in this Chamber, praised the Senate-passed truth-in-lending bill.

The CHAIRMAN. The time of the gentleman from New York has expired.

The Chair recognizes the gentleman from Wisconsin [Mr. REUSS].

Mr. REUSS. Mr. Chairman, I rise in opposition to the committee amendments, and in support of the Sullivan-Patman position that revolving credit should be included under the bill we have before us.

There are two good reasons why it should be included.

In the first place, if we are to write a meaningful bill, we must make it apply to revolving credit as well as to other forms of credit.

In the second place, in the interest of equity, we would be dealing unfairly with the great majority of the lending community if we allowed the exception for revolving credit to remain in the bill.

Mr. Chairman, the moment of truth in lending approaches. I hope the committee amendments will not be agreed to.

The CHAIRMAN. All time has expired.

The question is on the committee amendments on page 13, line 12; page 13, line 13; and page 14, lines 10 and 11.

The question was taken; and the Chairman announced that the noes appeared to have it.

Mr. HANNA. Mr. Chairman, I demand tellers.

Tellers were refused.

Mr. FINO. Mr. Chairman, I demand a division.

The question was taken; and on a division (demanded by Mr. FINO) there were—ayes 19, noes 131.

So the committee amendments were rejected.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 14, line 10, after "determined", insert a period and the following: "If such a balance is determined without first deducting all payments during the period, that fact and the amount of such payments shall also be disclosed."

Mr. BINGHAM. Mr. Chairman, I rise in support of the amendment.

This is a very simple amendment, which I had the honor to present in the committee and which is intended to bring out additional disclosure. There are, as Members have heard, different ways of calculating the revolving credit accounts. Some firms do not give credit for payments made during the month in calculating the monthly interest charge.

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

Mr. BINGHAM. I will be glad to yield.

Mr. PATMAN. The majority members favor the gentleman's amendment.

Mr. BINGHAM. Mr. Chairman, I do not think there is much controversy about this amendment, which was ap-

proved overwhelmingly by the committee. It is for the purpose of protecting those firms such as Penney's—and we have heard about them here today and yesterday—who do give credit for payments made during the month in calculating the monthly interest charge. Certain other firms calculate the monthly interest charge at the end of the month on the balance as it existed at the opening of the month. In other words, they do not give credit for payments made on the account during the month. All this amendment does is this: it says that if it is their practice that they do not give credit for payments made during the month, in calculating the monthly interest charge, they should disclose that fact to the consumer.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 15, after line 4, insert the following:

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

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 16, strike line 19 and all that follows down through line 19 on page 18, and insert the following:

"(i) If a creditor, in order to aid, promote, or assist directly or indirectly, any consumer credit sale, loan, or other extension of credit subject to the provisions of this section, other than an open end credit plan, states or otherwise represents in any advertisement—

"(1) the rate of the finance charge, the advertisement shall state the rate of the finance charge expressed as an annual percentage rate; or

"(2) the amount of an installment payment or the dollar amount of finance charge, the advertisement shall state:

"(A) the cash price or the amount of the loan, as applicable;

"(B) the downpayment, if any;

"(C) the number, amount, and due dates or period of payments scheduled to repay the indebtedness if such credit were extended; and

"(D) the rate of the finance charge expressed as an annual percentage rate.

The provisions of this subsection shall not apply to advertisements of residential real estate except to the extent that the Board may by regulation require.

"(j) No creditor, in order to aid, promote, or assist, directly or indirectly, the extension of credit under and open end credit plan may state or otherwise represent in any advertisement any of the specific terms of that plan unless the advertisement clearly and conspicuously sets forth—

"(1) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;

"(2) the method of determining the balance upon which a finance charge will be imposed;

"(3) the method of determining the amount of the finance charge (including any minimum or fixed amount imposed as a finance charge), and the annual percentage rate; and

"(4) the conditions under which any other charges may be imposed, and the method by which they will be determined.

"(k) No creditor may state or otherwise represent in any advertisement—

"(1) that a specified periodic credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount; or

"(2) that a specified downpayment is required, unless the creditor usually and customarily arrange downpayments in that amount.

"(l) For the purposes of subsections (i), (j), and (k), a catalog or other multiple-page advertisement shall be considered a single advertisement if the catalog or other multiple-page advertisement clearly and conspicuously displays a credit terms table on which the information required to be stated by subsections (i), (j), and (k) is clearly set forth.

"(m) The prohibitions and requirements of subsections (i), (j), (k), and (l) of this section shall apply only to a creditor or his agent directly or indirectly causing the publication or dissemination of an advertisement and not to the owner, employees, or distributors of the medium in which the advertisement appears or through which it is disseminated."

SUBSTITUTE AMENDMENT OFFERED BY MR. WYLIE

Mr. WYLIE. Mr. Chairman, I offer a substitute amendment for the committee amendment.

The Clerk read as follows:

Substitute amendment offered by Mr. WYLIE for the committee amendment: On page 16, strike lines 19 through 25, and insert:

"(i)(1) Subject to paragraph (2)—

"(A) whenever an annual percentage rate is required to be disclosed by this section, such rate may be expressed either as a percentage rate per year, or as a dollars per hundred per year rate of the average unpaid balance; and

"(B) whenever a rate other than an annual rate is used to compute a finance charge and is required to be disclosed under subsection (d), such rate may be expressed either as a percentage rate per period of the balance upon which the finance charge is computed, or as a dollars per hundred per period rate of such balance.

"(2) On and after January 1, 1970, all rates required to be disclosed by this section shall be expressed as percentage rates."

Mr. WYLIE. Mr. Chairman, there are some people who feel that, perhaps, the Federal Government should not be involved in this business of truth in lending and, perhaps, that the matter should be left to the individual States. However, in my opinion, it is proper Federal legislation. Yet we have just adopted an amendment here which in effect deletes the committee provision which would have provided an exception for revolving credit as rates could be disclosed on a monthly rate basis. We have now provided that everyone must disclose this information upon an annual rate basis.

Mr. Chairman, the purpose of this amendment—and this amendment was contained in the original bill which was introduced by the distinguished gentlewoman from Missouri [Mrs. SULLIVAN] when it was originally introduced and was adopted by the other body—the purpose of this amendment is to avoid conflicts with State usury laws. In some States—and the State of Ohio is one—small loan legislation has been passed which will allow rates to be disclosed upon a dollars-per-hundred rate basis. This type of credit disclosure sprung up when it was revealed that disclosure of the interest rate was limited by usury statutes to an unrealistic extent. Under the provisions of this substitute amendment an interest rate may be expressed either as a percentage or as a dollars-per-hundred rate upon the average of the unpaid balance.

This amendment was adopted in the Senate bill. It allows creditors time within which to comply with the law which we expect to pass here today. However, in some of the States there is a constitutional provision wherein immediately compliance with the provisions of an annual rate disclosure bill will cause a hardship.

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

Mr. WYLIE. I yield to the chairman of the committee.

Mr. PATMAN. I believe the gentleman is mistaken about this. This bill only involves the rate of credit charges, not interest. It does not involve usury laws.

The gentleman from Ohio stated that the legislation would of necessity cause the respective legislatures to conform with this law. In my opinion the gentleman is mistaken, and I wish he would reevaluate his position. It is my opinion that the gentleman's reasoning with respect to that question does not apply to usury laws, but just to credit charges.

Mr. WYLIE. Mr. Chairman, I think it could, with all due respect to the statement which has just been made by the gentleman from Texas [Mr. PATMAN]. In the State of Ohio we have a usury law. However, we know that some companies charge on a dollars-per-hundred basis as exception to the usury statute to meet a need in the small loan field. The manner in which they avoid the provision of the law is to provide for disclosure upon a dollars-per-hundred rate. That is the point I am making. In other words, if they have to convert from a dollars-per-hundred rate to a percentage rate, many companies may be violating certain State usury laws and even constitutional requirements in other States.

As I say, this was in the original bill which was introduced by the gentleman from Texas [Mr. PATMAN] and the distinguished gentlewoman from Missouri [Mrs. SULLIVAN]. The reason it was taken out in committee—and it was done by a voice vote—was because it had to be put into effect prior to July 1, 1968, which might be before the effective date of this law, and it could not be complied with.

I am suggesting this change so that States and financial institutions have until January 1, 1970, to comply with it. It is a very simple amendment. I believe it is a wise amendment. I believe it is a prudent amendment. I believe that the chairman of the committee, as well as the chairman of the subcommittee should agree with it and accept it.

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

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

Mr. GONZALEZ. Mr. Chairman, I would state to the gentleman that I believe his view has been anticipated on page 25 of the bill. Would not that section be applicable? Would not that section render the amendment offered by the gentleman moot?

On page 25 it says:

> This title shall not otherwise be construed to annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State. . . . .

And so forth.

Mr. WYLIE. Mr. Chairman, in response to the gentleman I would say that I do not believe that is specific enough. I want it to apply specifically to rates per $100. I would say to the gentleman from Texas [Mr. GONZALEZ] that that goes part of the way, but this goes all of the way.

Mr. GONZALEZ. Mr. Chairman, I would state to the gentleman that it says:

> . . . types, amounts or rates of charges, or any element or elements of charges, ...

Mr. WYLIE. I understand that, but if the gentleman will recall, in committee the only reason this was turned down was that the effective date was to be before the enactment of this law, and I am saying that we should give the States a little further time to comply with the provision requiring conversion to a percentage on an annual basis.

I urge support of the substitute amendment.

Mrs. SULLIVAN. Mr. Chairman, I rise in opposition to the substitute amendment.

I would like to say first that the language in the original bill containing the date of July 1, 1968, was only put in to conform with the language of the Senate bill without having the substantive effect of the Senate provision. We did not want to authorize dollars per hundred per year beyond the date when my bill was to become effective, so that it would have no meaning after July 1, 1968. It was a technical drafting matter only.

But, Mr. Chairman, I am afraid of the language in the Senate provision, which permits sellers or lenders until January 1, 1972, to avoid using an annual percentage rate, and instead use a figure representing dollars per hundred per year. That is why we took it out entirely in my bill as amended.

The lawyers say this term of dollars per hundred, and so forth, is supposed to mean the same thing as a percentage rate, and is a subterfuge intended to avoid any conflict with State usury laws. But it is unnecessary.

Our bill and the committee report both make it abundantly clear that the finance charge percentage rate required by the bill is not an "interest rate" under State usury laws. But we are told that perhaps—maybe—some State court, somewhere, some day, might rule otherwise.

Therefore this amendment—which I oppose—would postpone until January 1, 1970—nearly 2 years from now—the effectiveness of the requirement that creditors reveal to the borrower, or buyer, the percentage rate of the finance charge. The purpose would be to give all the State legislatures time within which to amend their State usury laws to make it clear—absolutely and completely clear—that the disclosure required under the Federal law does not place a creditor in the position of being guilty of violating a State law.

I do not know what we can say that we have not already said to assure those who worry about this point that they have nothing to fear. If they did, the Supreme Court undoubtedly would knock out this provision of the Federal statute.

On the other hand, just think what this amendment would do to the consumer's attempt to try to understand interest rates and credit charges. They are so confused now by such terms as "add-on," "discount," "dollars per hundred on the original amount," "dollars per hundred on the unpaid balance," "dollar add-on per contract," "dollar add-on per year," "dollars per hundred per year on the average unpaid balance," "interest rate," "merchandise add-on," "points," "precomputation," "graduated rates," "step rates," "time-price differential," "yield," and all the rest of these methods of expressing rates that, until 1970, we would not be able under this language to help them learn what the actual percentage rate is or means.

If "dollars per hundred per year on the average unpaid balance" means exactly the same as the percentage rate, and comes out always to exactly the same figure, how could one be considered interest, and the other not, as long as they refer to exactly the same transaction?

Mr. Chairman, I urge defeat of this amendment.

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

Mrs. SULLIVAN. I yield to the gentleman from Ohio.

Mr. WYLIE. It sounded as if the gentlewoman were making a statement in favor of my amendment. I understood the gentlewoman to say she opposed it.

Would this not serve to clear up some of the confusion and give the people who have this form of credit disclosure on the dollar-per-hundred-rate basis, would it not give them a chance to educate their customers, customers who have been dealing with them over these many years?

There are some 20 States that have this type of credit financing.

Mrs. SULLIVAN. They can just go ahead and use this term as long as they also give the annual percentage rate—but not instead of the percentage rate. They can use it exclusively only until this law becomes effective, which is 9 months from enactment. Why require everyone else to learn what this strange term means, if it is not going to be continued after a few years? Everybody knows what the annual percentage rate means compared to this strange term of "dollars per hundred per year on the average unpaid balance." You are making them learn a brandnew term.

Mr. WYLIE. All right. That is all that I am saying. That is the same thing I am suggesting.

Mrs. SULLIVAN. They can use that if they want to, but do not make the others use it if they do not use it now.

Mr. BROCK. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I was somewhat confused by the response made by the gentlewoman from Missouri. I wonder if she would answer a question for me.

When does the law, as it has now been amended and as it is now written, take effect?

Mrs. SULLIVAN. It runs from the period when it becomes the law—9 months from the date of enactment.

Mr. BROCK. Then that would be November perhaps?

Mrs. SULLIVAN. If it is signed in time.

Mr. BROCK. That would only be an estimate perhaps.

At that time there is no option available to a State which has different laws, is there, for this dollars-per-hundred provision?

Mrs. SULLIVAN. It does not affect any State law at all in this amendment. They can go ahead and use it.

Mr. BROCK. It does not affect the State law but it does affect the State situation where you have a direct conflict between the State and the Federal law.

Mrs. SULLIVAN. If there is any serious problem that would arise between the State law and the Federal law, I think that is the kind of thing we can iron out in conference.

Mr. BROCK. The thing that bothers me is that we always want to iron something out later on and we do not want to address ourselves to the problem when we have it before us. It seems to me if we have this basic conflict between the State law and the Federal law, that we ought to take cognizance of it in our actions here. There are some States that are not going to have the legislature meeting for maybe 12 or 15 or 18 months and they cannot respond. I cannot see what is wrong with this amendment. It simply gives them time to change their laws and make them conform and give the people in the States the time and give the business people in the States the time to change their credit structure. It seems to me this is a perfectly responsible amendment.

Mrs. SULLIVAN. As I said, if you make all these other States conform to those few States there would be more confusion.

No one testified before the House committee on this kind of thing.

Mr. BROCK. May I ask the author of the amendment a question on this. I do not understand and you may be correct.

Do you not simply offer the State some option, if they have an existing law—or are you requiring all of them to go this way?

Mr. WYLIE. There are 20 States that have laws which would conflict with this Federal statute in its application at the present time.

Representatives of the American Bankers Association suggested that they would like to have this language retained in the bill.

The language was in the bill originally and it was taken out by a voice vote, if you recall, because it said "July 1, 1968."

It was obvious that this bill was not going to be enacted into law by that time and that is the only reason it was taken out.

Mrs. SULLIVAN. And the fact is that none of the States came forward to object to it.

Mr. WYLIE. They had no opportunity. It was passed out in executive session by a voice vote.

They have come to me now and have suggested that many of the States—and I know that the State of Ohio is one—have a conflict. Their Ohio legislature is in session. I do not know how long it will be—and in a special session—but we want to give the opportunity it seems to me to comply with the general law and conform to it. That is what the Senate bill did and that is what the debate in the Senate suggested.

I was going along with the gentlewoman from Missouri on the original provision and I thought that was what I was doing when I put it in actually. I think it was a good provision when you had it in originally.

Mr. BROCK. If I understand the gentleman correctly, all we are doing is simply allowing an option in order to allow those States that have their own laws to come in and conform with the Federal act. With this understanding, I support him fully.

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendment. My reasons are as follows: First, the language of the amendment is the same language that is in the Senate bill. If we adopt the amendment and we see that we have made a mistake, we shall have tied our hands and we would have no way of changing it. But if we leave the language as it is, since the provision is in the Senate bill anyway, the subject will be considered in conference.

Mr. Chairman, this is a very involved question. I doubt that we can intelligently pass upon a question of this kind after consideration of the matter during 5-minute debate. I do not think we can do it. Therefore, I urge the gentleman not to insist upon his amendment now. It will be considered in conference. If it is put into the bill, the hands of the conferees would be tied.

And remember this: It is well known in the other body—it is traditional—that they put provisions into bills merely for the purpose of controversy and to get something out of the other body, something that they can trade on. That has been done ever since we have had conferences. If we adopt such provisions of the Senate bill, the subject cannot be in conference and our hands would be tied by the action on something that we do not know too much about.

