amendment leaves the final determination to the judge.

It seems to me that this is a prudent way to respond to what is the underlying concern that has been shared by all of us on the committee.

Mr. COTTON. Is this amendment No. 754?

Mr. HART. This is amendment No. 754.

The PRESIDING OFFICER. The time of the Senator has expired. Does the Senator yield himself additional time?

Mr. HART. I reserve the remainder of my time.

Mr. McCLELLAN. Mr. President, I suggest to the distinguished Senator that I believe this modification would be proper, and I believe this is what he means: In the amendment, after the word "discretion" in line 3, strike out "and" and insert "that is in".

Mr. HART. I thank the Senator from Arkansas. I should like to modify the amendment in that manner.

Mr. McCLELLAN. Then it will read: "such other parties to intercepted communications as the judge may determine in his discretion that is in the interest of justice,".

The PRESIDING OFFICER. The amendment is so modified.

Mr. McCLELLAN. Mr. President, I have no objection to the amendment, and I urge that it be adopted.

I yield back the remainder of my time.

Mr. HART. I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendments (No. 754), as modified, of the Senator from Michigan.

The amendment, as modified, was agreed to.

AMENDMENT NO. 766

Mr. HART. Mr. President, I call up amendment No. 766, and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read the amendment, as follows:

(f) where the application is for the extension of an order, a statement setting forth the results thus far obtained from the interception, or a reasonable explanation of the failure to obtain such results.

The PRESIDING OFFICER. Who yields time?

Mr. HART. I yield myself 3 minutes.

Here again, Mr. President, we are in an area which has relatively narrow application but nonetheless could be of critical importance to an individual. This title leaves open the possibility that extensions of a surveillance warrant may be obtained merely on the basis of the original showing of probable cause. The amendment requires an applicant for an extension of an order to make a fresh and timely showing of probable cause in order to obtain the extension. If a prior surveillance has been unproductive, a judge should not grant an extension of the order unless a reasonable explanation is given for the failure to obtain results under the original order, even though the original showing of probable cause remains valid.

Mr. President, it seems to me that this would, indeed, be of assistance to a judge who wanted conscientiously to apply this statute, and I hope very much that the amendment will be agreed to.

Mr. McCLELLAN. Mr. President, as I interpret the amendment I believe it is a constructive amendment and one we can readily accept, and I am glad to accept it.

Mr. HART. I yield back the remainder of my time.

Mr. McCLELLAN. I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment (No. 766) of the Senator from Michigan.

The amendment was agreed to.

AMENDMENT NO. 755

Mr. HART. Mr. President, I call up amendment No. 755.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read the amendment, as follows:

Page 73, line 15, at the end of paragraph (d), add the following sentence: "The judge may, in his discretion and the interest of justice, require that the contents of intercepted wire or oral communications shall be disclosed to the parties to the communications.".

Mr. MANSFIELD. Mr. President, if the Senator from Michigan will yield, I express the hope that he would consider not debating this amendment tonight, that it could be the pending business, and that it could be taken up immediately after the prayer and disposition of the Journal in the morning.

Mr. HART. Indeed, yes. And I am grateful to the leadership and to the Senator from Arkansas for their cooperation.

Mr. MANSFIELD. Mr. President, the order has been entered that the Senate stand in recess, after the completion of business today, until 10 o'clock tomorrow morning. There will be no morning hour. The time will start running immediately after the prayer and the disposition of the Journal.

The PRESIDING OFFICER. The Senator is correct.

Mr. MANSFIELD. Mr. President, there will be no further votes tonight. However, it is the intention, I understand, of the distinguished chairman of the Committee on Banking and Currency, and the chairman of the subcommittee, the Senator from Wisconsin [Mr. PROXMIRE], and the ranking minority member [Mr. BENNETT] to bring up the conference report on the truth-in-lending bill.

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

The PRESIDING OFFICER. Time will have to be yielded to the Senator.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that for the remainder of the day time control be waived.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

COMMITTEE MEETINGS DURING SENATE SESSION TOMORROW

Mr. MANSFIELD. Mr. President, after clearing with the other side and interested parties, I ask unanimous consent that two particular committees be permitted to meet during the session of the Senate tomorrow:

The Committee on Public Works and the Permanent Subcommittee on Investigations of the Committee on Government Operations.

