TRUTH IN LENDING: ITS PROMISE AND IMPORTANCE

Mr. SYMINGTON. Mr. President, truth-in-lending legislation was the topic of a recent informative radio discussion by the Congresswoman from Missouri who has championed the interests of the American consumer. I would like to report to the Committee, together with Under Secretary of the Treasury, Joseph W. Barr, and Mr. Charles R. McNeill, director of the Washington office of the American Bankers Association.

Fortunately now, after 8 years, both the Senate and the House have passed bills on disclosure of consumer credit costs and conferences began discussion yesterday on the two versions of the truth-in-lending legislation.

Let us hope that the best possible legislation, for the American consumer emerges from this conference.

The program, presented by Georgetown University Radio Forum, with Mr. Wallace Fanning as moderator, provided a keen perspective on the needs for this legislation, its purposes and limitations.

I ask unanimous consent to have printed at this point in the RECORD a transcript of the program.

There being no objection, the excerpts from the discussion were ordered to be printed in the RECORD, as follows:

The Georgetown University Radio Forum, April 11, 1968

TRUTH IN LENDING: ITS PROMISE AND IMPORTANCE

Mrs. Sullivan, if you would begin please.

Representative Sullivan. I would be glad to explain the type of legislation which is to provide the consumer—the consumer—the facts which he has to have in order to be able to use credit in an informed manner.

We require in the bill that, in every consumer credit transaction, the seller or the lender has to tell the buyer or the borrower the full amount of money involved in the transaction, including the principal amount and then all of the extra costs added for the purpose of financing the obligation. And these facts about the credit transaction have to be spelled out in understandable terms, that transaction has to be calculated at a single rate, so that the consumer can compare one set of credit costs with another on a rate basis as well as on a dollar-and-cents basis. The annual rate requirement is vital because, really, that's the only way that the consumer can make an informed judgment as to whether to choose one offer over credit over another, or compare the costs on a percentage rate basis with the return he receives on his own savings and investments. If he has these facts before he moves, he would be better off using his own money instead of using credit in a particular situation.

Mr. FANNING. Representative Sullivan, I would say there's really been no great demand by the general public for this legislation; at least not for the past 8 years. But the reason that those of us who believe in this kind of legislation got into the business of truth-in-lending was because of the clear need for it, as demonstrated by the great amount of personal bankruptcies that have occurred over the years. According to the Treasury, personal bankruptcies were in the neighborhood of some 10,000 a year. In the last fiscal year, there were in the neighborhood of 85,000 personal bankruptcies. Now this means that vast numbers of people are not able to pay for the loans or the things that they've been buying on credit. The Treasurers need to be helped, to understand what costs to use your money to buy something you have to pay for. Credit is made to sound so easy they don't want to wait until they can afford to buy the things they want—things everyone wants.

Mr. FANNING. Well, the limit obviously always might not be on the lender, though. If you might be a consumer himself, if he overestimates himself.

Representative Sullivan. That's right. That's exactly right. Only in today's world can we get out of credit and use it for credit, and they make credit so tempting that people who have real wants and desires don't have to put something down because they can just walk or drive start the object by signing their name, walk out with the object.

Mr. FANNING. And then they bombard him with advertisements to encourage him to buy and want things too.

Representative Sullivan. Well, this is the world in which we live.

Mr. FANNING. Mr. Secretary?

Mr. BARR. Walla, let me say a word in favor of debt here, right now.

As the Under Secretary of the Treasury, I've had a long experience with debt. You know, we had to borrow the money to pay George Washington and the first Congress. That's the way it started and it's continued to be an important part of our national policy. This is the great difference between the United States and Europe. In Europe, of course, there is a history, and nearly all their people have been in debt. That's the great difference between the United States and Europe. In Europe, of course, there is a history, and nearly all their people have been in debt.
cope with. After a lot of hard work we came up with a set of excellent tables. I went before the Senate Finance Committee, early in the day. Some of them and I, a lot of them, passed out the tables to all the senators. I said, "Now, you name any credit transaction, you name any dollar amount, and I will tell you, will pass on the annual interest rate. Now, we might be off just a fraction." Actually, it's a very, very tiny fraction; it isn't one percent, it's not a tenth of one percent. To be off one percent that we're off in the calculation, and we can work up the computation; you can get that information; it isn't one percent, it's not a tenth in most simple set of analytics with the rate schedule with the rate

Mr. Fanning. You know, this sort of falls into the category, though, it seems to me, of giving a young person a customiz and a full understanding. "It's going to do a lot of good, whether you like it or not." Because I've been around when I—and I've been in the field. I don't care what it's going to cost them to buy that automobile, except in terms of how many dollars a month for the next thirty-six months. That's what they want to know.