Why should we be fixing a date in advance, 2 years from now, or after the enactment of the bill? That does not look right. Leave the date as it is. The date in the bill is July 1, 1968, or 9 months after the enactment of the bill—9 months after the enactment of the bill. That sounds pretty reasonable. But if we are delayed in the enactment of the bill and wish to change that provision, we will be at liberty to do so. We will have some flexibility. But when we adopt the same language adopted by the Senate, we have no flexibility and the hands of the conferees are tied. So I respectfully submit and urge the House to vote down this particular amendment.

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

Mr. PATMAN. I yield to the gentleman from Ohio.

Mr. WYLIE. You have suggested that this is the same language. I submit, Mr. Chairman, it is not identical language. I would agree that the substance is the same.

Mr. PATMAN. That is the main idea. If the substance is the same, your hands are tied.

Mr. WYLIE. I believe our language is an improvement over the Senate language, even though it does the same thing. The big difference is that in the Senate amendment the date is July 1, 1972. I think that is a little bit too long. I think we ought to have an area of negotiation and maybe make it July 1 of 1970. But I do think they have a point. If we do not adopt my amendment, I am afraid it will all be knocked out in conference, because the conflict then would be on the date, January 1, 1972, or nothing.

Mr. PATMAN. I am afraid the proposal of the gentleman would tie the conferees' hands and do a great disservice to this legislation. I hope the amendment will be defeated.

The CHAIRMAN. The question is on the substitute amendment for the committee amendment offered by the gentleman from Ohio [Mr. WYLIE].

The question was taken; and on a division (demanded by Mr. WYLIE) there were—ayes 38, noes 78.

So the substitute amendment was rejected.

The CHAIRMAN. The question is on the committee amendment, on page 16, line 19.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 21, strike lines 7 through 16.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 24, line 15, strike "conduct" and insert "consult".

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 26, line 6, after "section 203", insert "(except sections 203(i), 203(j), and 203(k))".

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 28, strike line 9 and all that follows down through line 6 on page 37 and insert the following:

"ADMINISTRATIVE ENFORCEMENT

"SEC. 207. All of the functions and powers of the Federal Trade Commission are applicable to the administration and enforcement of this title to the same extent as if this title were a part of the Federal Trade Commission Act, and any person violating or threatening to violate any provision of this title or any regulation in implementation of this title is subject to the penalties and entitled to the provisions and immunities provided in the Federal Trade Commission Act, except as follows:

"(1) The exceptions stated in section 5(a)(6) of the Federal Trade Commission Act (15 U.S.C. 45(a)(6)) are not, as such, applicable to this title.

"(2) No bank or thrift institution is subject to the jurisdiction of the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title if the bank or institution is subject to section 5(d) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(d)), section 407 of the National Housing Act (12 U.S.C. 1730), or section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818). The Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation) shall enforce this title and regulations in implementation thereof with respect to banks and other institutions under their respective jurisdictions.

"(3) No common carrier subject to the acts to regulate commerce is subject to the jurisdiction of the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title. The Interstate Commerce Commission shall enforce this title and regulations in implementation thereof with respect to such carriers.

"(4) No air carrier or foreign air carrier subject to the Federal Aviation Act of 1958 is subject to the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title. The Civil Aeronautics Board or the Federal Aviation Administration, as may be appropriate, shall enforce this title and regulations in implementation thereof with respect to any such carrier.

"(5) Except as provided in section 406 of the Act of August 15, 1921 (7 U.S.C. 227)—

"(A) no person, partnership, or corporation subject to the Packers and Stockyards Act, 1921 is subject to the jurisdiction of the Federal Trade Commission or to the provisions of that Act with respect to this title, and

"(B) the Secretary of Agriculture shall enforce this title and regulations in implementation thereof with respect to persons, partnership, and corporations subject to the Packers and Stockyards Act, 1921.".

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 39, line 14, strike "210" and insert "208".

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 40, line 2, strike "211" and insert "209".

SUBSTITUTE AMENDMENT OFFERED BY MR. STEPHENS

Mr. STEPHENS. Mr. Chairman, I offer a substitute amendment for the committee amendment.

The Clerk read as follows:

Substitute amendment offered by Mr. STEPHENS for the committee amendment:

On page 40, line 2, strike all of the committee amendment from line 2 through line 5, and insert in lieu thereof the following: "SEC. 209. The provisions of this title shall take effect July 1, 1969, except that section 204 shall take effect immediately."

Mr. STEPHENS. Mr. Chairman, my amendment says that the effective date of any act passed will be July 1, 1969, instead of the present proposal by the committee, which says it will be 9 months after the effective date of the act.

The purpose, of course, is the anticipation that if this act is passed this year, more time will be needed for the regulations to be promulgated by the Federal Reserve Board. At the time when this matter was brought up in the Senate hearings, Governor Robertson of the Federal Reserve said, in his written statement, that not later than 1 year after the enactment of the act would give them sufficient time.

On inquiry, he said that really they ought to have perhaps 2 years' time. He specified the fact that it would take at least 3 months to write the regulations, and 9 months thereafter to inform the agencies of the proposals and educate the public on the regulations.

I ask that this be put in. When the Senate bill was passed that provision—to put it a year off for the regulations—was among the Senate provisions. This would do the same as the Senate proposed, and it would conform to the request of the people who will have to write the regulations.

I believe the Members have seen it is going to take a good length of time to write these regulations, because we have before us a very complicated set of facts.

Let me point out now that we do not have a compromise bill. I have heard it said several times that we have a compromise bill. We do not have a compromise bill, because when we passed the bill out of the committee the banks, the institutions that use installment credit such as the furniture stores that use installment credit, all said that what we voted out was relatively unfair to them because they were put at a disadvantage in that they could not put their rates on a monthly basis.

On the other hand, when we changed that just a little while ago by rejecting the committee amendment, we are in the position of requiring those who are using revolving credit to tell a lie.

We have not compromised those two divergent ideas in any proposals that have been made. As a result, I have not been convinced by anyone that I should vote for either side of the matter, since we have failed actually to compromise this and to bring forth a bill that will not require someone to tell a lie or will not put someone on the other side at an unfair disadvantage.

If we could get those two together, then we could have a truth-in-lending bill.

How can I go home to brag about passing any kind of truth-in-lending bill if it requires people to tell something that is not true? How can I support legislation that gives a competitive disadvantage in the field of credit or in lending money, on the other side of the picture?

I cannot brag about either one.

However, to get back to my amendment, if we are going to have a bill, then let us give the people who are going to draft the rules and regulations enough time to do so. Let us do that ourselves, since this is a very complicated matter.

If there is the purpose in this legislation of educating the public, I am not so sure that we have educated the public by it. From the debate we have had, we have not even educated each other here yet.

If we are going to educate the public, we can educate the public by having a bill that is not as controversial as this bill has been.

I repeat, I cannot support a bill that, considering both sides, is one which does not require truth in lending or requires disclosures that are an unfair competitive disadvantage on the other side.

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

Mr. STEPHENS. I am glad to yield to the gentlewoman from Missouri.

Mrs. SULLIVAN. I wish to say to the gentleman that I should be glad to agree in conference—not here, but in conference—to the Senate date, if we could at the same time get the Senate to go along with us on the two very important amendments that we were able to delete today from the bill; that is, the revolving credit and the $10 exemption.

Mr. STEPHENS. I appreciate that.

Mrs. SULLIVAN. It would give us something to trade with.

Mr. STEPHENS. I appreciate that position. My position is I believe we have enough to trade with as it is. In fact, we have more than we need to trade with.

I will conclude by saying that I want to thank the gentlewoman from Missouri [Mrs. SULLIVAN] for her handling of this matter. She and I have not agreed on many points, but nevertheless she has done a great job of bringing this legislation before the committee. At least we have discussed it and even, as my chairman and she cited, I have voted with the Republicans on most points in this legislation. I have done so because I thought my vote was right, not because it was a party matter.

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Georgia [Mr. STEPHENS]. His amendment would make this bill effective 17 months from now. We do not know whether it will become law in February, in July, in August, or in September. We just do not know. So I think the sensible approach to this is to leave the date in here just as we have it. Then, if this bill is passed on by the conferees and it is ready for enactment, we can agree on the date with the knowledge and the intelligence that I think we can use then, because we just cannot foresee what the situation will be then. Therefore, I think we should defeat this amendment and keep in mind what the amendment is. It is possible it should be enacted if the bill is delayed so long, but if it is passed real soon, it would be a very unreasonable amendment.

Mr. Chairman, may I also say that the State of Massachusetts has a good disclosure-of-credit or truth-in-lending law. They provided 90 days as the period in which it would become effective, and they had no problem of any kind whatsoever. With the servicemen of this country running into the millions, the Department of Defense felt it was obligated to and it was obligated to make rules and regulations about the granting of credit from different concerns to servicemen. This was another truth-in-lending bill. It provided for 90 days in which to become effective. Nobody complained about that. It was found to be entirely satisfactory.

Now, Mr. Chairman, here we have two outstanding examples. One is in a State which has the only successful truth-in-lending legislation on its books. This went into effect in 90 days. Here we have another piece of legislation involving all of the servicemen all over the world which went into effect in 90 days also. Nobody complained about that. Since we have these two outstanding examples, let us have an opportunity to take this to conference. You know we will do what we believe it is right to do under the circumstances. I hope under the circumstances that the amendment is defeated.

I have a high regard for the gentleman from Georgia [Mr. STEPHENS]. I dislike to oppose anything he proposes in opposition to this, but I feel that it is in the public interest to do so and that we would be acting hastily and without full knowledge and information if we were to do otherwise.

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

Mr. PATMAN. Yes. I yield to the gentleman from Georgia.

Mr. STEPHENS. I realize the recitation that the gentleman made about the other legislation that had been enacted, but they drew no opposition, while what we are proposing here does have the opposition of the people from the Federal Reserve, who will have to write the rules and regulations.

The CHAIRMAN. The question is on the substitute amendment for the committee amendment offered by the gentleman from Georgia [Mr. STEPHENS].

The substitute amendment was rejected.

The CHAIRMAN. The question is on the committee amendment on page 40, line 2.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 40, line 3, strike "July 1, 1968" and insert the following: "on the first day of the ninth calendar month which begins after the date of enactment of this title, except that section 204 shall take effect immediately."

The committee amendment was agreed to.

AMENDMENT OFFERED BY MR. WYLIE

Mr. WYLIE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WYLIE: On page 6, line 19, strike "annual" and insert "monthly".

On page 6, line 21, strike "annual" and insert "monthly".

On page 7, line 10, strike "annual" and insert "monthly".

On page 7, line 22, strike "year" and insert "month".

On page 8, line 1, strike "annual" and insert "monthly".

On page 8, line 2, strike "annual" and insert "monthly".

On page 10, line 16, strike "an annual" and insert "a monthly".

On page 11, lines 8 and 9, strike "annual" and insert "monthly".

On page 12, line 1, strike "an annual" and insert "a monthly".

On page 12, line 18, strike "annual" and insert "monthly".

On page 13, line 15, strike "annual" and insert "monthly".

On page 22, line 7, strike "annual" and insert "monthly".

On page 22, line 9, strike "an annual" and insert "a monthly".

On page 22, line 20, strike "annual" and insert "monthly".

On page 22, strike line 20 and all that follows through page 23, line 2, and redesignate the succeeding paragraphs (2), (3), and (4) as (1), (2), and (3).

On page 22, line 25, strike "an annual" and insert "a monthly".

On page 23, line 7, strike "annual" and insert "monthly".

On page 23, line 11, strike "annual" and insert "monthly".

On page 23, line 14, strike "annual" and insert "monthly".

On page 25, line 14, strike "annual" and insert "monthly".

Mr. PATMAN (during the reading). Mr. Chairman, in view of the fact that this proposed amendment goes throughout the various sections of the bill and proposes to change "annual" to "monthly," and since I have discussed this matter with the minority leadership just a few moments ago, and since that is their understanding, therefore, that being correct, I ask unanimous consent that further reading of the amendment be dispensed with, and that it be printed in the RECORD at this point.

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

There was no objection.

Mr. WYLIE. Mr. Chairman, this is the amendment which I have suggested I would introduce all along and which would provide for uniform disclosure on a monthly rate basis.

Mr. Chairman, we have heard arguments presented here on the floor of the House by the distinguished gentleman from California [Mr. HANNA], the distinguished gentleman from New Jersey [Mr. WIDNALL], the distinguished gentleman from Pennsylvania [Mr. WILLIAMS], the distinguished gentleman from Georgia [Mr. STEPHENS], and others on revolving credit. I only wish that the two sides in this argument could have gotten together.

Mr. Chairman, this amendment will afford an opportunity for the two sides to get together. The other body during its consideration of this legislation recognized the fact that there is a difference in the types of credit which are extended to the public. There is a difference in installment credit or closed-end credit, which is done on a contractual basis and the revolving credit procedure which is performed upon a noncontractual basis or upon an open-end-type basis.

Mr. Chairman, revolving credit is the type one uses when one goes into a department store or into a retail store, and says, "Charge it to my account." If one pays this account within the month, in most cases, there is no charge for interest.

To say that the revolving credit people must disclose upon an annual rate basis is not in my judgment truth in lending. If we say that they must disclose by saying that "we charge 1.5 percent per month and you multiply that by 12, which gives you 18 percent," that is not truth in lending.

I say this because we find that with reference to most of these stores they do not charge an interest rate of 18 percent. As a matter of fact, testimony was received before our committee that none of them charge as much as 18 percent. In one instance, Penney's over a period of years has averaged an interest charge of 6 percent to 7 percent. This is because they have a more sophisticated operation called the "first-in, first-out" system of credit.

In other words, if you go into a store and you charge something to your account at the beginning of the month, say, $100, and in the middle of the month you pay off $50, and near the end of the month you go back in and charge another $50, you are only charged for the $50. It does not go back to the beginning of the month; it does not go back to the unpaid balance, but you get 30 days on all credit extended.

So you can see it would be impossible to figure up on that basis what the true annual rate would be in advance.

Now, we want consumers to know what the rate would be in advance. We want consumers to have a chance to compare, we want consumers to have a chance to compare between one seller and another seller. We want them to be able to compare between one lender and another lender.

I believe after hearing the testimony in committee for 2 weeks that this is a compromise that many of you have been searching for.

Now, the only argument that I have heard against my amendment is the fact that the people in the United States have been educated to an annual interest rate. Well, that is on borrowing, and this is not a truth-in-borrowing piece of legislation that we are talking about today; this is truth in lending. People get paid on a monthly basis. The family budget is made on a monthly basis. People pay their bills on a monthly basis. Revolving credit people charge on a monthly basis. I believe it is time that if the people of this country are not educated to the fact that they are paying interest on a monthly rate basis, that they now be educated. And if they are still thinking in terms of an annual rate, I believe it is long since past the time when we should let them know that they are paying interest usually on a monthly rate basis.

Now, as I said before, I believe there is something to be said for uniformity. At the same time, I note this exception which the Senate noted, and which passed in the Senate by a vote of 92 to nothing. Many people have suggested that we are attempting by this process, if we can, to protect the small people, to protect the small businessmen. Now, the small businessmen cannot put together a sophisticated system of revolving credit used now by many retailers, and they cannot buy a set of computing machines and figure up their rate of interest in advance.

So, Mr. Chairman, I suggest that my amendment would comply with the needs of everyone, and would protect the small businessmen, and would be uniform, and everybody—and especially the consumer—would know what they are getting in advance.

Mrs. SULLIVAN. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I would say that this is the revolving credit exemption which was defeated earlier, but now it is multiplied by 20. Instead of applying to 5 percent of outstanding credit, as the revolving credit exemption would have done, this applies to 100 percent of all consumer credit.

I call the attention of the Members to the supplemental views beginning on page 106, and ask them to look at page 109 where we talk about this particular issue of a monthly rate across the board. We say:

> However, while this might seem to solve the problem of competition among sellers and lenders, it would certainly solve nothing for the consumer, unless we were at the same time to revolutionize the entire system of finance in the United States to require also that bank deposit interest be stated as one-third of 1 percent a month rather than 4 percent a year, and mortgages, stock dividends, savings and loan shares, Treasury and private bonds, and all other money rates customarily stated on an annual rate basis be required to be stated on a monthly basis.