Mr. HRUSKA. Mr. President, I wish to ask the Senator if that request is on the basis that out-of-town witnesses will be present for those hearings and that it is only on that basis that the request is made?

Mr. MANSFIELD. The Senator is correct. The witnesses will come from far away and otherwise would be very much inconvenienced.

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

CONSUMER CREDIT PROTECTION ACT—CONFERENCE REPORT

Mr. SPARKMAN. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The assistant legislative clerk read the report.

(For conference report, see House proceedings of today, pages 14375–14384.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. SPARKMAN. Mr. President, the chairman of the subcommittee that handled this matter, the Senator from Wisconsin [Mr. PROXMIRE] was very active in the conference. I ask that he now present this matter.

Mr. PROXMIRE. Mr. President, it is with great pleasure that I present to the Senate today the truth-in-lending bill, S. 5. Since the truth-in-lending bill was first introduced by former Senator Douglas in 1960, over 8 years ago, it has aroused much controversy and debate. However, the bill which we have recommended to the Senate is a fair bill, a workable bill, and above all a bill which provides the consumer with the protection they need in today's economy.

The enactment of truth in lending will be a great tribute to the original sponsor of the bill and our beloved former colleague, Senator Paul Douglas, of Illinois. It was only through his determined leadership and perseverance that the bill is now before us today. He continued

the struggle where men of lesser stature would have long given up. I know that all of us in the Senate will join with me in wishing our former colleague well in his present work with the President's Commission on Urban Problems.

Mr. President, the truth-in-lending bill now before us was first introduced by me on January 11, 1967. After hearings before the Banking and Currency Committee, the Senate enacted the bill on July 11 by a vote of 92 to 0. The House of Representatives passed a strengthened and considerably more comprehensive measure on February 1, 1968. After six meetings a conference committee appointed to resolve the differences between the House bill and the Senate bill reached final agreement on Tuesday, May 14.

Before explaining the detailed differences between the House bill and the Senate bill and the resulting decisions of the conference committee, I believe a few words would be in order concerning the basic aproach of the Senate bill and the House bill. Ever since former Senator Douglas introduced the bill in 1960, the basic thrust of truth in lending was disclosure. The bill was not a regulatory bill; it did not attempt to regulate interest rates or other credit practices. It did not attempt to alter or amend the pattern of legal rights and remedies afforded consumers and creditors under State law. The simple aim of the bill was to disclose to consumers the full cost of credit both in dollars and cents and in the terms of an annual percentage rate.

The disclosure of the annual percentage rate has been the central point of the 8-year controversy on truth in lending. Senator Douglas could have gotten a truth-in-lending bill much earlier had he been willing to discard the requirement to disclose the annual percentage rate. On this issue he rightfully would not and did not compromise. Although it is important for consumers to know the total dollar cost of credit, it is also extremely important to know the annual percentage rate being charged for the credit. The annual rate provides consumers with a simple yardstick for comparing the cost of credit plans from many different sources. It permits consumers to measure the relative cost of each plan and to shop effectively for the best credit buy. By focusing attention on the rate being charged, the bill also promotes price competition among creditors and will hopefully lead to lower interest charges. Rate disclosure will also make the average consumer more aware of the true cost of credit and will encourage a more judicious use of credit.

The bill passed by the Senate last July required annual rate disclosure for at least 95 percent of the consumer credit industry. It is true that we were not able to extend this principle to conventional, short-term revolving credit plans. However, safeguards were included in the Senate bill which would have prevented creditors converting from installment type credit to revolving type credit merely to escape the annual rate disclosure requirement. Nonetheless, I think it is fair to say that the compromise reached by the Senate Banking and Currency Committee satisfied no one. Many of us felt that all revolving credit plans should be required to disclose the annual percentage rate. This principle was reflected in the original bill which I introduced on January 11 of 1967. Others felt that all revolving credit plans should be exempt from disclosing the annual rate regardless of whether they offered long-term or short-term credit. In fact many in the committee felt the requirement to disclose an annual rate was inherently unworkable and should not be required of any creditor.

Considering the strong differences of opinion which existed on the Senate Banking Committee, I believe we passed the strongest possible disclosure measure. And, as I indicated, it did require the annual rate disclosure requirement to upward of 95 percent of the credit industry. It was this very issue which had delayed progress on the bill for 7 long years. Thus, the Senate bill embodied the essential principle of the original Douglas bill concerning the importance of annual rate disclosure. Senator Douglas himself indicated in testifying on the bill before the House Banking and Currency Committee:

> I am, of course, tremendously pleased that the Senate passed a relatively good Truth-in-Lending bill on July 11, 1967 by the surprising vote of 92 to 0. It may have marked the beginning of the end of a long, long struggle and it was a great victory for Senator Proxmire and its supporters.