Representative Sullivan. That's perfectly true. But when our hearings started last Spring, I thought that Algone to the radio or television, and say, "I want to buy this and I want it now, but how much do I have to pay a month?"

Mr. McNeill. Mr. McNeill? I think a great many borrowers and consumers are only concerned about the dollar amount each month, and they may care more after this bill is enacted, or they have the additional information. But as far as I understand, that's those who shop at the druggist or the store who want to shop, who want to see what they're buying and have a basic for comparing the costs. You cannot do this, if an annual rate, will give them the information, if so they're interested they can pursue it.

Mr. Fanning. When speaking for bankers, I think after any of the problems are worked out in regulations of the Federal Reserve Board, that we can look forward to working very satisfactorily. As I understand, I believe that commercial bankers as a whole will be revealed as changing, overall, in most instances, I think, and that the lender can obtain. But as you have indicated, I think there is also going to have to be a large of education and understanding in—so the fact of the matter is, that they're going to have to realize that the old myth of six per cent interest being the top of anything, they use consumer installment credit because of the expenses and the costs involved for the lender. They're going to have to realize the real rate is much higher. If mortgages are included, I think the consumer public and the home-buying public will have to realize that if a mortgage is maintained for twenty-five or thirty years, that the amount of interest to be paid is enormous. It's guaranteed only last night that an $15,000 mortgage, at six percent for thirty years, the borrower, if he kept that mortgage for thirty years, that the cost of the interest alone is $2,500 more than he borrowed, and this is at six per cent simple interest on the unpaid balance. So a great deal of education and understanding from the public will have to follow this legislation.

Representative Sullivan. Well, Mr. McNeill, I think we've got to impress upon the public the debt they are doing, and to perhaps try, sometimes, to protect them from the "oversell". This is the danger that is behind the personal bank reports today; most of these people have had the bank report and are not at all familiar with the law. And I don't know who sold it to them. We have found that these are undersold people who have not had the opportunity to understand the ins and outs of credit, but they have their desires and their wants just like everybody else. We've got to find some way to help them to understand what they are doing, and to perhaps try, sometimes, to protect them from the "oversell". This is the danger that is behind the personal bank reports today; most of these people have had the bank report and are not at all familiar with the law.

In some of these places, with the uneducated person, the only thing the seller of goods wants to know—whether it be a department store, furniture store, or what—the only thing they want to know is, does this person have the debt to contract to be left to them? We've got to find some way to help them to understand what they are doing, and to perhaps try, sometimes, to protect them from the "oversell". This is the danger that is behind the personal bank reports today; most of these people have had the bank report and are not at all familiar with the law.

I'm not saying that we'll have to give them credit, but we're saying that the buyer doesn't pay, we'll garnish his wages.

Mr. Fanning. Is it really, really, basically, a credit report?

Representative Sullivan. In the meaning of it, yes; it is a problem of the under-educated — the person who hasn't been reasoned with or talked to in order to know what they should stop buying. I don't think that they go into this deliberately, knowing that they're not going to pay their bills. But I
think they've simply been oversold on something.

Mr. FANNING. They've been used.

Representative EASTMAN. That's right.

Mr. BARR. It's been a class problem. I do want to add one thing, in the little time that's remaining that had it not been for a real crusader, like Leon Sullivan, I don't think the Treasury could have carried this legislation; I don't think the bankers could have carried it, the President couldn't have carried it—nobody could have carried this legislation. The President tried, I tried, the banker tried, everybody tried, but I want to make it very clear as we close up here, that the lady to my left is the real heroine in this whole effort.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Is there further morning business? If not, morning business is concluded.

AMENDMENT OF THE NATIONAL SCHOOL LUNCH ACT

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar Item H.R. 15398.

The PRESIDING OFFICER. The bill will be stated by title.

The Assistant Legislative Clerk, H.R. 15398, to amend the National School Lunch Act to strengthen and expand food service programs for children, and for other purposes. Report adopted with an amendment.

The PRESIDING OFFICER. Without objection, the Senate will proceed to its consideration.

Under the previous order, the Senator from New York is now recognized for not to exceed 20 minutes.

MIDDLE EAST THREAT TO WORLD PEACE

Mr. JAVITS. Mr. President, the United States urgently needs a U.S. policy for the Middle East. The present policy is to extinguish conflagrations when they signal the presence of a policy of drift.

The Security Council resolution of March 24, adopted following Israel's reprisal attack on the Karamiah terrorist base in Jordan, lacks even-handedness but also unfortunately concerns itself with symptoms rather than causes for the crisis itself. What is important—and what has now become most urgent—are measures to reverse the drift toward a renewal of arms supply to the Middle East.