The only thing I can use as an example, Mr. Chairman, is that, when we invest money, or put money in a savings account, we know we are going to get a return on an annual basis of 4 percent or 5 percent or 6 percent, or whatever the rate might be. When you put the money in, this is what they tell you. But when you get money from them—when you borrow—the consumer has to know on that same basis of an annual rate in order to know intelligently what the credit is costing him. You have to express it to him in the same rate concept as the annual percentage, rather than the monthly rate. What goes in is expressed annually. But what you take out when you borrow, to use someone else's money for the things you want to buy, the rate should be expressed in the same manner, and that is on an annual percentage rate.

Mr. Chairman, I oppose this amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. WYLIE].

The amendment was rejected.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I ask unanimous consent to offer an amendment to the committee amendment at page 18, line 20.

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

Mr. PATMAN. Mr. Chairman, reserving the right to object, would the gentleman explain his request?

Mr. WILLIAMS of Pennsylvania. I have asked for unanimous consent to return to the committee amendment on page 18, line 20, and offer an amendment to the committee amendment.

Mr. PATMAN. We have no objection. I think we will favor the amendment.

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

There was no objection.

AMENDMENT TO THE COMMITTEE AMENDMENT ON PAGE 18, LINE 20, OFFERED BY MR. WILLIAMS OF PENNSYLVANIA

The CHAIRMAN. The Clerk will report the amendment to the committee amendment.

The Clerk read as follows:

Amendment offered by Mr. WILLIAMS of Pennsylvania, to the committee amendment: On page 18, strike line 20 and all that follows through page 20, line 9, and insert:

"(i) (1) This subsection applies to any advertisement to aid, promote, or assist directly or indirectly any consumer credit sale, loan, or other extension of credit subject to the provisions of this section, other than an open end credit plan.

"(2) If any advertisement to which this subsection applies states the rate of a finance charge, the advertisement shall state the rate of that charge expressed as an annual percentage rate.

"(3) If any advertisement to which this section applies states the amount of an installment payment or the dollar amount of a finance charge, the advertisement shall state:

"(A) The cash price or the amount of the loan as applicable.

"(B) The downpayment if any.

"C) The number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended.

"(D) The rate of the finance charge expressed as an annual percentage rate.

"(4) The provisions of this subsection do not apply to advertisements of residential real estate except to the extent that the Board may by regulation require.

"(j) (1) This subsection applies to any advertisement to aid, promote, or assist directly or indirectly the extension of credit under an open end credit plan.

"(2) No advertisement to which this subsection applies may set forth any of the specific terms of that plan unless it also clearly and conspicuously sets forth:

"(A) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge.

"(B) the method of determining the balance upon which a finance charge will be imposed.

"(C) the method of determining the amount of the finance charge, including any minimum or fixed amount imposed as a finance charge.

"(D) the finance charge expressed as an annual percentage rate.

"(E) the conditions under which any other charges may be imposed, and the method by which they will be determined."

On page 20, strike line 25 and all that follows through page 21, line 6.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, section 203(m) of H.R. 11601 would grant to direct mailers—newspapers, radio and TV, and other distributors of advertisements a complete exemption from the provisions of the credit advertising section of this bill.

In my opinion, the most far-reaching aspect of this legislation and the most effective are those regarding advertising. The experience in several States that have passed truth-in-lending bills indicates that, while the consumer was not aware of any great change nor to any significant extent changed his buying habits, advertising controls over credit did have substantial effect. In my opinion the credit advertising provisions of H.R. 11601 will fall most heavily on the most disreputable elements of our business communities and at the same time will reward those with additional business who sell goods at the lowest price for the less expensive credit terms. Nevertheless, section 203(m) would grant a total exemption and exclusion from any responsibility to newspapers, TV and radio.

The theory behind this exemption was that Congress should not place the burden of responsibility for maintaining strict controls over credit advertising with those who merely print or disseminate credit advertisements developed elsewhere. On the other hand by granting this blanket exemption from any responsibility whatsoever the committee has created a possible serious loophole if misleading, deceptive or false credit advertising is disseminated to the public an unscrupulous merchant could claim that the format or copy for his advertisement originated with the newspaper, magazine, or TV copywriters. In my opinion those who disseminate advertising to the public should bear at least some responsibility for self-policing these new credit advertising provisions of law. I think we can depend upon newspapers and the broadcasting medium to take seriously any new responsibilities the truth-in-lending legislation would give to them.

Moreover, I see no reason why some of our largest newspapers should, on their front pages, perform a public service by exposing credit gyp artists and at the same time willingly carry full page advertisements for merchants who deal in little more than credit at exhorbitant rates of interest.

Mr. Chairman, I hope the House will adopt this amendment.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield for a question?

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

Mrs. SULLIVAN. I have had great difficulty hearing the gentleman's description of his amendment because of the noise and all of these conferences going on here. And I am having some problem in finding out just what it does. But it appears to be a case of making the newspaper owner—whether he be the owner of a big newspaper or a little country newspaper—on the spot to examine every credit advertisement to see if the newspaper can be held criminally liable for some deficiency in the advertisement under this bill. Has the gentleman discussed this question with the newspaper publishers, the owners of radio and TV stations, and other media in his district, or nationally? Does he know whether they could undertake this legal responsibility for requiring compliance by his advertisers of the technical provisions of this law?

Mr. WILLIAMS of Pennsylvania. The only thing we are doing here is removing the blanket exemption that the newspapers, radio, TV, and direct-mail advertisers have at the present time, a blanket exemption from any responsibility whatsoever, so that if on the face of an advertisement it was apparent that the provisions of H.R. 11601 were being violated, the newspaper would have some responsibility rather than merely accepting anything that was given to them.

Mrs. SULLIVAN. Would the advertising space salesman for the small newspaper have to, in effect, administer this law if he goes out and sells an ad to a loan company or a department store or a furniture store offering credit in its ad?

Mr. WILLIAMS of Pennsylvania. I would say that just as the space salesman has the responsibility for selling space, there is someone in the newspaper office also who has the responsibility to see that what is carried there conforms to the paper's policy. The fact is that every large newspaper, I believe, does have certain advertising policies that are administered by someone who is entirely separate from the space salesman.

Mrs. SULLIVAN. I am told that this proposal has been discussed with the committee, but it is brand new to me. This is the first time I have heard of it. We have in our committee report in at least two places a flat statement of committee intent that the media are not to be held liable for advertisers complying with this law. We put that in the bill deliberately, and explained why I have told the radio-TV and newspaper people that we were exempting them from this responsibility, which carries criminal penalties. The advertising agency which prepares the ad is not exempt—just the media which prints it. I cannot accept this amendment. Just imagine what would happen in the small newspaper if they had to have their lawyers go over every ad offering anything on credit to see if it violated this technical provision of the law. It is the advertiser who should be held responsible. The implications of this amendment are fantastic and could cause great harm.

Mr. WILLIAMS of Pennsylvania. I was not aware of your private commitments to the news media. All I am saying is that as far as newspapers, radio, and TV are concerned, we ought to remove the specific blanket exemption that this bill would give to them, and we are asking them to accept a little responsibility.

The CHAIRMAN. The question is on the amendment to the committee amendment offered by the gentleman from Pennsylvania [Mr. WILLIAMS].

The question was taken; and on a division (demanded by Mr. BROCK) there were—ayes 42, noes 51.

So the amendment to the committee amendment was rejected.

AMENDMENT OFFERED BY MR. WIDNALL

Mr. WIDNALL. Mr. Chairman, I offer an amendment. The Clerk read as follows:

Amendment offered by Mr. WIDNALL: On page 11, after line 11, insert:

"Where a creditor mails or otherwise transmits monthly or other periodic bills or state-

ments in connection with any sale to which this subsection is applicable, each such bill or statement shall set forth, to the extent applicable, the items described in subsection (d)(3) of this section, except that if the credit is extended for a period of five years or more, the items described in subsection (d)(3) need not be set forth more than once in each calendar year."

On page 12, immediately after the period in line 23, insert:

"Where a creditor mails or otherwise transmits monthly or other periodic bills or statements in connection with any extension of credit to which this subsection is applicable, each such bill or statement shall set forth, to the extent applicable, the items described in subsection (d)(3) of this section, except that if such credit is extended for a period of five years or more, the items described in subsection (d)(3) need not be set forth more than once in each calendar year."

Mr. WIDNALL. Mr. Chairman, my amendment is simple and straightforward. It would require essentially the same disclosure of the same information on the monthly statements or bills sent to people who have made purchases under a straight installment plan.

In the bill as reported from committee, there were eight separate items of disclosure required for each billing cycle for open-end credit. In other words, a customer opening a revolving charge account would have to be told in advance certain matters of interest to him describing his debt obligation and then he would be retold and reminded of these matters on each and every monthly billing. With regard to installment debt, however, the bill as reported would only require disclosure of annual interest rate and dollar costs of finance charges prior to a customer making a purchase on installment. Thereafter, on any monthly bills, the store would be required to disclose absolutely nothing. I think we all recognize that most people do not pay attention to the fine print on an installment contract when they are in the process of making a purchase.

If this legislation will have any meaning whatsoever in terms of educating the public, it will occur either with regard to advertising or with regard to disclosure on a continuou and monthly basis.

During the debate we have heard much talk about "treat us all alike". We have heard much debate about so-called loopholes. Installment credit represents close to $80 billion of the total $100 billion in consumer debt outstanding, whereas open-end credit represents some $3 billion. Yet, the disclosure requirements applying to open-end credit are far more comprehensive than those applying to installment credit. My amendment seeks to rectify this omission. Since the furniture dealers and others have pleaded with Congress to "treat us all alike" I think it is only fair that we heed their request. I do want to mention one additional matter. My amendment recognizes that in some cases, retailers who use installment credit do not send monthly bills to their customers but rather employ coupons which are torn off by the customer and sent into the store each month along with a check. My amendment would not disturb this nor would my amendment require a store to employ monthly bills on installment credit where none is presently used. Increasingly, however, retailers are treating their installment credit accounts similar to those under open end whereby both use a regular monthly bill to remind the customer of his obligations. Where monthly bills are sent, essentially the same disclosure of credit terms will have to be placed on the monthly installment bill. Without this amendment, it is safe to predict that more and more retailers will abandon the open-end credit and move to a computerized system of straight installment accounts employing computerized monthly bills. We should all remember that straight installment contracts usually run for longer terms than open-end credit and are therefore much more expensive in dollar costs to the customer. If we want to treat all retail credit alike, the House will want to vote for my amendment.

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

Mr. WIDNALL. I yield to the gentleman from Texas.

Mr. PATMAN. Mr. Chairman, I have discussed this with the majority members of the committee, and we are willing to accept the amendment offered by the gentleman from New Jersey.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey.

The amendment was agreed to.

AMENDMENT OFFERED BY MR. SMITH OF CALIFORNIA

Mr. SMITH of California. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SMITH of California: On page 11, immediately after line 11, insert:

"If a credit sale is one of a series of credit sale transactions made pursuant to an agreement providing for the addition of the deferred payment price of that sale to an existing outstanding balance, and the person to whom the credit is extended has approved in writing both the annual percentage rate or rates and the method of computing the finance charge or charges, and the creditor retains no security interest in any goods sold as to which he has received payments aggregating the amount of the sales price including any finance charges attributable thereto, then the disclosure required by this subsection for the particular sale shall be made on or before the date of the first payment for that sale is due."

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

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

Mr. SMITH of California. I yield to the gentlewoman from Missouri.

Mrs. SULLIVAN. Mr. Chairman, I want to tell the membership we have discussed this amendment very thoroughly for the last several days with the gentleman from California [Mr. SMITH] and counsel on the committee. As long as it has provisions that will protect the consumer—this is quite detailed and Mr. SMITH will want to explain it—I think it is a good amendment and members of the committee are happy to accept it. However, I think the gentleman should explain just briefly what this will do.

Mr. SMITH of California. Mr. Chairman, I thank the gentlewoman.

Mr. Chairman, the purpose of the amendment is to make it a little easier for the seller and the buyer to comply with disclosure provisions of this bill, or possibly I should say to make it a little less difficult. If we have a large store—take Sears as an example—and around Christmas time a person wants to buy a set of furniture for the daughter, maybe a television set for the other child, and possibly a set of tires, and if he goes to three different departments, then he has to get the elevator and go to the credit department and stand in line and wait for the computer, it could be very time consuming and annoying. The minimum time is 5 minutes for the computer to work after the customer gets to the credit window and the employee gets all of the facts. The customer might spend all day and never get the tires.

The stores want to comply and to provide the information they will have to provide. They will have to comply where the sale is made, in writing, where it says specifically the person to whom credit is extended has approved in writing both the annual percentage rate or rates and method of computing the charge or charges. I put in "rate or rates" and "charge or charges" because many States have good laws—California has a very fine law on disclosure—and the rates vary. If it is under $100, or over $500, up to $1,000, rates vary, and I believe the maximum is 18 percent. So it might be a different rate on a different installment, depending on the balance due. That is why it is in there.

It will protect against the few unscrupulous stores that takes a lien on everything over a period of time. As I understand it, some store did locally do that, and the consumer pays and pays and pays, and if one payment is missed, the store takes all the installment materials back. This has language in it so that when the payments are made to take care of this contract for the furniture, and this on the television, and this on the tires, no lien applies in the future toward that particular item.

Subsequently all the details will be provided to the purchaser in writing, on or before the date of the first payment for the sale is due.

I believe this will help both the stores and the buyers, by making it a little more convenient for them to comply with the provisions of the statute.

I urge the adoption of the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. SMITH].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. POFF

Mr. POFF. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. POFF: On page 40, insert after line 5 the following new section:

"SEC. 102(a). The Congress makes the following findings:

"(1) Organized crime is interstate and international in character.

"(2) Organized crime is engaged directly in interstate and foreign commerce, as well as intrastate commerce, in loaning money and other valuable things at excessive rates

of interest, often in conjunction with the use of force, violence, and fear. This so-called loan sharking business of organized criminals and other criminals involves billions of dollars each year.

"(3) The stability of the Nation's economy is affected by loan sharking activities.

"(4) The use of legitimate credit channels would be enhanced by the prevention of loan sharking activities.

"(5) The production and flow of goods in the Nation's economy is hindered by the diversion of money into excessive and confiscatory credit payments.

"(6) Federal programs designed to aid the poor in the United States are rendered less effective by loan sharking activities.

"(7) The diversion of money and assets into organized crime nullifies the purposes and benefits of a free enterprise economy and hinders the operations of Federal statutes and regulations designed to preserve that economy.

"(8) In order to protect commerce, benefit the national economy and assure the full effects of Federal programs designed to aid the poor and maintain a free enterprise system, it is the purpose of this Act to prohibit loans at excessive and prohibitive rates of interest.

"(9) Loan sharking activities directly impair the effectiveness and frustrate the purposes of the laws enacted by the Congress on the subject of bankruptcies.

"(10) Loan sharking activities impair the stability of the national economy and thereby interfere with the regulation of the value of money.

"b (1) Whoever in any way or degree obstructs, delays, or affects commerce or the movement of any article or commodity in commerce by loan sharking or attempts so to do shall be fined not more than $10,000 or imprisoned not more than five years, or both.

"(2) (A) Whoever travels in interstate or foreign commerce or uses any facility in interstate or foreign commerce, including the mail, with the intent to promote, manage, establish, carry on, or facilitate the promotion, management, establishment, or carrying on, of loan sharking, and (B) thereafter performs or attempts to perform any act described in the preceding clause, shall be fined not more than $10,000 or imprisoned for not more than five years, or both.

"(3) As used in this section—

"(A) The term 'loan sharking' means the lending of money at a rate of interest prohibited by the statutes of the State where the loan transaction takes place.

"(B) The term 'commerce' means commerce within the District of Columbia, or any Territory or possession of the United States; all commerce between any point in a State, Territory, possession, or the District of Columbia and any point outside thereof; all commerce between points within the same State through any place outside such State; and all other commerce over which the United States has jurisdiction.

"(4) Whoever knowingly participates in any way in a wrongful use of actual or threatened force, violence, or fear in connection with a loan or forbearance in violation of subsections (1) and (2) of this section, or attempted violation thereof, shall be fined not more than $10,000 or imprisoned not more than twenty-five years, or both.

"(5) Whoever knowingly possesses, maintains, or exercises control over any paper, writing, instrument, or other thing used to record any loan or forbearance or any part of such transaction in violation of subsections (1) and (2) of this section shall be fined not more than $5,000 or imprisoned not more than five years, or both.

"(c) The provisions of subsection (b) of this section do not apply to any extension of credit by a creditor which is both—

"(1) licensed or chartered as a banking or lending institution by the United States or any State, and

"(2) regulated and supervised as a banking or lending institution by the United States or any State.