The House was able to build upon the achievements of the Senate bill. The strong and prolonged opposition to annual rate disclosure, at least for 95 percent of the credit industry, had virtually collapsed by the time of the House hearings. Moreover, virtually the entire credit industry united to oppose the revolving credit exemption from annual rate disclosure.

As a result of these factors, the House was able to pass a strong disclosure measure and remove some of the exemptions contained in the Senate bill which were necessary to produce agreement on the Senate Banking and Currency Committee. Most of these strengthened measures were agreed to by the conference committee. Thus, in the final analysis the disclosure aspects of the truth-in-lending bill are quite similar to the requirements included in the original bill which I introduced on January 11, 1967.

In addition to strengthening the disclosure provisions, however, the House bill went considerably beyond disclosure. For example, the House bill covers credit advertising, wage garnishments, legal remedies concerning second mortgages and restrictions on loan sharking. In addition, the House bill establishes a National Commission on Consumer Finance to determine whether additional Federal legislation in the consumer area is desirable. All these provisions were also agreed to by the conference committee, with certain modifications.

Since the House bill went beyond the disclosure provisions of the Senate bill, the conference committee agreed to change the short title of the entire bill to the Consumer Credit Protection Act. However, title I of the bill, dealing with disclosure would be known as the Truth in Lending Act.

In referring to the bill today, I shall continue to use the title "Truth in Lending" to apply to the entire bill since that has been its popular title over the last 8 years and has long been associated with its originator, Paul Douglas.

Mr. President, I would now like to outline in some detail the principle differences between the House bill and the Senate bill and the recommendations of the conference committee.

REVOLVING CREDIT

The Senate bill required that on most forms of revolving credit, creditors would disclose the periodic or monthly rate of interest. However, in order to prevent potential abuse the Senate bill included a requirement that revolving credit plans would disclose the annual rate if they approached the characteristics of installment type credit. Installment open end credit plans were defined as credit plans on which any one of the following three characteristics were present:

First. Less than 60 percent of the indebtedness was payable in 1 year; or

Second. The creditor maintained a security interest in the merchandise sold on credit; or

Third. Advance payments reduced the amount of future payments.

The House bill eliminated the distinction between ordinary open end credit plans and installment open end credit plans and required that all open end credit plans disclose the annual percentage rate. This decision was arrived at in an amendment introduced on the floor of the House during consideration of the bill. The bill reported out of the House Banking and Currency Committee included a similar exemption contained in the Senate bill.

The conference committee has recommended that both the periodic or monthly rate and the annual percentage rate be disclosed. Under this approach, creditors with revolving credit plans would disclose to their customers that in the typical case they are charging for credit at the rate of 1½ percent a month or 18 percent per year.

In addition to the annual percentage rate, creditors are given specific permission—at their option—to disclose and advertise the effective yield which they earn on all of their accounts for a representative period of time. Since the effective yield would measure the amount of credit extended from the time of each purchase, it would, in effect, count the customary 30 to 60 days free-ride which most customers receive on revolving credit plans. In many cases, this can result in effective yields of less than 18 percent per year.

The legislation also requires that the Federal Reserve Board issue rules and regulations concerning the computation and disclosure and advertisement of the effective yield. This is to insure that customers have a clear idea of the differences in the two rates which are disclosed by the creditor. The creditor would be required to include a definition of the effective yield and the assumptions upon which it is based.

I believe the report of the conference

committee represents an effective and realistic solution to the knotty problem of revolving credit. It recognizes the importance of annual rate disclosure on all forms of revolving credit plans. In so doing, no single segment of the credit industry would gain an undue competitive advantage over other segments of the industry. At the same time, it permits creditors to disclose the effective yield which they earn on their accounts. This option should be of particular benefit to those creditors using an adjusted balance method billing system which results in a lower dollar charge to consumers. Stores using the adjusted balance method base their charges on the opening balance less any payments received during the month. Stores using the opening balance system base their charge on the opening balance and do not give credit for partial payments made during the month. Thus, even though both stores charge 1½ percent a month or 18 percent a year the dollar cost of the service charge can be substantially higher for the opening balance system. To some extent these differences can be reflected by comparing the effective yield earned by creditors on their revolving credit accounts. The stores using the adjusted balance method will be able to quote and disclose a lower effective yield. Should this be done, I am hopeful that the forces of the marketplace will induce the opening balance system creditors to convert to the adjusted balance method. This could save the American consumer millions of dollars a year in lower service charges.