The looming dangers are ominous indeed. Violence is again on a sharp upward curve and there is a danger that the cycle of violence will gain momentum of its own which could carry it beyond the control of the intent of Amman, Cairo, Damascus, and Tel Aviv—or perhaps even of Moscow and Washington.

President Johnson—following his act of statesmanship in removing himself as President from the partisan political arena—is now well positioned to seek a new United States-Soviet initiative for peace in the Middle East. I urge him to give this suggestion and its timing his most serious consideration. After Vietnam the Middle East poses the most serious threat to world peace.

Ambassador Goldberg's call for the positioning of United Nations observers along both banks of the Jordan River is a most significant suggestion of such observers are present along the Golan Heights region. It is clear that the presence of U.N. observers along the Suez cease-fire line helped to restore tranquillity there when renewed violence flared briefly last fall. I hope that both Jordan and Israel will consider and agree to the positioning of observers on both banks. Existing Security Council actions provide sufficient authority for their deployment, once the two countries agree. It would be a magnificent gesture if Israel seriously consider accepting this proposal, despite understandable doubts resulting from its experience with the performance of the United Nations Emergency Force in the Sinai—which halted away at the crucial hour in May of 1967 at the first request from President Nasser—it could prove to be the best course.

I suggest that the United States adopt the following five-point policy:


Second. Middle East arms control agreement.

Third. Initiative in NATO.

Fourth. New international initiative on Arab refugees.

Fifth. New Middle East cooperative groupings.

I. NEW SECURITY COUNCIL RESOLUTION

The Security Council resolution of November 22, 1967, does, in my judgment, represent a suitable basis for negotiations between Israel and the Arab States. However, if—as now seems likely—the Middle East does give inadequate to the task of setting real negotiations started among the nations involved stronger inducements must be considered by the international community. The United States and the Soviet Union have the prime responsibility in this regard. Together they should jointly sponsor a new Security Council resolution which specifically calls for negotiations to implement the resolution of November 22. This resolution provides an acceptable substantive basis for a Middle East settlement but is silent on how such a settlement is to be reached. Everything, thus, depends on the Jarring mission—surely the most awkward mode of negotiation in memory. Despite Ambassador Jarring's best efforts, no real progress is being made toward a negotiated peace settlement. In fact, the situation is deteriorating. The new resolution should refer to the November 22 text and specifically call for direct negotiations among the parties. The assurance of a balancing of condition in the November 22 resolution as in the outcome of secure and recognition of the sovereignty, territorial integrity and political independence of all states in the of all claims or, and as dictated by the 6-day war, the need for a "hard peace" can now be acceptable—peace which is "hard" in its viability and durability, though not necessarily "hard" in its terms.

Outside powers can, or should try, to dictate the terms of peace in the Middle East. Meaningful peace has got to be one which the countries of the area hammer out amongst themselves. It could be achieved at one time or in smaller parts—that is not the issue, what is essential is that negotiations get started. It is here that the Soviet Union has such a heavy responsibility for peace and such a fine opportunity for statesmanship. An urgent and determined joint United States-Soviet initiative, and only such a joint initiative, can get the parties to the negotiating table.

President Johnson at last has acted decisively to seek the beginning of an end in Vietnam. A more fitting next step would be for him to enlist the Soviet Union in the equally urgent business of bringing about a negotiated settlement to the problems of belligerency in the Middle East. He is freeing himself from the psychological thrall of Vietnam. I hope he will now make an adequate measure of his creative energy to achieving a peace breakthrough in the Middle East.

II. MIDDLE EAST ARMS CONTROL AGREEMENT

The rising level of renewed violence in the Middle East gives new urgency to the need for a viable agreement to limit the supply of arms from outside the area. This limitation of arms supply will put the fires of violence and violence in turn stimulate the search for sources of arms supply.

This vicious and highly volatile cycle needs to be broken. It is an urgent area for United States-U.S.S.R. initiative and cooperation. The lack of a Soviet response to the President's suggestions in this regard to Premier Kosygin at the Glassboro Summit may not be acceptable. The matter should be pursued with new vigor. The glimmerings of a Vietnam peace breakthrough, and the United States-Soviet agreement on a draft nonproliferation treaty, suggest that there may be a new opening for agreement on the control of arms supply to the Middle East.

While the United States and the U.S.S.R. obviously are the major powers which must come to an agreement if it is to be meaningful, it is also clear that a really effective and reliable, a Middle East arms supply limitation agreement must also be subscribed to by France—now the world's third largest seller of arms—Britain—a traditional arms supplier for the Middle East—and the East European satellite countries.