"(d) Whenever in the judgment of a United States attorney the testimony of any witness, or the production of books, papers, or other evidence by any witness, in any case or proceeding before any grand jury or court of the United States involving any violation of this section, or any conspiracy to violate such section, is necessary to the public interest, such United States attorney, upon the approval of the Attorney General, or his designated representative, shall make application to the court that the witness shall be instructed to testify or produce evidence subject to the provisions of this section, and upon order of the court such witness shall not be excused from testifying or from producing books, papers, or other evidence on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture. But no such witness shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, nor shall testimony so compelled be used as evidence in any criminal proceeding (except prosecution described in the next sentence) against him in any court. No witness shall be exempt under this section from prosecution for perjury or contempt committed while giving testimony or producing evidence under compulsion as provided in this section.

"(e) This Act shall not be construed as indicating an intent on the part of Congress to occupy the field in which this Act operates to the exclusion of a law of any State, territory, Commonwealth, or possession of the United States, and no law of any State, territory, Commonwealth, or possession of the United States, which would be valid in the absence of the Act shall be declared invalid, and no local authorities shall be deprived of any jurisdiction over any offense over which they would have jurisdiction in the absence of this Act."

Mr. PATMAN. Mr. Chairman, I make a point of order against this amendment.

The CHAIRMAN. The gentleman will state it.

Mr. PATMAN. It is not germane to this bill. This bill has provisions in it which would dovetail into some parts of our bill some commendable things on truth in lending and also some things that I would approve of. This bill, however, is six or seven pages long and this is the first time we have seen it in the last few minutes. You know, you cannot discuss a bill like this in 5 minutes. You cannot do it under the 5-minute rule.

This goes to the constitutional question of State law. It involves the Federal enforcement of State usury statutes and involves a lot of things like that which Members of this House are entitled to know something about. There really should be committee consideration of it. I hope that the gentleman will not insist upon this as an amendment, because it would certainly delay this bill and I do not believe the gentleman wants to use it just for the purpose of delay. I hope he will offer it as an amendment which will get consideration of the committee which it is referred to, and then we can intelligently approach the matter and evaluate it and determine whether or not we should pass legislation of this kind. Obviously it is not specifically germane to the bill we have before us today, and certainly it is not fair, although I do not like to use the word "fair" in a way which will reflect on the gentleman who offered it.

Mr. Chairman, I have no intention to say anything against the gentleman personally. However, we have heard about this amendment for a long period of time. Last December there was such an amendment introduced by the gentleman who has offered this one and by the distinguished gentleman from New Jersey [Mr. WIDNALL], both of which were referred to the Committee on the Judiciary. I was told by the Committee on the Judiciary that no application has been made for a hearing upon these bills, no application has been made by the chairman to refer them to the different agencies in order to get their comments thereon, and absolutely nothing has been done upon them insofar as hearings are concerned.

And, Mr. Chairman, to bring this matter up here at this late hour as amendment to this bill, the consideration of which we have practically completed, I just do not think it should be done. There is the further fact that in my opinion it is not germane to the present bill and, therefore, Mr. Chairman, I insist upon my point of order.

The CHAIRMAN. Does the gentleman from Virginia [Mr. POFF] desire to be heard on the point of order which has been raised by the gentleman from Texas?

Mr. POFF. Only briefly, Mr. Chairman. The gentleman's point of order, I believe, is that the amendment is not germane to the bill now under debate.

Mr. PATMAN. That is right.

Mr. POFF. I wish to call to the attention of the Chair reference to the title of the bill, and particularly to the first two clauses thereof which read as follows:

> 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, * * *

Mr. Chairman, the thrust of this amendment is to fix a Federal definition of the crime of usury as it is related to the State statutes which deal with the subject of usury.

Mr. Chairman, it is my feeling that the amendment is altogether addressed to the subject matter of the bill and is properly identified with its provisions.

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

Mr. POFF. I yield to the gentleman from Texas.

Mr. PATMAN. I would like the Chairman to hear this: Is it not a fact that some States do not have usury laws?

Mr. POFF. It is a fact that some seven or eight States do not have any usury laws.

Mr. PATMAN. And, Mr. Chairman, if the gentleman will yield further, is it not a fact that some of the States which have usury laws have very weak usury laws?

Mr. POFF. Some of the States have very weak usury laws. Hopefully, how-

ever, it is the opinion of the author of this amendment that those States might be encouraged to enact adequate usury laws, as a result of Federal interest in this field.

The CHAIRMAN (Mr. PRICE of Illinois). The Chair is prepared to rule.

The bill under consideration deals with credit, interest and garnishment, and several other classifications of these fields.

The Chair, in perusing the amendment offered by the gentleman from Virginia, finds that it deals with interest, interest rates, and refers to the matter of "loan sharks"; this has to do with the matter of interest—the excessive charge of interest. And, it appears to the Chair that this is another classification to add to those under consideration in the original bill.

The Chair, therefore, holds that the amendment is germane and overrules the point of order.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that all debate on this amendment conclude in 10 minutes, 5 minutes to be allotted to the affirmative and 5 minutes to be allotted to the negative.

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

Mr. ASHBROOK. Mr. Chairman, I object.

Mr. McDADE. Mr. Chairman, will the gentleman from Virginia yield for the purpose of my propounding a parliamentary inquiry?

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

Mr. McDADE. Mr. Chairman, when is it in order to offer a substitute amendment to the amendment which has been offered by the gentleman from Virginia?

The CHAIRMAN. The Chair will state to the gentleman from Pennsylvania that that may be in order as soon as the gentleman is recognized after the gentleman from Virginia has completed his time under the rule.

Mr. McDADE. I thank the Chairman.

Mr. POFF. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

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

There was no objection.

The CHAIRMAN. The gentleman from Virginia is recognized for 7 minutes.

Mr. POFF. Mr. Chairman, the purpose of this legislation is to protect the consumer in general.

The purpose of this amendment is to protect the poor consumer in particular. Its thrust against the machinations of the Cosa Nostra acknowledges that the typical victim of the loan shark is not the average consumer, but the poor consumer—the consumer who has fallen upon financial distress; the consumer who perhaps has indulged in gambling; the consumer perhaps who has become addicted to the use of narcotics to relieve the mental torture into which his poverty has projected him.

So, I suggest, Mr. Chairman, that those who truly want to protect the real victim of excessive interest charges will be sympathetic with the amendment I have offered.

Let me explain briefly its content and effect: We have patterned the amendment after two statutes, already on the books; namely, sections 1951 and 1952 of title 18. Known jointly as the anti-racketeering statutes, the first lays the constitutional predicate of an impact upon interstate commerce. Any person who interferes with or obstructs interstate or foreign commerce, and in the course thereof participates in an act of robbery, extortion, or violence to person or property runs afoul of the Federal law as well as State law.

Under the first portion of our amendment, if the transaction described as "loan sharking" has an impact upon or obstructs or interferes with interstate commerce in any particular, then the Federal law comes into action. And this—and I suggest that this is significant—this activates the investigating arm of the Federal Government, and makes it possible for the local governments in the proper fulfillment of their responsibilities and in the execution of their laws to deal with those who flaunt those laws, and who abuse and misuse the people who must come to the loan shark for credit he cannot find elsewhere.

The second part of our amendment is patterned after section 1952 of title 18, which concerns the use of any facility of interstate commerce or travel in interstate commerce for the purpose of any unlawful activity. Unlawful activity is further defined to include a business enterprise involving gambling, untaxed liquor, narcotics, prostitution, all in violation of the State laws or the Federal law. I emphasize the latter because that is the key to our bill.

Under the definitions stated in this amendment, whenever the loan transaction is in violation of the laws of the State with respect to interest rates, and whenever interstate commerce is obstructed, or a facility of interstate commerce is used, or there has been traveling in interstate commerce, then the Federal crime has matured.

We are careful, however, to recognize that in certain areas of the usury laws of the States there is some imprecision, some uncertainty; it is possible to interpret the laws of some of the States in a variety of ways. Accordingly, we have been careful to include an exemption which excludes from the effect of this amendment those lending institutions which are subject to the regulation and control of either State law or Federal law.

Therefore we suggest that there is no possibility that the law, once enacted, might be subject to abuse.

Also a part of the amendment is something that all law enforcement officials agree is extremely important. We have drafted an immunity clause so that witnesses who have knowledge of loan sharking operations may be offered appropriate immunity if they agree to testify in support of the prosecution of those who have been brought to justice under this amendment.

We make a separate crime, too, for the malefactors who, in addition to the customary loan shark transactions, resort to violence or threats of violence.

This is a customary practice of the Cosa Nostra as has been recently dramatized in an article which appeared in the New York Times, an article which I might say brought into focus and suggested the introduction of this amendment to this bill.

Mr. Chairman, we believe the Federal Government should not, in proceeding into this new jurisdictional field, improperly invade the jurisdiction of the individual States. For this reason we have inserted another clause which guarantees that the language of the amendment will not preempt the statutes of the several States.

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

Mr. POFF. I am happy to yield to the gentleman.

Mr. PATMAN. Under the provisions of this amendment, and I hurriedly read it, due to the pressure of time, you are trying to enforce the State laws on usury or interest charges? In other words, you are not insisting on anything else except just the State statutes; am I correct?

Mr. POFF. In specific response to the gentleman's question, the term "loan shark" is defined to mean lending of money at a rate of interest prohibited by the statute of a State where the loan transaction occurred.

Mr. PATMAN. That is it—by statute of the State. I always thought the members of the minority wanted to stay out of the enforcing of State laws.

The CHAIRMAN. The time of the gentleman has expired.

Mr. POFF. Mr. Chairman, I ask unanimous consent to proceed for 1 additional minute.

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

There was no objection.

Mr. POFF. Mr. Chairman, I want to respond further to the gentleman's remarks.

The fact of the matter is that section 1952 of title 18 already defines a Federal criminal offense by reference to violation of State law, and here we are simply tracking that definition.

Mr. PATMAN. You are not trying to amend that section?

Mr. POFF. We are using it as a guide.

Mr. PATMAN. Then your amendment ought to go to the Committee on the Judiciary.

Mr. POFF. But the Chairman has already ruled that the amendment is germane.

Mr. PATMAN. That is right.

But you know you now have a bill which is in the Committee on the Judiciary right now.

Mr. POFF. We do and that bill is addressed to title 18.

Mr. PATMAN. And section 1952 which you just read.

Mr. POFF. I did not address the amendment to section 1952. We used the language of sections 1951 and 1952 in the amendment.

Mr. PATMAN. You are trying to enforce the State law on usury and excessive interest.

Mr. POFF. The gentleman is mistaken. He is completely mistaken. I am trying to create a new Federal law which preserves the dignity and the force and effect of State laws.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WIDNALL. Mr. Chairman, the amendment offered by the gentleman from Virginia [Mr. POFF] is aimed at the urgent problem confronting our Nation caused by the tremendous growth in loan-sharking activities by organized crime.

The bill before us this afternoon would have little, if any, real effect on loan shark operations. Keep in mind that loan sharks do not depend upon written contracts and do not send statements or bills such as we have in normal credit activities. Therefore, disclosure depends upon advertising, contracts or monthly bills for its ultimate effect. Loan sharking, on the other hand, depends upon the unwritten word, the silent threat, extortion and finally, bodily injury or murder if repayment is not made. Furthermore, loan sharks seldom are concerned with the normal transaction of business such as retail sales to justify their activities. They deal in cash and large sums of cash. Their annual interest charges reach into the hundreds of a percent.

It has been estimated by the New York Times, in an article appearing the day before yesterday, that loan sharking is a multibillion-dollar-a-year underworld activity. Even more frightening is evidence pointing to the fact that loan sharks have invaded Wall Street and city governments such as the New York City government and has been cited as the cause for civic corruption of the highest magnitude.

Unfortunately, loan sharking is not a Federal offense. The purpose of the amendment would be to make it a Federal offense and thereby bring in the full force of the Department of Justice and other Federal investigatory agencies against this insidious activity. The amendment defines a loan shark as one who knowingly extends credit for a consideration which exceeds the amount permitted under the laws of the State in which the transaction takes place, except that this would not apply to any extension of credit by a creditor which is first, licensed or chartered as a banking or lending institution by the United States or any State; and, second, regulated and supervised as a banking or lending institution by the United States or any State. The maximum penalties for conviction of loansharking would be a fine or not more than $10,000 or imprisonment of not more than 5 years, or both.

Mr. Chairman, again I want to emphasize that disclosure would not affect loansharking operations. Credit disclosure as contained in title II of this bill is aimed at those credit activities seldom affected by loansharking.

I think the Committee has an opportunity this afternoon to take the first step in dealing with one of the most serious problems facing our country today. Organized crime today is far different than it was 30 years ago when it depended upon the proceeds of criminal activities for its sustenance. Today, organized crime is much more adroitly organized through legitimate business front activities, and these activities, largely beyond the control of State, local, or Federal law, increasingly depend upon unbelievably high proceeds of loansharking for their capital funds.

Mr. Chairman, I urge the House to overwhelmingly adopt this amendment.

Mr. CURTIS. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I have taken the floor to commend the gentleman from Virginia for offering this amendment and to point out to the House the care with which the gentleman from Virginia [Mr. POFF] has developed this amendment and the work that he has been doing as chairman of the special task force on our side of the aisle in the matter of national crime and to point up something further for the consideration of the House.

Congress does, I think, a very excellent job in breaking up matters for studying into the jurisdictions of 20 standing committees. But in doing that we also lose sight on occasion of the whole picture.

Here we have a relatively simple matter that comes out of the Committee on Banking and Currency, and very properly so, that has to do with consumer credit, particularly small loans. It gets into the field of loan-shark lending. This is an area that organized national crime has moved into for some of its basic financing.

Why am I here as a member of the Committee on Ways and Means pointing this out? Because my committee happens to have jurisdiction over three other matters, which organized national crime utilizes for basic financing; namely, alcohol—bootlegging, that is—because through the Internal Revenue Code, the alcohol excise taxes, we seek to control bootlegging.

So we have jurisdiction over traffic in narcotics because this, too, relies on our tax and custom laws for enforcing. The third area organized national crime utilizes for revenue is gambling and here, too, we have imposed a tax on certain gambling equipment. Somehow we have to bring about a synthesis of matters which relate to organized national crime by having our committees that have complementary jurisdictions brought into focus. So here very properly, and done with a great deal of depth of background study, the gentleman from Virginia has brought his amendment to bear upon this important subject of consumer financing, and how it is involved in this problem of organized national crime. When we consider consumer financing, this is the appropriate place to proceed, just as I hope, as we further develop in the field of regulating narcotics, bootlegging, and gambling we will proceed to get at this common enemy that we are all anxious to move in on organized national crime.

Finally, I would observe that with the knowledge that the gentleman from Virginia [Mr. POFF] as a member of the Committee on the Judiciary and as the chairman of the Republican task force on organized national crime has in this area, he is fully capable of developing a well drafted and thought-out amendment to meet this problem. In other words, I think the House can rest assured that the homework has been done in this area, and that this would be a very desirable and appropriate amendment to put on the bill.

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendment. It will be satisfactory, I believe, to our side if we can get the minority to agree on which bill they want, to accept it for conference purposes, and let it go to conference. Of course, we realize that the language in the bill is very loose. Obviously it has been designed and written to try to evade jurisdictional questions and also to make it germane to this bill when normally it would not come to our committee at all.

This same proposal was introduced on December 11, 1967, involving section 1952, which was mentioned by the gentleman on the floor a few minutes ago, of title 18, United States Code. It was promptly referred to the Judiciary Committee, where it belongs. I inquired of the staff of the Judiciary Committee if any effort had been made by the sponsors to get consideration of the bill before the committee. No effort at all has been made, not even a letter written. No suggestion has been made that they should get comments from the different departments involved. No hearing has been asked for. No effort has been made to get consideration of any kind.

To bring the same bill in here just dressed up in different clothes, different paragraphs, different phrases, and words, is an effort that is made too late for consideration without unduly delaying and possibly destroying the good truth-in-lending bill. I do not charge that that is the object of it at all. But I believe that if you gentleman on the minority side will agree which bill you want, I think we would accept it for conference purposes. We would let it go to the Senate, let it go to conference, and then we could tighten up the loose language. There are a lot of good provisions in this amendment. It sounds like a Democratic platform. If we had suggested this language, I think the other side would have unanimously not only voiced concern but opposed it. But since you have gotten into this situation where you have to come up with something, you have come up with almost Democratic suggestions, but couched in language so loose as to be ineffective.