I believe the recommended compromise is an improvement both over the Senate bill and the House bill. It provides the consumer with more accurate and timely information. It is fair to all segments of the credit industry and it could lead to substantially lower service charges by promoting effective competition between the various billing systems. Thus, the compromise reached was not a compromise between more consumer protection and less consumer protection. Instead it was a solution which improves upon the work of both Houses.

WAGE GARNISHMENT

The second most controversial issue between the two bills was the subject of wage garnishment. Since the Senate bill followed the disclosure approach, it did not include provisions restricting wage garnishments. The House bill on the other hand contained a provision which prevented creditors from garnishing more than 10 percent of a person's weekly salary in excess of $30. These provisions were patterned after the law of the State of New York.

The wage garnishment provisions raised new and substantially different issues. The Senate truth-in-lending bill was limited to disclosure and included disclosure requirements which simply did not exist under most State laws, although a few States within the last year or two have passed truth-in-lending legislation patterned after the Douglas bill. However, all 50 States had some restrictions on wage garnishment, although in many the restrictions are woefully inadequate.

In any event, a serious doubt existed in the minds of some of the Senate conferees concerning the desirability of Federal legislation in this area. Federal restrictions on wage garnishments would preempt the laws of many States. It is also true, however, that many States have failed to provide consumers with the protection needed in today's complex credit economy. For example, hearings recently held by my subcommittee of the Senate Banking Committee on credit practices in the District of Columbia have clearly shown that the easy credit merchants who prey upon the poor are abusing the garnishment system. The ability to garnish a person's wages is an open invitation to the easy credit merchant. It makes it possible for him to deliberately overextend credit to low-income consumers who cannot really afford to go deeper into debt. However, as long as these easy credit merchants can rely upon the garnishment laws to get their money back, they will have a continuing incentive to overextend credit. In effect, the courts are acting as a legalized collection agency on behalf of the easy credit merchants, the cost of which is automatically paid by the poor who are least able to afford it. For these reasons, I favored the House provisions restricting wage garnishment despite the legitimate and sincere arguments raised against these provisions in favor of State responsibility.

As a compromise, the conference committee has agreed upon a provision which would restrict wage garnishments to not more than 25 percent of a person's net salary after taxes. In all cases, however, a sum equal to 30 times the Federal minimum wage, or $48, would be completely exempt from wage garnishment. This would insure that the lowest income consumers would not be subject to wage garnishment. Since the $48 floor would be tied to the Federal minimum wage, it would gradually increase over time as the minimum wage was increased. In this respect the recommended compromise is more liberal than the House bill for the lowest income consumers. Under the House bill anyone earning more than $30 would be subject to wage garnishment. Under the conference committee compromise, wage earners with an after tax income of $48 or a before tax income of approximately $54 would be free from garnishment. Thus, the floor below which garnishment is prohibited was nearly doubled compared to the House bill.

The conference committee report also included a provision which permits the Secretary of Labor, who would administer the garnishment provisions, to exempt any State from the Federal garnishment provisions if the State enacts substantially similar restrictions on wage garnishments. In addition, the effective date of the garnishment provisions was delayed to July 1 of 1970. The purpose of these provisions, recommended by the Senate Conferees, was to give every State an adequate opportunity to avoid Federal regulation by enacting substantially similar legislation.

In effect the Federal Government has set minimum standards. The provision has not automatically preempted the State's authority to legislate on the subject. I believe the compromise is in the best traditions of American federalism and will lead to more effective Federal-State relationships.

SECOND MORTGAGES

Congressman CAHILL, of New Jersey, had a floor amendment to the House bill which included aditional safeguards in the second mortgage area. The amendment included the following provisions:

First. The disclosure requirements would be extended to those who arrange for credit such as mortgage brokers:

Second. A creditor would be required to describe any security interest in real property—such as a second mortgage—arising from the credit transaction:

Third. Consumers legal rights would be strengthened with respect to third parties purchasing residential mortgages:

Fourth. Disclosures pursuant to mortgage transactions would have to be made 3 days prior to consummating the transaction.