So if you will agree on the type of amendment that you desire, we will at least be inclined to consider it and see if we cannot get it sent to conference and let it be considered in conference, for I believe it is worthy of great consideration.

May I suggest that when it is stated here this is just to enforce the State usury laws, some States do not have usury laws. Some States, in addition to those who do not have usury laws, have broken down their interest rate laws to the extent that they are practically valueless.

Our committee was concerned about this and we had an investigation of different loansharking concerns, headed by ex-generals and ex-admirals. Some of the greatest men in our Nation were heading

those different organizations. They were, of course, kind of grandfathers to the servicemen. They felt an obligation and they charged 100 percent interest. They robbed them of insurance the men never did get. They did everything. We appointed a usury subcommittee and went into it thoroughly. Mr. Weltner was chairman of it. We discovered in many States they could charge 240 percent interest. In those States all that is promised is not to let them charge more than 240 percent interest. I think in the majority of States they charge 36 and 42 percent. All that is promised is if they charge more than that, they will get excited about it and send Federal agents in there to enforce State laws, keeping them from violating the particular State laws.

Mr. GERALD R. FORD. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I will in a moment yield to the distinguished chairman, because I wanted him to yield to me. I simply desire to make two points. One, the gentleman from Virginia has offered this amendment, which takes one course of action in the definition of the crime. There are some honest differences, not significant. The gentleman from Pennsylvania [Mr. McDADE] was going to offer a substitute, but we have analyzed the differences, and we do believe that when the gentleman from Pennsylvania [Mr. McDADE] explains the difference he has, that the gentleman from Texas would then agree that he could take the Poff amendment, with the recognition there may be an alternative, and in conference he might use one or the other approach, the conferees have flexibility in the conference with the other body, the Senate not having any provision in this regard. So the gentleman has broad powers and general flexibility in order to make some decisions, to change language if the conferees so decide. I trust the gentleman will accept the Poff amendment and will go to conference with the aim and objective of having flexibility.

One other comment, and then I will yield to the gentleman from Texas.

The gentleman makes a point that maybe this is the wrong approach because seven States do not have usury statutes, and he alleges that, in those States there could be an interest charge of more than 200 percent. Maybe this proposal by the gentleman from Virginia will be an incentive to those States to take action, first, and, second, if by this amendment we help to put some loan sharking criminals behind the bars in 43 States, is that not better than nothing?

Mr. Chairman, I yield now to the gentleman from Texas.

Mr. PATMAN. Mr. Chairman, suppose as the gentleman recommended, we take the Poff amendment, and put the other amendment by the gentleman from Pennsylvania [Mr. McDADE] in the RECORD at this point, and consider them in conference. But we do not want to adopt two amendments along the same line. I do not think the gentleman would insist on this.

Mr. GERALD R. FORD. No. As a matter of fact, I think the procedure outlined by the gentleman from Texas is reasonable.

Mr. PATMAN. Mr. Chairman, in order to shorten the procedure and get on with this, without taking too much time, we will be willing to accept the Poff amendment for conference purposes. As I say, we can go back and read the Democratic platforms, and it sounds as if a lot of this has been taken from it.

Mr. McDADE. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, the amendment offered by the gentleman from Virginia [Mr. POFF] does in one or two essentials differ from an amendment which I intended to offer myself. His amendment closely parallels a bill I introduced in January to deal with this problem.

I believe the agreement reached between the chairman of the Committee on Banking and Currency and the minority leader, to take the Poff amendment and my amendment to conference and to decide there which approach is better, is a salutary proposal, and I support it.

It is important that we in the Congress recognize the issue we face when we try today to do something effective about the problem of loan sharking in the United States of America.

We ought to recognize first of all that this is one of the principal sources of income of organized crime in the United States of America. We ought to recognize it pervades every single section of our society, from the man on the corner who borrows $5 and pays back $6 the following week, right up to the highest levels of the brokerage houses of New York City, where we find organized crime infiltrating and using its muscle not just to get involved in business but, indeed, to terrorize American citizens.

All of us can recognize this is something we have tolerated too long.

I believe that today is a momentous day in the Congress of the United States, because for the first time we are making a decision which recognizes the difference between organized crime and other types of crime. We are saying today, "organized crime is indeed a Federal responsibility, and a field in which we should be taking action."

By doing this today we will benefit our economy. This will benefit the country. It will make, for example, our bankruptcy laws more important. There is no way to go into bankruptcy when one has to deal with a loan shark, because the bankruptcy laws mean nothing to them. There is no way to have sound money so long as the loan sharks are permitted to engage in confiscatory practices through every segment of our economy without regulation and without penalty.

So I am delighted to see that today we will take what I hope is the first step legislatively in the Congress to begin the fight against organized crime. When we do this we shall be making what I believe is a contribution to the American public.

I hope, also, that the future will show an increased awareness in Congress of our role in dealing with this problem. For we must become aware of the gravity of the problem, and aware that organized crime turns over billions, yes billions, of dollars each year. The experts tell us that the sources of that immense sum are gambling, loan sharking, and the sale of narcotics. And the substantial part of this money is wrenched out of the urban poor. Today we are taking the first steps to remedy this situation, to give Federal recognition to its importance and to bring the authority of the Federal Government squarely down on organized crime.

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

Mr. McDADE. I yield to the gentleman from Virginia.

Mr. POFF. May I pay tribute to the gentleman in the well, who has spent many long hours and applied most formidable talents possessed in this field to the solution of this vexing problem.

The amendment which I offered in large part bears the imprint of the gentleman's work. I congratulate him and I commend him.

I wish to say also that I am grateful for the statement made by the gentleman from Texas, and for the generosity which prompted him to take this wise outlook.

Mr. McDADE. I thank the gentleman from Virginia for his assistance in this area.

Mr. PATMAN. Mr. Chairman, if the gentleman will yield, we are ready for a vote. If there are several amendments, we can agree to them, as submitted by members of the minority.

Mr. McDADE. I submit herein my proposed amendment which is as follows:

On page 40, insert after line 5 the following new title:

"TITLE II—LOAN SHARKING

"SEC. 102. (a) The Congress makes the following findings of fact:

"(1) Organized crime is interstate and international in character.

"(2) Organized crime is directly engaged in interstate and foreign commerce, as well as intrastate commerce, in extending credit in so-called loan sharking activities. These activities of organized criminals and other criminals involve billions of dollars each year.

"(3) Loan sharking activities are characterized (A) by excessive finance charges or rates of interest, or (B) by the use, or the express or implicit threat, of violence or other harm to person, reputation, or property as a means of enforcing payment, or (C) by both of the foregoing characteristics.

"(4) Loan sharking activities directly impair the effectiveness and frustrate the purposes of the laws enacted by the Congress on the subject of bankruptcies.

"(5) Loan sharking activities impair the stability of the national economy and thereby interfere with the regulation of the value of money.

"(6) Loan sharking activities diminish the use and impair the effectiveness of legitimate channels of credit in interstate commerce.

"(7) The production and flow of goods in the Nation's economy is hindered by the diversion of money into excessive and confiscatory credit payments.

"(8) Federal programs designed to aid the poor in the United States are rendered less effective by loan sharking activities.

"(9) The diversion of money and assets into organized crime tends to stultify the purposes and benefits of a free enterprise economy and hinders the operations of Federal statutes and regulations designed to preserve that economy.

"(b) On the basis of the facts stated in subsection (a) of this section, the Congress

determines that the provisions of this title are necessary and proper for carrying into execution each of the following powers of Congress:

"(1) to regulate commerce;

"(2) to establish uniform laws on the subject of bankruptcies; and

"(3) to regulate the value of money.

"SEC. 103. For the purposes of this title—

"(1) To extend credit means to make or renew any loan, or to enter into any agreement, tacit or express, to allow or require the payment of any debt, obligation, or claim, whether acknowledged or disputed, valid or invalid, and however arising, to be deferred or postponed.

"(2) Whenever any means or instrumentality of interstate or foreign commerce is used in connection with any extension of credit, the State within which the transaction takes place shall be deemed to be the State within which the person to whom the credit is extended resides or is incorporated, unless the maximum rate of interest or finance charges permitted with respect to the transaction is lower in the State in which the transaction actually takes place than in the State in which the person to whom the credit is extended resides or is incorporated.

"(3) Any person who guarantees the repayment of any extension of credit, or in any manner undertakes to indemnify against loss any person who extends credit, shall be deemed to be a person to whom credit is extended.

"(4) The term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States.

"SEC. 104. (a) Except as provided in subsection (b) of this section, whoever knowingly extends credit for a consideration which exceeds the amount permitted under the laws of the State in which the transaction takes place shall be fined not more than $5,000 or imprisoned not more than 5 years, or both.

"(2) The provisions of subsection (a) of this section do not apply to any extension of credit by a creditor which is both—

"(1) licensed or chartered as a banking or lending institution by the United States or any State, and

"(2) regulated and supervised as a banking or lending institution by the United States or any State.

"(c) Whoever engages in the business of making extensions of credit involving any violation of this section, or conspires to do so, shall be fined not more than $10,000 or imprisoned not more than 20 years, or both, in addition to any punishment imposed under subsection (a) of this section.

"SEC. 105. (a) Whoever knowingly participates in any way in a wrongful use, or the express or implicit threat, of violence or other harm to person, reputation, or property directly or indirectly to bring about the satisfaction or discharge in whole or in part of any obligation or claim, acknowledged or disputed, valid or invalid, resulting from or in connection with any extension of credit shall be fined not more than $10,000 or imprisoned not more than 25 years, or both.

"(b) If two or more persons conspire to violate subsection (a) of this section, each shall be fined not more than $10,000 or imprisoned not more than 25 years, or both.

"SEC. 106. (a) Except as provided in subsection (b) of this section, whoever knowingly possesses, maintains, or exercises control over any paper, writing, instrument, or other thing used to record any obligation or information in connection with any extension of credit in violation of section 102 of this title shall be fined not more than $5,000 or imprisoned not more than 5 years, or both.

"(b) The provisions of this section do not apply to any officer, employee, or agent of the United States or any State acting within the scope of his authority as such, or to any person who promptly delivers to an officer or agent of the Department of Justice any paper, writing, instrument, or other thing described in subsection (a) which may come into his possession.

"SEC. 107. Whenever in the judgment of a United States attorney the testimony of any witness, or the production of books, papers, or other evidence by any witness, in any case or proceeding before any grand jury or court of the United States involving any violation of this Act, or any conspiracy to violate such Act, is necessary to the public interest, he, upon the approval of the Attorney General, or his designated representative, may make application to the court that the witness shall be instructed to testify or produce evidence subject to the provisions of this section. Upon order of the court the witness shall not be excused from testifying or from producing books, papers, or other evidence on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture. But no such witness shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, nor shall testimony so compelled be used as evidence in any criminal proceeding (except prosecution described in the next sentence) against him in any court. No witness shall be exempt under this section from prosecution for perjury or contempt committed while giving testimony or producing evidence under compulsion as provided in this section.

"SEC. 108. This title shall not be construed as indicating an intent on the part of Congress to occupy the field in which this title operates to the exclusion of a law of any State, and no law of any State which would be valid in the absence of this title shall be declared invalid, and no local authorities shall be deprived of any jurisdiction over any offense over which they would have jurisdiction in the absence of this title."

Mr. ECKHARDT. 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 Texas?

There was no objection.

Mr. ECKHARDT. Mr. Chairman, I cannot permit the amendment by the distinguished gentleman from Virginia to go entirely unopposed. Should it become law, the amendment would take a long stride by the Federal Government toward occupying the field of general criminal law and toward exercising a general Federal police power; and it would permit prosecution in Federal as well as State courts of a typically State offense.

This amendment would permit Federal courts and Federal policemen to enforce strict criminal usury statutes in some States—imposing harsh sanctions against those citizens—and, in other States, to enforce no sanctions on usury, or mild ones. I do not think such disparity can be justified as promoting the general welfare, because the amendment establishes no general Federal policy.

The Federal involvement cannot be defended on the basis of interstate commerce, because the amendment has no clear delineation of how commerce must be affected in order for its provisions to apply. I believe it would be dangerously oppressive to liberty for Congress to bend to every wind of passion to enact Federal, general, criminal law, justifying it under some hazy and tenuous connection with interstate commerce.

The most distinguished Virginian framed the Bill of Rights largely against such improper entrenchment of the Federal Government against the States. And I believe that Alexander Hamilton, though a federalist, would be astonished that such a deep entrenchment on the rights of the States in performing their most fundamental function should come from the more conservative quarter of the House.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Virginia [Mr. POFF].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. CAHILL

Mr. CAHILL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CAHILL: On page 6, line 17, immediately after "extends" insert: ", or arranges for the extension of,".

Mr. PATMAN. Mr. Chairman, the gentleman, I believe, has three more amendments to offer. He was nice enough to furnish us copies of them. We have gone over them with the staff and with the majority members. We will accept them, if the gentleman will put them in the RECORD.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey [Mr. CAHILL].

The amendment was agreed to.

AMENDMENTS OFFERED BY MR. CAHILL

Mr. CAHILL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CAHILL: On page 10, line 23, strike "and".

On page 10, line 25, strike the period and insert "; and".

On page 10, immediately after line 25 insert:

"(10) a description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates."

On page 12, line 8, strike "and".

On page 12, line 10, strike the period and insert "; and".

On page 12, immediately after line 10, insert "; and".

"(8) a description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates."

On page 13, line 15, strike "and".

On page 13, line 18, strike the period and insert "; and".

On page 13, immediately after line 18, insert:

"(E) the conditions under which the creditor may retain or acquire any security interest in any property to secure the payment of any credit extended under the plan, and a description of the interest or interests which may be so retained or acquired."

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey.

The amendment was agreed to.

The CHAIRMAN. The Clerk will report the next amendment.

The Clerk read as follows:

Amendment offered by Mr. CAHILL: On page 15, immediately after line 13, insert:

"(e) In the case of any extension of credit in connection with which a security interest is to be retained or acquired in any property which is used or is expected to be used as a residence by the person to whom credit is extended, the disclosures required under this title shall be made at least three days before the transaction is consummated or before any agreement to consummate the transaction is entered into by the party to whom the credit is extended, whichever is earlier. The Board may, if it finds that such action is necessary in order to permit homeowners to meet bona fide personal financial emergencies, prescribe regulations authorizing the modification or waiver of this requirement to the extent and under the circumstances set forth in such regulations.

"Notwithstanding any other provision of this Act, written acknowledgment of receipt by a person to whom a statement is required to be given pursuant to this paragraph shall provide only a rebuttable presumption of proof of delivery thereof.'

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey.

The amendment was greed to.

The CHAIRMAN. The Clerk will report the next amendment.

The Clerk read as follows:

Amendment offered by Mr. CAHILL: On page 15, line 21, immediately after "the obligation" insert ", unless the assignee, its subsidiaries, or affiliates, are in a continuing business relationship with the original creditor".

On page 26, line 13, immediately after the period insert: "Any action which may be brought under this subsection against the original creditor in any credit transaction involving a security interest in real property may be maintained against any assignee of the original creditor where such assignee, its subsidiaries, or affiliates were in a continuing business relationship with the original creditor either at the time the credit was extended or at the time of the assignment, unless the assignment was involuntary, or the assignee shows by a preponderance of evidence that it had no knowledge of any reasonable likelihood of violation by the original creditor and that it maintained procedures reasonable adapted to apprise it of the existence of any such violations."

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey.

The amendment was agreed to.

Mr. CAHILL. 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 New Jersey?

There was no objection.

Mr. CAHILL. Mr. Chairman, there can be small doubt but that the truth-in-lending bill presently before the House represents a monumental advance for our Nation's consumers. As dependence on consumer credit has increased, it has become evident that the doctrine of caveat emptor is completely inadequate to protect the public from the confusing wielder of credit gimmicks, such as "add-ons," "discounts," and "service" and "finance" charges. These practices, however legitimate, have made it impossible for today's consumer to compare the costs of available credit and, with tragic frequency, they permit the practice of fraud and deception.

In the absence of plain, clear, and truthful information with respect to credit costs, the consumer has been forced to rely on advertising representations, and, as a general rule, such advertising has been inadequate to present a complete idea of credit costs. I would thus urge immediate enactment of the present bill, which requires clear disclosure of credit costs and imposes a requirement that credit advertising be truthful.

However, despite the general comprehensiveness of this legislation, in my judgment there are serious and important omissions which should be corrected. These omissions relate primarily to consumer credit extended on the security of mortgages and liens on homes and residences. I am sure that most of the Members are aware of the extent to which vicious secondary mortgage schemes have victimized homeowners in the District of Columbia.