The conference bill approves this amendment with the exception that the 3-day waiting period was converted into a 3-day recision period. Disclosure could be made on the same day the transaction was completed; however, consumers would have the right to rescind the contract within a 3-day period following the close of the credit transaction. In addition, the 3-day provisions would not apply on ordinary home purchase transactions, but would cover loans or credit secured by mortgages on property already owned.

FIRST MORTGAGES

The Senate bill exempted all first mortgage transactions from the disclosure requirements of the bill. This was done on the grounds that very few abuses existed in the field of first mortgages and that most lenders extending first mortgage credit already disclosed the true annual rate of interest charged for such credit. The House bill eliminated the exemption for first mortgages and extended the same disclosure requirements to first mortgage lenders as were required of all other creditors. The compromise reached by the conference committee was to include first mortgages under the bill, but to exempt such creditors from listing the total dollar cost of interest payments over the life of the mortgage. Since virtually all mortgage lenders already disclose the annual percentage rate, the truth-in-lending provision should have minimal effect on the mortgage industry. The bill would, however, require that points or discounts would have to be counted in computing the annual percentage rate. The annual rate disclosed would in some cases be higher than the contract rate of interest included on the face of the mortgage. This is because the definition of finance charge under both bills is substantially more comprehensive than the traditional definition and includes all charges incident to the extension of credit, including interest.

EXEMPTION FOR SMALL CREDIT TRANSACTIONS

The Senate bill exempted creditors from disclosing the annual percentage rate whenever the finance charge is less than $10. This provision was included

primarily to alleviate the computation burden which would be placed on small business creditors engaged in small scale credit transactions. The House bill eliminated this exemption and required annual rate disclosure on all credit transactions regardless of size. Under the agreement reached by the conference committee, creditors would be exempt from disclosing the annual percentage rate if, first, the total amount of credit is less than $75 and the total finance charges less than $5; or, second, the total amount of credit is more than $75 and the total finance charges less than $7.50.

In recommending this limited exemption, it is expected that the Commission on Consumer Finance, established by this legislation, would conduct a study to determine the precise impact of this provision and to report their findings to Congress.

MINIMUM CHARGES ON REVOLVING CREDIT

The House bill required creditors to annualize minimum or fixed charges on revolving credit plans and to disclose such a rate on the monthly bill. For example, if a creditor charged 1½ percent a month on the opening balance, subject to a minimum charge of $1; and if the opening balance were $50, the minimum service would apply since 1½ percent times $50 would be less than the minimum. In such cases, the creditor would be required to disclose an annual rate equal to $1 divided by $50, or 2 percent a month, or 24 percent a year.

The conference bill permits a creditor to disclose a nominal annual rate equal to 12 times the creditor's normal monthly rate, provided the total finance charge for that month does not exceed 50 cents. If the finance charge exceeds 50 cents, the creditor would be required to compute the annual rate by dividing the finance charge by the credit balance and expressing such rate as an annual rate.

The effect of the conference provision is to permit creditors to disclose a nominal annual percentage rate equal to 12 times the monthly rate on all monthly statements, as long as minimum or fixed charges authorized by State law did not exceed 50 cents. If State law permitted minimum charges in excess of 50 cents and if the creditor applied such minimum charges, he would be required to annualize such charges and to disclose the resulting rate on each monthly statement. In these cases, the annual rate would vary from statement to statement and could be substantially in excess of the normal rate of 18 percent per year.

In recommending this provision it should be made abundantly clear that the intent of the conference committee is not to authorize or otherwise approve or lend support to the establishment of minimum or fixed charges on revolving credit plans. Nothing in the legislation should be construed to authorize the charging of minimum or fixed charges where such charges are not otherwise authorized by law. Nor should it be inferred that Federal policy supports or approves the establishment of minimum charges.

INSURANCE

The Senate bill specifically exempted premiums for credit life, casualty and liability insurance from being counted in computing the annual percentage rate. This provision was deleted by the House bill, which required that all mandatory charges be counted in computing the annual rate. The conference bill requires that, first, premiums for credit life insurance be included in the rate unless the creditor clearly discloses that such insurance is optional and is not required to obtain the credit; and, second, premiums for property and liability insurance would not be counted in computing the annual rate unless the creditor required that such insurance be purchased from him either directly or indirectly.