On numerous previous occasions I have pointed out to the Members that New Jersey and Pennsylvania homeowners have similarly been defrauded. The pattern of this unscrupulous fraud is generally not too complex, but finds its success primarily in the anxiety and financial need of homeowners who are ill-prepared to glean the truth from the many representations made to them by mortgage lenders. Generally, the homeowner desiring to borrow money is confronted by deceptive contracts hidden finance charges, and misrepresentations of the considerations he is to receive and the financial obligations he is to assume.

Frequently, the misrepresentations are made by newspaper advertisements. In other instances, the misrepresentations are made directly to the borrower by the mortgage discount lender or a broker who offers to arrange home improvement repairs or consolidation of all the homeowner's debts into "one easy monthly payment."

In all cases, the homeowner is hurried and rushed through the transaction by glib and reassuring talk and in many cases he is never informed nor aware that his home is being made subject to a mortgage. A central feature of these schemes is the assignment of the note and mortgage by the fraudulent mortgage lender to the finance companies which, by callous disregard of the fraudulent underlying transactions, can claim the privileged status of holder in due course under State law. During the past several months, I have requested the Federal Trade Commission and the Post Office Department to undertake investigations of these practices in the Camden-Philadelphia area to determine possible violations of existing Federal legislation. Despite the prompt and cooperative efforts of these authorities, such unscrupulous schemes continue.

I have therefore offered these four amendments designed to improve the truth-in-lending provisions with respect to mortgage transactions.

One amendment would require that there be disclosure that a mortgage is being placed on the borrower's home and that the consequences of such a mortgage can be explained.

Another amendment would perfect section 202. Under this section only those who actually extend credit are required to disclose credit costs. However, in terms of commercial reality, credit arrangements in mortgage transactions are generally arranged through brokers. These brokers usually extend no credit themselves, but rather pass upon the credit acceptability of applicants and place the application with lending institutions. Further, fraudulent second mortgage schemes frequently involve mortgage brokers who offer to consolidate all the homeowner's debts. Another amendment will make clear that brokers and others who arrange credit transactions between borrowers and creditors are included in the disclosure requirements of the bill.

Third, as previously mentioned, most fraudulent mortgage schemes are consummated in an atmosphere of hurry, rush, and fast talking. Under the bill, the disclosures required need only be made "before the credit is extended." This obviously is not sufficient to protect the anxious and debt-ridden homeowner. Thus another amendment would require that disclosure of credit terms be made 3 days prior to the consummation of the mortgage transaction. Thus, homeowners will be able to study and investigate the contemplated seriousness of the obligations which they are able to undertake in the privacy and unhurried atmosphere of their own home. An immediate objection which may be raised is that homeowners often need emergency funds and that such a provision would place a burden on such transactions.

However, this objection would not seem to accord with practical realities. Generally, prior to any money being advanced in a mortgage transaction, a title search is made and mortgage deeds prepared. Usually, this takes from 4 to 5 days. Moreover, the amendment proposal would include a provision which would allow the Board of Governors of the Federal Reserve to establish regulations waiving the 3-day notice requirement in bona fide emergency situations if such waiver were determined to be necessary.

Under State holder-in-due-course legislation, lending institutions are free to close their eyes to fraudulent underlying transactions and thus the homeowner has little practical recourse if he has been defrauded. The last amendment provides that assignees of mortgages, and notes given in connection with mortgages be held responsible for the knowledge that disclosure had been made by the original lending institutions, where they maintain a continuing course of business with the original lending institution.

These are amendments which will improve the bill and I thank the Chairman for accepting all four amendments.

The CHAIRMAN. Are there any further amendments to be offered to this section?

Mr. HALL. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, my first personal experience away from home was in working for an attorney, who later became a Member of this House, in the pursuit and the collection of judgments.

Mr. Chairman, there are a few States

that do not employ the creditor's remedy and the garnishment of wages, including my own State of Missouri itself.

Generally, no more than 10 percent of the wages owing to the resident head of a family for work performed—that is the wage earner—within 30 days preceding service on the garnishee, the employer, may be reached by garnishment.

I wonder if this provision which we are going to consider preempts the traditional role of the State courts to operate in this field?

Furthermore, Mr. Chairman, I wonder what is, in fact, the basis for Federal jurisdiction.

Now, Mr. Chairman, assuming that the answer to my second question is the well-worn commerce clause, is this an extension only which would have been foreseen by those who wrote our Constitution and the basic laws of our Founding Fathers?

Mr. Chairman, since this title is to be enforced by the Wage and Hour Division of the Department of Labor, as now written, one must presume that it would not apply to the garnishment of employers that do not fall within this Department's jurisdiction.

Therefore, I rise before the Committee to ask questions seeking general information as, indeed, I did after our general debate prior to amendments under title I and inquire, does this title apply to garnishments that do not arise from consumer credit transactions; that is, judgments for child support, rent, taxes, and tortious acts?

And, finally, Mr. Chairman, will not illegal or Mafia-type collection methods arise due to the enactment of this title?

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

Mr. HALL. I shall be delighted to yield to the gentleman from Wisconsin.

Mr. REUSS. Mr. Chairman, I would like to address myself to the questions which have been raised by the distinguished gentleman from Missouri [Mr. HALL].

Question No. 1, which as I understood, was whether to prohibit the garnishment procedure as it is applied to, for instance, child support and similar matters?

Mr. Chairman, the section which we shall come to in a moment, and which is very clear as it appears on page 41 of the bill, the prohibition does not apply under the order of any court for the support of any person.

Mr. HALL. Mr. Chairman, that was, actually, the fourth question that I raised.

Mr. REUSS. Well, now, working my way backward, I would like to try to answer all of the questions which have been propounded by the gentleman from Missouri.

Mr. HALL. I shall be glad to hear the answers of the gentleman from Wisconsin.

Mr. REUSS. The constitutional jurisdiction is not only that under the interstate commerce clause which the gentleman has mentioned, but is positively under another separate and distinct clause providing for the carrying out of the fiscal and monetary authority of the United States Code as provided in article 1, section 8, clauses 1, 2, 5, *Veazi Bank* v. *Fenoo* (8 Wall. 533, 549 (1869)); *Head Money* cases (112 U.S. 580, 595, 596 (1884)); *United States* v. *Butler* (297 U.S. 1, 60, 61, 69 (1936)).

The jurisdiction of the Congress under the fiscal and money power clauses clearly extends to interest in credit transactions of the nature which is now pending before us.

Mr. HALL. I appreciate the gentleman's response. And, I presume the gentleman means criminal findings under the Criminal Code?

My questions are based upon principle as, indeed, are questions involving other titles which will come under debate in the future, and in my opinion these questions which I have propounded, coming from a nonlegal mind, have raised the same question in the minds of those individuals who have read the bill, questions which in my opinion are paramount.

Mr. Chirman, I include herein a letter which I have received from a constituent and upon which I based my inquiries of yesterday:

TURNERS, INC.,
Springfield, Mo., January 26, 1968.

DURWARD G. HALL,
Longworth House Office Building,
Washington, D.C.

DEAR CONGRESSMAN HALL: I hate to bother and particularly with long letters, which this may be, and I will endeavor to keep it as short as possible.

You may recall that a year or so ago I wrote you in regard to "Truth in Lending" bill, and your answer was that you would stay in touch with it but it was hard for you to see why an interest could not be stated as a simple annual rate.

I was then and am now inclined to agree with you but at the same time I cannot answer that question for you or for myself. Uncle Luther always used to say that "Liars can figure but figures don't lie," but I am beginning to question even this.

It is my understanding you have heard from Bill McClerkin and our feeling is pretty much as his—that the Senate bill is one we could live with but the proposed changes in the House bill would make it unworkable. We are advised by Sears that it would put them out of the revolving or budget credit business. Revolving credit was established as a convenience for the customer and as an easier method of handling charge accounts where there should be a carrying charge and the customer is advised that there is a charge of 1½% per month on the unpaid balance. But it seems impossible to convert this to an annual rate.

At first glance it would appear to be 18% but it doesn't work out that way, partially because the payments may vary and partially because of additional purchases. To try to re-figure the interest with each new purchase on a revolving credit account would probably be more than a computer could do.

To find answers to your questions, I talked to Dr. Jerry Poe of the Breech School of Business at Drury, with whom I am sure you are familiar. He in turn talked with Willard Graves. I also talked to some of the bankers and I still can't come up with an answer other than it cannot be done.

I have before me a book entitled "How to Avoid Financial Tangles," published by the American Institute for Economic Research, wherein they refer to the interest charge on insurance premiums and to keep this brief, one sentence reads: "If three per cent is added to the premium, the interest rate is twelve and one-half per cent annually. If two per cent is added, the interest rate is eight and one-third per cent per annum. . . . If six per cent is added to an annual premium of one hundred dollars. . . . this gives an annual interest rate of approximately sixteen per cent for the actual accommodation."

Jerry Poe brought me a book entitled, "Theory and Problems of Mathematics and Finance." This refers to different rules of arriving at the percentage of carrying charge. One is called the Merchant's Rule and the other, the United States Rule, and the third is the Constant Ratio Formula—all of which gives us different answers to the same problem. For example: A shop offers an electric motor for thirty-four dollars cash or five dollars down and three dollars per week for ten weeks. Find the interest rate charge, using the direct ratio formula, and the answer is that the interest rate is 32.3%. Another example in this book, depending on which method is used to determine the rate of interest, varies from 18.8% to 20.5%. Still another example refers to a Loan Company that charged two per cent per month on loans of $500.00 or less, and this figures out to a rate of 40.2%.

I still haven't figured out the "why's" and "wherefore's" of this. I do know that Canada tried a similar program and abandoned it as unworkable. I, therefore, would encourage you that, if we must have such a bill, we have one that is workable and it would appear that the Senate bill is workable. But from the information that we have on the proposed House bill, it is not workable.

Again thanking you for your careful consideration of this problem, I remain

As ever,

BUD
H. M. TURNER, *President.*

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

Mr. HALL. I yield to the gentleman from New Hampshire.

Mr. WYMAN. Mr. Chairman, I would like to observe, in view of the gentleman's remarks, that the proposal to deny State courts power to enforce State garnishment law is beyond the proper province of Congress. It is bad policy as well as of doubtful constitutionality.

Forty or more States have State laws on this subject. Are we to say that these laws are impotent by congressional flat? If so, on what authority? This is not for Congress to do. This is not interstate commerce. Surely it cannot be said to be authorized under the welfare clause.

Mr. Chairman, I move to strike the requisite number of words.

Continuing, if I might, in response to the gentleman from Missouri [Mr. HALL], it seems to me that to say that the State courts may not use their processes to enforce such remedies of garnishment as State law may provide within the several States, is unwise, and I believe unconstitutional as well.

I do not know what memorandum the gentleman from Wisconsin just referred to in support of the constitutionality of this proposal I heard something about monetary powers I think. This is stretching it pretty far unless a transaction for which garnishment aid was sought arose in or out of interstate commerce, and is required to have so arisen in the language of this bill which is not the case.

I do not believe that we have any business to say that no State court may execute or enforce orders in violation of this act, or for that matter to go on, as the bill does, and give the Secretary of

Labor authorization to make regulations to supplant the laws of the several States in this field.

At an appropriate time I intend to offer an amendment to strike the words "or of any State" in line 2 on page 41 so as to make it clear that only Federal courts are involved in this section 202, not the State courts.

I believe the gentleman should be commended for bringing this to the attention of the Committee. It would be a great mistake for this body to pass this legislation in the form in which it is presently written, at least in this respect.

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

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

Mr. WIGGINS. Mr. Chairman, I thank the gentleman for yielding so that I may express my views on title II of this bill in greater detail. As the Committee knows, title II prohibits the garnishment of wages under certain circumstances.

The hearings before the Banking and Currency Committee have demonstrated clearly that some creditors abuse the right created by State law to garnish the wages of debtors. It is doubtless true that these abuses have contributed to the alarming increase in personal bankruptcies throughout the United States. There is abundant evidence that some regulation of the garnishment procedure is necessary.

The proposal set forth in title II of the bill follows the procedure practiced in New York State. I have no objection to that procedure, and indeed believe that similar legislation would be salutary in each State. I do question, however, whether the Congress of the United States has the power under our Constitution to prescribe a uniform garnishment procedure for each of our States.

Section 201 of the title in question anticipates this constitutional question and declares that the garnishment of wages has resulted in a substantial burden upon interstate commerce. In my view, Mr. Chairman, the Committee is merely grasping at straws to justify this questionable extension of the Federal power.

All of us must constantly remember that many things which need to be done are beyond the power of Congress to accomplish. These needs must be met, if at all, by the individual or by State government. In the long run, the people of America will be served better if this separation between the power of the National Government and that of the States is maintained.

It is my view that Congress has no power to enact provisions modifying the rights of creditors as determined by State law, except as a part of its comprehensive legislation dealing with bankruptcy, or to establish uniform rules of civil procedure for State courts.

Title II of this bill is clearly severable from the other titles, however, and for that reason it is my intention to support this legislation notwithstanding the provisions of title II thereof.

Mr. WYMAN. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

TITLE II—PROHIBITION RESTRICTION OF GARNISHMENT OF WAGES

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

AMENDMENT OFFERED BY MR. MONTGOMERY

Mr. MONTGOMERY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MONTGOMERY: On page 40, beginning at line 6, strike out all of section 201.

Mr. MONTGOMERY. Mr. Chairman, I have a straightforward, simple amendment here, that I would like to explain to you.

Actually, my amendment strikes out section 201. If my amendment is adopted I have subsequent amendments which will also take out sections 202, 203, and 204 of title II, which is the garnishment section.

In other words, what I am trying to do is eliminate the garnishment section from this bill to make it a better bill. So I certainly hope the Members will support my amendment.

May I say this, Mr. Chairman: If this section is not taken out of the bill, and it becomes the law, then the Federal laws that have been set on this floor on garnishment will supersede most of the State laws that we have today.

I am proud of the good laws that we have in our State pertaining to garnishment, and, as I say, this will affect most of the States.

Mr. Chairman, I would like to say that it is just as simple as this: If you want the States to regulate their own garnishment laws, then you vote for my amendment. If you want the Federal Government to regulate and move in on the State authority, then you vote against my amendment. It is just as simple as that.

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

Mr. MONTGOMERY. I yield to the distinguished chairman.

Mr. PATMAN. I thank the gentleman for yielding.

What I have to say refers to our strategy here, and this is what I am getting to: It is my understanding that both sides have finished their amendments, and we are almost up to a vote. If we vote on this, this is really the issue that is causing so much controversy. I know that, and I believe the Members understand the merits and have made up their minds pretty well. So if we can agree on a time to vote on this, we would be willing to do it. And then if the gentleman succeeds in his amendment, if we strike out this section, we would entertain the other amendments, but if the gentleman does not succeed, then there would be no need to entertain the other amendments.

Mr. ROGERS of Colorado. Mr. Chairman, will the gentleman yield for a parliamentary inquiry?

The CHAIRMAN. Will the gentleman yield for a parliamentary inquiry?

Mr. MONTGOMERY. I yield to the gentleman.

The CHAIRMAN. The gentleman will state his parliamentary inquiry.

Mr. ROGERS of Colorado. Mr. Chairman, the amendment offered by the gentleman from Mississippi strikes only section 201. The recommendations under the rule were to take up the committee amendments. Now, the committee amendment as it appears on page 40 at line 20 would indicate that it would strike section 202, 202 (a) and (b). The parliamentary inquiry is this: In the event the amendment offered by the gentleman from Mississippi is adopted, then what happens to section 202 and the recommended committee amendment?

The CHAIRMAN. Then the Committee would consider section 202 when it is read.

Mr. MONTGOMERY. I have an amendment to sections 202, 203, and 204 prepared, Mr. Chairman.

Mr. PATMAN. Would the gentleman be willing to test his case on that one and then if he wins on that we can take up the others? If you do not, then, of course, it would be unnecessary and we could get through here in perhaps the next 30 minutes.

Would the gentleman agree on 10 minutes of discussion on your amendment and you have 5 more minutes and the opposition have 5 minutes to oppose it?

Mr. MONTGOMERY. Mr. Chairman, I am about through. I have said what I wanted to say. I certainly hope this Committee will support my amendment. I have a good amendment and it will make the bill a much better bill if the garnishment section is taken out of the bill.

Mr. RESNICK. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise in opposition to the Montgomery amendment.

I support the Halpern amendment although with a great deal of reluctance and with reservations.

I had hoped that the distinguished Committee on Banking and Currency in its deliberations would have seen fit to completely eliminate the garnishment racket. For a racket it has become—one that each day victimizes the Nation's workers through shakedowns, lost jobs, personal anguish, and humiliation. Indeed, I have evidence that proves the very fear of garnishment is one of the major causes of voluntary bankruptcy.

I am certain that my good friend and esteemed colleague from New York offered his amendment in good faith with the hope that it would rectify some of the gross inequities that now exist in many of our States.

The Halpern amendment is patterned after the New York State law. In theory, this law is just and equitable for the creditor and the debtor. Thus, I support the amendment.

But I must warn my distinguished colleagues that when not properly enforced, New York's statute in practice can be as harsh, unjust, and unyielding as laws which even in theory give only minimum protection to the debtor.

This problem has always concerned me. I believe that garnishments most hurt those persons least prepared to defend themselves from unscrupulous merchants, finance companies, professional

collection agents, city marshals, process servers, and other parasites who feed off the lifeblood of our workers.

These are the very people who are burdened with low incomes, who know nothing of legal processes, and who, in most instances, have no one to turn to for help.

I became directly involved with this problem when one of my constituents in Ulster County, N.Y., quite innocently and through no fault of his own was caught in the squeeze rollers of New York's garnishment mill.

Within 10 short weeks this hardworking, respectable citizen and homeowner lost his spotless credit rating. The mere fact that an income execution was filed against him was enough to make him feel that even after 7 years of loyal and faultless service, he would never again be promoted.

Imagine how he felt as a law-abiding American, brought up to respect the law and its officials, to find that officials were using the law to persecute him instead of to protect him.

In October 1964, he purchased a food freezer and food plan from Natpac, Inc., of Poughkeepsie and Ozone Park, N.Y., for $1,600.

He regularly met his obligations. In July 1967 Food Financiers—a collection agency owned by the very same men as Natpac—claimed that he owed it $90 and immediately threatened garnishment.

In fact, he owed only $20 which he promptly mailed to settle the debt. But instead of receiving an invoice marked paid in full, Food Financiers informed him he still owed $90, and before he knew what happened, it billed him for an additional $60 in court costs.

Even though this man had complete proof that he had paid in full, this callous outfit immediately invoked New York State's garnishment law to collect its nonexistent debt.

From beginning to end the actions taken by Natpac, Food Financiers, its attorney Milton Kostroff, City Marshal Max Grabel, and Process Server William F. Niles show clearly that these people were not interested in collecting a just debt, but in victimizing their customer—whose only crime was to be foolish enough to deal with this group of human vultures in the first place.

Using the Brooklyn civil court as their unwitting accomplice, Food Financiers and Mr. Kostroff conjured up this fictitious debt; employed a process server and a city marshal who were perfectly willing to perjure themselves and violate the clear, basic requirements of the State law; obtained a default judgment from a court that had no jurisdiction over their customer—but because of improper papers was led to believe that it had jurisdiction; and improperly garnished his wages.

A quick catalog of the crimes they committed include perjury, fraud, and conspiracy—all indictable under the New York State Penal Code. It appears they even used the U.S. mails illegally to get their pound of flesh from a helpless victim.

One reason that these vultures were able to operate with such horrifying precision and speed is that the very court officials charged with seeing that the laws are justly and equitably administered, closed their eyes and overlooked the plan provisions of the law. From beginning to end no judge ever questioned any aspect of this obvious flouting of the law.

Time does not permit me to disclose all the complex and startling machinations of this case. Under unanimous consent I shall shortly include in the RECORD the full facts of this case. They will be turned over to the proper authorities in New York State, where hopefully steps will be taken to enforce the law as it was written.

The parties in this case are so conscious of their guilt that as soon as my office called for an explanation, Attorney Kostroff vacated the judgment, claiming all was a terrible mistake.

After learning the depths and dimensions of their operation I doubted that such a slick machine could be established to garnish the wages of just one man.

My doubts were well founded. Further investigation shows that Mr. Kostroff is an expert par excellence at his racket of bleeding the innocent. Twenty-five percent of all garnishments handled by the Brooklyn civil court come under his name. Of 100 collection cases handled by this sworn officer of the court last year, every last one of them started with a default judgment—no defendant showed up. The logic of the situation leads but to one conclusion: This could not be pure coincidence, the law is being flouted.

Again, time does not permit full disclosure of the many criminal deeds committed in the name of New York's garnishment law. These, too, will shortly be entered into the RECORD.

Bear in mind that the abuses I have described here occurred in my State of New York which now enjoys the protection of a reasonably strong law. We can only speculate about conditions in other States in which the unsuspecting consumer does not enjoy even this much protection.

Therefore, I urge this body to first pass the Halpern amendment and second to insist upon stern and rigid enforcement of it within each respective State.

I recognize that this is not the perfect law. I visualize ultimately the passage of a law which will prohibit all garnishment. However, this is a decisive and important first step, which deserves our support.

Mrs. MINK. Mr. Chairman, I wish to state my support for this legislation which I believe will better advise American buyers and consumers of their financial obligations as they participate in the healthy growth of merchandising in our country.

Certainly, all of us as consumers have contributed greatly to the record 8 past years of prosperity in America. Needless to say, we have also shared in this growth of our economy and our goal should be continued progress with increasing benefits for all persons. Unfortunately, as improvements in our way of life continue each day, the complexities of an urban society have reached a degree where the long-observed principle of let the buyer beware is no longer a realistic statement.

I believe, as many others have previously stated, that the road to a still higher standard of living must include some methods of advising buyers and consumers of the various aspects of their actions. They must receive some protection for the purchase they make and they must be informed completely of the financial obligation they are accepting in requesting credit. I believe that H.R. 11601 contains many features which will accomplish these goals.

In brief, this legislation will offer this protection by—requiring merchants and lenders to state clearly and fully the finance charge to be imposed; requiring a clear statement on the cash price of purchases, less the down payments and trade-in. It must also disclose the finance charge; and requiring all time payment plans to be explained in open-end credit accounts.

President Johnson recognized the need to assist buyers when he told this Congress in his state of the Union message a few weeks ago that—

> When we act to advance the consumers' cause, I think we help every American.

The President then reminded us that—

> The Senate has already passed the truth-in-lending bill.

We can recall that he pleaded with the House to "immediately act" on the same measure.

Mr. Chairman, legislation of this type has been introduced in each Congress since 1958 but without final action. The hesitancy to act, I believe, is due to a misconception of its purpose which is simply to equip buyers and consumers with better information to use in making purchases. It will make it easier for the purchaser to make comparisons—thereby, I believe, increasing his interest in merchandising. It should not place a damper on his enthusiasm for the new products of the home and business.

Moreover, this measure should not be interpreted as another Federal control to harness individual initiative. It is not an effort to impose conformity in merchandising.

I must repeat what I said in 1966 in support of this legislation. It was:

> Basic issues of honesty are involved, as well as an affirmation of the principle of business competition through a fair disclosure of what the consumer is getting for his money. This legislation is promulgated on very basic American principles: the right of the consumer to know what he is buying and the obligation of the businessman to disclose what he is selling. I believe that these measures deserve the support of all fair-thinking Americans.

President Johnson's message of February 5, 1964, on the appointment of a Consumer Committee contains some statements which are still timely. He said then:

> America's economy centers on the consumer. The consumer buys in the marketplace nearly two-thirds of our gross national product—$380 billion out of an output of $600 billion. . . . My special assistant and the new Consumer Committee will lead an intensified campaign . . . to fight side by side with enlightened business leadership and

consumer organizations, against the selfish minority who defraud and deceive consumers, charge unfair prices, or engage in other sharp practices.

The consumer credit system has helped the American economy to grow and prosper . . . The antiquated legal doctrine "Let the buyer beware" should be superseded by the doctrine "Let the seller make full disclosure." I recommend enactment of legislation requiring lenders and extenders of credit to disclose to borrowers in advance the actual amount of their commitment and the annual rate of interest they will be required to pay.

Finally, I am advised that witnesses who appeared at public hearings to support this legislation unfolded shocking tales of how consumers have paid as much as 100 percent, and in some cases 200 percent, rates of interest for appliances and automobiles.

Most often, the witnesses told of interest rates which averaged 60 to 70 percent. Often, these rates included padding and fictitious fees.

There was also some evidence of a link between the underworld and the growing loan-shark racket, intimating that the present system coddles the unethical who would be driven out of business by more honest dealers if disclosure legislation is adopted.

I join President Johnson in pleading with my colleagues to support this legislation.

Mr. JOELSON. Mr. Chairman, the increase in consumer credit in the United States is one of the phenomena of our economy.

In 1939, there was only slightly more than $7 billion outstanding in consumer credit, while at the end of September 1967 that figure had risen to more than $95 billion. Thus, it can be clearly seen that consumer credit is growing at a rate far in excess of the growth rate of our total economy.

Unfortunately, laws regulating consumer credit and safeguarding those who use credit have lagged behind the phenomenal growth of consumer credit. It is, therefore, indeed gratifying that the House is now presented with an opportunity to pass legislation that will have the overall effect of assisting everyone who must use consumer credit. For this reason and many more, I strongly support H.R. 11601, including the provisions removing the $10 credit charge and the revolving credit charge exemptions from the bill. Since the use of consumer credit is so widespread, we would be remiss if we did not pass legislation that deals fully and equitably with the problems surrounding the use of consumer credit. In too many cases, legislation has been passed granting exemptions, only to find out at a later time that the exemptions virtually nullify the total effect of the legislation. No discussion of this legislation would be complete without pointing out the outstanding work that my colleague, the gentleman from New Jersey [Mr. MINISH] has performed, not only in this bill but in the whole area of credit extension.

As a member of the Consumer Affairs Subcommittee of the Committee on Banking and Currency, which held extensive hearings on this bill, the gentleman from New Jersey [Mr. MINISH] was a vigorous and strong campaigner for meaningful legislation. He voted against every attempt to weaken the bill and fought equally hard for amendments to strengthen the legislation.

It should also be pointed out that during the 89th Congress the gentleman from New Jersey [Mr. MINISH] headed a special subcommittee to investigate the problems of servicemen when they attempted to obtain credit or to borrow money. It was due, in a great part, to the efforts of the gentleman from New Jersey that the Department of Defense subsequently issued its own truth-in-lending directive designed to protect servicemen from sharp practice credit extenders. I personally feel that the gentleman from New Jersey's work as chairman of that special subcommittee was one of the outstanding achievements made by a Member during the 89th Congress. It would have been easy for the gentleman from New Jersey to have rested on the laurels achieved during the 89th Congress, but instead, he has thrown his full weight and talents into the fight for a strong truth-in-lending bill.

The people of his district, the State of New Jersey, and the country can be thankful that Congressman MINISH is in their corner.

Mr. HELSTOSKI. Mr. Chairman, because industry and business will not police themselves for the protection of the public, it becomes necessary that Congress undertake to furnish the protection of public interest in several fields.

Recent actions of the Congress included the truth in packaging legislation and the Highway Safety Act. Under these two pieces of legislation we have accomplished what industry neglected to do for many years. We have provided for uniform packaging and labeling of goods sold in interstate commerce. We have provided for additional safety features in our motor vehicles. Now, because business would not take action to provide for uniform disclosure of credit costs, Congress has today undertaken the task of legislating into law a bill which would require the truthful disclosure of interest rates and credit costs to the general public on their credit buying.

The objective of this truth-in-lending legislation is to provide consumers of products, bought under time payments, some relevant information as to the cost of these purchases. There is much misleading advertising in the interest rates being levied on loans or purchases. An advertised rate of 4 percent does not truly reflect the actual rate of interest charged on a loan, for example a loan in the amount of $550, repayable in $50 installments over a period of 1 year will add up to 17 percent as the true interest rate. However, that information is not communicated to the borrower by the lender. And it should be so communicated.

Mr. Chairman, this is a far-reaching bill, it could rightfully be called a bill of rights for the American consumer. It is a culmination of 7 years of hard work of Congress to enact such legislation, and we should acknowledge the efforts of former Senator Paul Douglas in pioneering this fight to adopt an effective truth-in-lending bill. But the fight is not yet over, as there are several obvious and glaring loopholes in this legislation. I hope that these will be closed and shall support any amendment which will close these loopholes.

I support H.R. 11601 and am a cosponsor of this legislation through my own bill, H.R. 12063, which strives to attain the same objective as that embodied in the legislation under debate at present.

We have waited a long time for this legislation and I wish to commend the distinguished chairwoman, the gentlewoman from Missouri [Mrs. SULLIVAN] and other members of the committee, for their hard labors and the long hours that they spent to develop this meaningful legislation. They deserve the highest praise and my heartiest commendation in bringing out the most effective bill possible.

Mr. Chairman, the whole purpose behind this legislation is to assure the buying public of clearly understandable and readily comparable information on the various types of consumer credit proposals so that the consumer can best decide which offer is best in the terms of dollars and cents and his ability to obtain a better "buy" through some other means.

Buyers and borrowers must have the fullest knowledge of what they are paying in terms of interest on their outstanding indebtedness and if it is necessary that we protect their rights by legislation, we have the vehicle to do so in the present bill.

The legislation provides the consumer with protection against misleading advertising of credit charges and rates. This is the form of protection which is obviously needed and this day is our opportunity to serve our American consumer to our fullest capacity.

There can be no doubt in my mind that the votes that are cast on this measure will be carefully scrutinized by our constituents as to whether they are cast in favor of the consumer or the moneylender.

Mr. Chairman, I urge the adoption of strengthening amendments and eventual passage of the Consumer Credit Protection Act.

Mr. O'NEILL of Massachusetts. Mr. Chairman, I rise in support of this bill, H.R. 11601, the Consumer Credit Protection Act. This is a fine bill—necessary to protect the consumer by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes.

I think this bill is a tribute to the

fine work of the distinguished chairman of the Banking and Currency Committee and of the distinguished chairman of the Subcommittee on Consumer Affairs, the gentlewoman from Missouri. It reflects the concern of the members of the committee who worked diligently to produce this bill. I believe it also reflects the foresight and dedication of our former colleague, Paul Douglas, who 8 years ago began the fight for truth in lending.

The popular name for this legislation, "Truth in Lending" is, I believe, appropriate. The bill calls for disclosure, for truth, in credit transactions, and sets maximum rates for finance charges.

It is hard to imagine any good reason for opposition to this bill. We merely want the truth and the prevention of usury. We have all seen the paper today. The Honorable Paul Rand Dixon, Chairman of the Federal Trade Commission, reaffirmed what we have known and what we are trying to end. The poor pay more. Those people who cannot afford to pay cash and must turn to credit, end up paying more for their goods, much more.

An excellent article in this past Sunday's New York Times magazine section pointed out that those people who need cash in a hurry end up paying unbelievably high interest—or are forced to repay their debts with dishonor, crime, or their lives.

Mr. Chairman, this is intolerable. We seek today, with this bill, to begin to put an end to exorbitant and usurious rates of interest. And we must remember that it is not only the criminal loan sharks who charge these rates, but also some legal businesses that hide their high interest rates under "terms per month" or "pennies per day." We are only asking that the consumer, the citizen, be allowed to know what he must pay for credit financing; that he be able to compare financing plans and choose what is best for him.

In this regard I fully support Congresswoman SULLIVAN's amendments to the bill, to eliminate the exemptions to annual rate disclosures. The gentlewoman and the honorable chairman of the full committee have explained why and how these exemptions can lead to abuses and circumventions of the law.

We do not want to pass legislation that includes exemptions which enable unscrupulous businessmen to avoid and ignore the effects of this legislation.

And we are talking about unscrupulous businessmen. The support for this legislation from the business community shows that honest businessmen have no qualms about the enactment of this legislation. We are asking for truth, for fairness, and this does the honest man no harm.

Mr. Chairman, I urge my colleagues to support this legislation and to exclude the exemptions in the committee bill.

We mean to protect the consumer. Let us do that fully.

Mr. FRASER. Mr. Chairman, I plan to vote for this bill, and I am sure that most Members will do the same. The bill has been accurately described by its principal author, the lady from Missouri [Mrs. SULLIVAN] as the most important piece of consumer legislation in years. Every citizen of this Nation owes a debt of gratitude to Mrs. SULLIVAN for her patience and hard work in moving this vital legislation through her subcommittee, through the House Committee on Banking and Currency and, I hope before the afternoon is over, through the House.