DOLLARS PER HUNDRED OPTION

The Senate bill permitted until January 1, 1972, that creditors could express the annual percentage rate in terms of dollars per hundred per year on the declining balance of the obligation. This option was not included in the House bill. The conference bill retains the option until January 1, 1971. To give an example of how this provision would work, let us assume a creditor loaned a person $100 and required that $106 be repaid in 12 equal monthly installments. Under the computations procedures described in the bill, the annual percentage rate would come to 10.90 percent. The creditor would have the option of disclosing this as 10.90 percent or $10.90 per hundred per year. In other words, the same number would be expressed in slightly different form. However, this option would expire on January 1, 1971, after which the percentage form of disclosure would be mandatory in all cases.

The purpose of this option is to avoid possible litigation in those States where the disclosure in percentage form might cause a legal problem. By 1971, however, it was felt that all States would have had an opportunity to correct any legal problems which may exist.

MONTHLY DISCLOSURE ON INSTALLMENT CONTRACTS

The House bill required creditors using monthly statements on installment credit plans to disclose the same information on these statements as is required of revolving credit plans. This information includes the opening and closing balance, the finance charge, and the annual percentage rate.

The bill reported by the conference committee retains this provision in modified form. Instead of requiring creditors with installment type credit plans to disclose on a monthly basis all of the information required of revolving credit plans, the conference report would require the annual percentage rate to be disclosed and the date by which or the period within which payments must be made to avoid an additional finance charge. In addition, the Federal Reserve Board is given the authority to prescribe additional disclosure requirements for those types of installment credit plans approximating the characteristics of revolving credit. The purpose of this is to remove any inducements for creditors to convert from revolving credit to installment credit to escape the monthly disclosures required under revolving credit.

SALES UNDER ADD-ON INSTALLMENT CONTRACTS

The House bill permits creditors selling under add-on installment sales plans to disclose the required information on the first monthly statement rather than at the time of the transaction provided that, first, the creditor does not maintain a security interest; and second, the customer has agreed to the annual percentage rate to be charged in advance. This provision was included in the conference report.

CREDIT ADVERTISING

The House bill included a provision requiring full disclosure on credit advertising. Under the Senate bill disclosure was limited to the time of the credit transaction.

The House provision required that if a creditor advertises certain terms, he must advertise all the relevant terms of his credit plan. For example, if an installment creditor advertises the amount of the downpayment or the amount of any installment payment or the dollar amount of any finance charge or the number of installment payments, he must also advertise the total cash price of the merchandise or amount of the loan, the downpayment, the number of payments, and the amount of each payment and the total finance charge. If any rate is advertised, it must be the annual percentage rate as defined in the bill.

Bait and switch-type advertising would also be prevented. Creditors could not advertise specific credit terms unless they usually and customarily arranged for such credit under the terms advertised.

The provisions for credit advertising were based on the bill originally introduced by Senator Magnuson, who has been an outstanding champion of consumer protection legislation in the Senate. I am delighted that the Senate conferees have accepted virtually intact the credit advertising provisions recommended by the House. These provisions will not only protect consumers, they will also give protection to the honest businessmen against unscrupulous or unfair competition based upon deceptive or tricky advertising.

ADMINISTRATIVE ENFORCEMENT

Under the terms of the Senate bill, enforcement would have been brought about by the courts through provisions for civil penalties. Creditors violating the act would be subject to a penalty equal to twice the amount of the finance charge with a minimum of $100 and a maximum of $1,000. These provisions were agreed to by the House of Representatives. In addition, the House added a system of administrative enforcement. Under the House provisions, the Federal Reserve Board would promulgate rules and regulations applicable to all segments of the credit industry. However, specific enforcement responsibility of the requirements imposed by law and by the Federal Reserve Board's regulations would be allocated to those Federal agencies with specific supervisory responsibilities over separate segments of the credit industry. For example, compliance by national banks would be enforced by the Comptroller of the Currency, or State nonmember banks by the Federal Deposit Insurance Corporation and State member banks by the Federal Reserve Board. The Federal Home Loan Bank Board would enforce compliance on the part of savings and loan associations. The Federal Trade Commission would have re-

primarily to alleviate the computation burden which would be placed on small business creditors engaged in small scale credit transactions. The House bill eliminated this exemption and required annual rate disclosure on all credit transactions regardless of size. Under the agreement reached by the conference committee, creditors would be exempt from disclosing the annual percentage rate if, first, the total amount of credit is less than $75 and the total finance charges less than $5; or, second, the total amount of credit is more than $75 and the total finance charges less than $7.50.