It is no exaggeration to state that every American will, directly or indirectly, be affected by passage of this bill. Credit, whether for individuals, corporations, or governmental units, is an integral and expanding part of the U.S. economy. Interest payments are made, as the distinguished chairman of the Banking and Currency Committee pointed out Tuesday, on hundreds of billions of dollars. Of this total, he said, interest is being paid on some $96 billion in consumer credit alone. And, since the end of World War II, consumer credit has grown at a rate 4½ times greater than the growth rate of the American economy.

In view of these staggering figures, congressional passage of a measure to protect the consumer by telling him exactly what interest he is paying is many years overdue. This afternoon we have the opportunity to make up for those lost years. An accolade also is deserved by former Senator Paul Douglas of Illinois, who first introduced a truth-in-lending bill.

However, the bill passed by the Senate last year was a pale echo of the strong legislation that is urgently needed. The House Banking and Currency Committee and Mrs. SULLIVAN's Subcommittee on Consumer Affairs are to be commended for putting teeth into the relatively toothless bill approved by the Senate.

The growth of credit in the United States has been accompanied, as many a bankrupt American can testify, by the tragic corollary growth of dishonest, unscrupulous, and immoral practices by a small minority of lenders. Usurious interest rates prey on unsuspecting and uninformed citizens whose lives often are ruined by the overwhelming burden of unnecessary debts. This bill would be a major deterrent to loan abuses because it would remove the shield of secrecy and misinformation behind which they now occur. At the same time, the bill would create no problems for the majority of legitimate lenders who have nothing to hide.

As other speakers have urged, I feel strongly that the two proposed amendments should be opposed: one to exempt revolving credit in the measure and the other to exempt credit charges of $10 or less. Defeat of the first would protect the consumer from being misled by the high interest rates charged on revolving charge accounts by department stores and would eliminate the discrimination in the present bill against merchants and businessmen who do not offer revolving credit. Defeat of the second would protect the small borrowers, many of them poor people, who make loans under $100.

It is noteworthy that the bill before us has the widespread support of the business community, and very little opposition. This was not the case a few years ago. Every Member has, I am sure, received considerable mail on this bill. One appliance dealer from my district of Minneapolis had this to say about revolving credit:

> This revolving credit monthly rate feature definitely favors the large chains and department stores—and weighs unfairly on the small retailer. If the giant retailers who use "revolving" can quote monthly rates—then any retailer should be allowed to do the same, regardless of the contract form.

The bill, Mr. Chairman, has the overwhelming support of the people. In a questionnaire to my district last fall, by far the highest approval—more than 90 percent—was for truth in lending. There is no good reason why the bill should not be passed. There is every reason why it should.

Mr. MORRIS of New Mexico. Mr. Chairman, we have heard a lot of debate on this issue, not only here this afternoon but on the floor of the House on previous occasions and in the press. All of us have been subjected to letters, telegrams, memos, and so forth, from a number of sources urging action this way and that. I have chosen to concentrate on one point which to me is a crucial one, and which brings the whole revolving credit question into focus. This is the mathematical question which has been spoken of so frequently—is the charge of 1½ percent which is made each month by the department stores really an annual rate of 18 percent? If it is, then the gentlewoman from Missouri [Mrs. SULLIVAN] is correct and these charges should be reported on an annual basis. If it is not, then the stores are correct in complaining that Congress would force them to lie in the name of "truth in lending," adopted by Mrs. SULLIVAN's amendment.

It would seem to be an easy point to resolve, mathematics being about as exact a science as we have available to us. But the old cliche that "figures don't lie, but sometimes liars figure," seems to enter the picture here, because both sides present us with carefully worked out mathematical charts to prove either that the charge is 18 percent or that it is not.

Under Secretary of the Treasury Joseph Barr put his finger on the trouble when he testified at the hearings before the subcommittee. Both sides, he indicated, were right in their arithmetic. The difference is that the retailers assume that the credit is extended at the time of the sale, while Mrs. SULLIVAN and Mr. Barr assume that the credit is not extended until the first billing date.

This, then is the crux of the problem. When is the credit extended? If we decide that it is at the time of the purchase, we must agree with the majority of our committee and adopt the amendment they recommended. If it begins at some other time, we should go along with Mrs. SULLIVAN.

Retailers insist that the credit is extended at the time of the sale because when a customer walks from the store with goods for which she has not paid, they have no option but to call that transaction a credit sale in their bookkeeping. Certainly it is not a cash sale, since they have given up the goods but received no payment. If we agree with Mrs. SULLIVAN that it is not a credit sale

until a charge for the credit has been levied, we are faced with the question, "what kind of sale is it? It is not cash, it is not credit—can we create some new category of transaction unknown before now?

There is another way we can approach this question, based on the considerations urged upon us here in this debate. We have heard a lot about "equal treatment," and "everyone must have the same set of rules, without special exemptions." I would like to apply that general principle to the specific point I have raised. When is credit considered to have been extended in other types of credit programs? At the time of sale, or some other time?

All of us familiar with savings accounts know that, while we may not get any interest unless we leave the money in the bank for the entire specified time, when the interest is added it is figured from the time of deposit. On Government bonds, the interest is computed from the date of purchase. On installment loans, the interest charges are figured from the date the loan is made. And so on. In short, if we are to give the retailers the "equal treatment" that Mrs. SULLIVAN and others insist is so important, we must concede them their most telling point, which is that the credit is considered to have been extended on the date the credit sale is made. And once we concede that point, which I feel we must, then we must accept their arithmetic which tells us unassailably that the 1½-percent charge made on a revolving credit monthly statement does not produce an effective rate of 18 percent. That being the case, what good are we doing for the consumer—the source of our ultimate concern—if we require the department stores to tell her something which simply is not true?

I think we should remember that the consumer is the one we are most concerned about. We want to treat all sellers and lenders alike, but it is the consumer we want to take care of. And if in our eagerness to get every part of the business community into some sort of theoretical equal pattern we end up telling the consumer something which is not true, we have missed the point. I fear that that is what we would be doing if we upset the committee amendments on the subject of revolving credit. I think it is instructive to note that although Mrs. SULLIVAN is the chairman of her subcommittee, with all the power and influence that position commands, she was unable to convince a majority of her subcommittee of the soundness of her position. The gentleman from Texas [Mr. PATMAN], the respected chairman of the full committee, agreed with her and threw his considerable prestige and influence on her side of the controversy, but again could not convince a majority of the members of the full committee of the soundness of that position. We all know what the Senate did. I suggest that we here in the whole House have had less of an opportunity to examine this question than the committee did. We should, in this instance, respect the expert opinion of the majority of our committee. I plan to support the committee amendments and urge all other Members of the House to do the same. I assure Mrs. SULLIVAN and Mr. PATMAN that this does not indicate any lessening of my personal respect for them and their abilities, but that I feel that in this situation they have not successfully made their case, either in committee or here on the floor. However, I do congratulate them both on their efforts to produce a meaningful bill, which I plan to support on final passage. In spite of my disagreement with them on this point, I continue to hold them both in high regard, as I am sure they both understand.

Mr. BROYHILL of Virginia. Mr. Chairman, I strongly support the legislation before us concerning consumer credit.

In recent years I have viewed with alarm the increasing number of personal bankruptcies and the tragically frequent occurrence of family financial disaster. For the most part, both have resulted from the unwise use of credit.

I am quite aware that the proposed legislation we are now considering will not prevent such events from occurring, and I am also well aware of the importance of credit to our economy. I do not ask the tightened regulation of credit, but I do think that the general public needs to protect itself against the pitfalls of overborrowing and overextension.

Overindebtedness is a cruel and frightening thing that compounds itself with such ease that a victim so ensnared often "sinks" before he is aware of the crucial need to "swim."

It is to this "awareness" or this need for awareness that this legislation addresses itself. If a prospective creditor is made clearly aware of the cost of the debt he is about to undertake, he is better able to judge whether or not he can afford such an undertaking.

The language of credit in some fields has become so vague and at the same time so reassuring that it is no small wonder that debt is at an alltime high, coincident to the fact that rates of interest are approaching an alltime high.

It is time that the alarm be sounded. It is time that businesses alert their customers to credit costs. It is time for the consumer to become aware of these costs. At the same time, legitimate business interests should not fear or lament the loss of revenues resulting from full and honest disclosure.

Mr. RHODES of Arizona. Mr. Chairman, the House Republican Policy Committee supports consumer credit protection legislation.

Today, consumer credit totals more than $95 billion. Of this amount, $76 billion is represented by installment credit. Over $31 billion is in automobile paper. The Federal Reserve Board has estimated that as of September 1967, revolving credit reached $5.3 billion. The American consumer is paying approximately $13 billion a year in interest and service charges.

The American consumer must have the information that is required to understand and compare the vast number of credit plans that are now available. Full disclosure of credit charges, add-ons, fees and service charges would permit the consumer to compare and decide for himself the reasonableness of the overall charge and to determine the payment method best suited to his particular financial situation.

As reported from committee, H.R. 11601 does not meet the problem of loan sharking which preys so heavily upon the poor. A Republican amendment will be offered that will make it a violation of Federal law for anyone engaged in interstate commerce to lend money at rates of interest held to be illegal under the statute of the State in which the transaction takes place. This will permit Federal law enforcement to assist the States in ridding our country of loan sharking and in denying to organized crime one of its principal sources of revenue.

This amendment and the consumer credit protection legislation merits the broadest possible support. We urge its adoption.

Mr. GALLAGHER. Mr. Chairman, I rise today to support H.R. 11601 in its expanded form. The spirit of the bill requires that we pass the amendments on revolving credit and do not allow annual interest charges under $10 to escape full disclosure.

At the beginning of my remarks I wish to pay tribute to the Honorable Paul Douglas, the former Senator from Illinois. Consumer protection was a consuming interest with Senator Douglas and we have an opportunity today to erect a living monument to his courageous fight. When Senator Douglas first introduced a truth in lending bill in 1959, it may very well have been that he was before his time. But the American process of political education through lively debate centered around proposed legislation has made the time for Senator Douglas' foresight come to fruition. For years he and a few others waged a lonely fight; we can now all share with him his victory.

H.R. 11601 as reported from committee is a good bill, a necessary bill, a bill which responds positively to a problem which has grown to overwhelming proportions in our credit oriented society.

Of particular interest to me in the committee measure is the provision which restricts the garnishment of wages for failure to meet the terms of a credit transaction. This limitation of the amount of a man's salary which can be garnished is an important step in establishing and continuing a sense of stability in the marketplace and will relieve an oppressive burden from a man who is in financial difficulty. I strongly suspect that this provision will prove beneficial for merchants also, for they will have a better opportunity to receive the full sum owed to them while not totally alienating someone who will undoubtedly return to the marketplace. This humanitarian provision recognizes that men who get into financial difficulty are very seldom irresponsible, but are men who merely wish to enjoy the fruits of our unprecedented prosperity before they can fully shoulder the obligations. This provision will give a man a chance to solidify his fiscal position in an orderly and dignified manner, without submitting to the degrading process of bankruptcy.

Mr. Chairman, the other provisions of

the committee bill are, by and large, forthright and intelligent measures. I am proud to associate myself with those who have found the patience and wisdom to bring truth in lending into such a cohesive and comprehensive legislative package.

But, as good as this bill is, as useful and valuable as the committee bill is, there is more that must be done. The distinguished gentlewoman from Missouri [Mrs. SULLIVAN] has clearly called upon us to extend in a most logical manner the provisions of the committee bill. I am pleased to recommend the same course.

The first of these amendments will require that interest charges of under $10 a year must be specified as to the rate of interest. The second will require that all retail credit plans, regardless of their type or form, must disclose the yearly rate of interest.

I think it is self-evident that those who charge a small purchase on a short contract are just as entitled to full disclosure of their yearly interest as are those who borrow a large amount over a longer period of time. The overwhelming truth in our society that everyone must receive equal protection under law demands that the right of knowing interest rates will be extended to everyone who buys on credit. I regard the passage of this amendment as crucial to the success of the bill.

Mr. Chairman, the growth of revolving credit plans presents a powerful argument for the passage of the second of these amendments. In 1960, 2 percent of all consumer credit was of this kind; in 1967, 5 percent; and it has been estimated that by 1970, fully half of all credit sales will be made under this system. It is difficult to predict how much further this type of credit sale will rise if the Congress refuses to require full disclosure of yearly interest rates.

It has been said, with some point, that this type of credit should be excluded because of the grace period before credit charges begins and because it is possible to pay off the full outstanding amount in a very short time, thus eliminating a full year's interest. However, I do not think these arguments, as persuasive as they may appear, are sufficient reasons to exempt revolving charge accounts from full disclosure.

One and one-half percent per month sounds a lot more attractive than 18 percent a year. In order for the consumer to be able to evaluate different credit proposals by competing stores, he must be able to know the rate of interest he is expected to pay on a yearly basis. If this provision is not added to the bill, we will create a privileged class of lender, penalize smaller merchants, and prevent a borrower from realistically comparing one credit plan with another.

Mr. Chairman, I think that H.R. 11601 represents a significant breakthrough in consumer protection. Its provisions will be strengthened by the additions being proposed by the very able Congresswoman, Mrs. SULLIVAN. I strongly urge my colleagues to defeat the unjust exemptions provided in the committee bill and to back her amendments.

Mr. PATMAN. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union reported that that Committee, having had under consideration the bill (H.R. 11601) to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes, had come to no resolution thereon.

MAJOR STEPS ARE NEEDED NOW TO CURB CRIME NEXT SUMMER

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

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

There was no objection.

Mr. SIKES. Mr. Speaker, many times during the past year I have spoken out on the essentiality of curbing crime and putting an end to violence in the streets in the United States. I am convinced from my own contacts with the people of my district that no issue is of greater importance to them. The spontaneous and prolonged applause from Congress which greeted the President's comment on this subject in his state of the Union message adds credence to my belief that crime and violence in the streets will be a top issue in this year's election. Certainly the need for dealing now with this problem is high in the thoughts of the people.

The President said:

> We at every level of government in this nation know that the American people have had enough of rising crime and lawlessness.

I am concerned—quite concerned—that the President has not made it clear that he is prepared to go all the way in his war on crime. The specific measures which he requested for dealing with this problem are an increase from fifty to a hundred million dollars in his "safe streets" bill to assist the States and localities in improving their police work, and the addition of 100 FBI agents to help strike at organized crime. This is a small start for such a big problem. It bypasses the immediate need to take broad steps to control crime and to eliminate violence in the streets. The situation requires a realistic and thoroughgoing approach which faces up to the entire problem now.

There are measures before Congress which are needed in this fight. One, to deal with agitators who cross State lines, has passed the House but not the Senate. Others are bogged down in committee. Administration support could pry them loose. Nevertheless, the fact must not be overlooked that there are laws—Federal or State—on the statute books now to deal with nearly every law-enforcement problem which confronts us. The real difficulty is in securing adequate law enforcement and obtaining punishment for the criminals. In this, example is the best precept. We cannot disregard the fact that the Federal Government, through its Department of Justice, has failed to prosecute a single one of the conspirators who were responsible for last summer's violence and there is little to indicate a change in attitude in this Department.

Avoiding a repetition of last summer's rioting and the accompanying rise in crime is a matter of greatest importance. A second failure to face up to insurrection can mean America is looking death in the face. It should be made very clear now that this situation will not be tolerated again. To insure this, strong and immediate preparation is essential. In this, the Federal Government must provide an example for the rest of the Nation. Major steps are needed now to curb crime next summer.

THE CALLUP OF AIR RESERVES

Mr. MICHEL. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. MICHEL. Mr. Speaker, while the pirating of the ship *Pueblo* is indeed a most humiliating matter for our Nation, the President's callup of Air Reserves in response to it should be put in its proper perspective.

This callup really has very little to do with the *Pueblo* incident, except for the fact we had nothing to come to the aid of the *Pueblo* in time in the area when she was in distress. The real reason behind the callup is our tremendous loss of planes and pilots in the war in Vietnam. The President has now used the *Pueblo* incident as a convenient distraction to mask the fact that the limited bombing policy, and the selectivity of targets has depleted our forces without appreciably obstructing the enemy's ability to wage war. In fact, the well-coordinated attacks of yesterday tell us more clearly than all the "reassuring statements" of the administration that there are more Vietcong coming down the Ho Chi Minh trail—supposedly bombed out of usefulness—than ever before.

Before adding all the losses sustained in yesterday's attack on the ground and in the air, we have lost well over 3,200 aircraft in Vietnam. As of the 23d of January the breakdown shows 792 planes lost in combat over North Vietnam, 226 over South Vietnam. We have lost nine