In recommending this limited exemption, it is expected that the Commission on Consumer Finance, established by this legislation, would conduct a study to determine the precise impact of this provision and to report their findings to Congress.

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The effect of the conference provision is to permit creditors to disclose a nominal annual percentage rate equal to 12 times the monthly rate on all monthly statements, as long as minimum or fixed charges authorized by State law did not exceed 50 cents. If State law permitted minimum charges in excess of 50 cents and if the creditor applied such minimum charges, he would be required to annualize such charges and to disclose the resulting rate on each monthly statement. In these cases, the annual rate would vary from statement to statement and could be substantially in excess of the normal rate of 18 percent per year.

In recommending this provision it should be made abundantly clear that the intent of the conference committee is not to authorize or otherwise approve or lend support to the establishment of minimum or fixed charges on revolving credit plans. Nothing in the legislation should be construed to authorize the charging of minimum or fixed charges where such charges are not otherwise authorized by law. Nor should it be inferred that Federal policy supports or approves the establishment of minimum charges.

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MONTHLY DISCLOSURE ON INSTALLMENT CONTRACTS

The House bill required creditors using monthly statements on installment credit plans to disclose the same information on these statements as is required of revolving credit plans. This information includes the opening and closing balance, the finance charge, and the annual percentage rate.

The bill reported by the conference committee retains this provision in modified form. Instead of requiring creditors with installment type credit plans to disclose on a monthly basis all of the information required of revolving credit plans, the conference report would require the annual percentage rate to be disclosed and the date by which or the period within which payments must be made to avoid an additional finance charge. In addition, the Federal Reserve Board is given the authority to prescribe additional disclosure requirements for those types of installment credit plans approximating the characteristics of revolving credit. The purpose of this is to remove any inducements for creditors to convert from revolving credit to installment credit to escape the monthly disclosures required under revolving credit.

SALES UNDER ADD-ON INSTALLMENT CONTRACTS

The House bill permits creditors selling under add-on installment sales plans to disclose the required information on the first monthly statement rather than at the time of the transaction provided that, first, the creditor does not maintain a security interest; and second, the customer has agreed to the annual percentage rate to be charged in advance. This provision was included in the conference report.

CREDIT ADVERTISING

The House bill included a provision requiring full disclosure on credit advertising. Under the Senate bill disclosure was limited to the time of the credit transaction.

The House provision required that if a creditor advertises certain terms, he must advertise all the relevant terms of his credit plan. For example, if an installment creditor advertises the amount of the downpayment or the amount of any installment payment or the dollar amount of any finance charge or the number of installment payments, he must also advertise the total cash price of the merchandise or amount of the loan, the downpayment, the number of payments, and the amount of each payment and the total finance charge. If any rate is advertised, it must be the annual percentage rate as defined in the bill.

Bait and switch-type advertising would also be prevented. Creditors could not advertise specific credit terms unless they usually and customarily arranged for such credit under the terms advertised.

The provisions for credit advertising were based on the bill originally introduced by Senator Magnuson, who has been an outstanding champion of consumer protection legislation in the Senate. I am delighted that the Senate conferees have accepted virtually intact the credit advertising provisions recommended by the House. These provisions will not only protect consumers, they will also give protection to the honest businessmen against unscrupulous or unfair competition based upon deceptive or tricky advertising.

ADMINISTRATIVE ENFORCEMENT

Under the terms of the Senate bill, enforcement would have been brought about by the courts through provisions for civil penalties. Creditors violating the act would be subject to a penalty equal to twice the amount of the finance charge with a minimum of $100 and a maximum of $1,000. These provisions were agreed to by the House of Representatives. In addition, the House added a system of administrative enforcement. Under the House provisions, the Federal Reserve Board would promulgate rules and regulations applicable to all segments of the credit industry. However, specific enforcement responsibility of the requirements imposed by law and by the Federal Reserve Board's regulations would be allocated to those Federal agencies with specific supervisory responsibilities over separate segments of the credit industry. For example, compliance by national banks would be enforced by the Comptroller of the Currency, or State nonmember banks by the Federal Deposit Insurance Corporation and State member banks by the Federal Reserve Board. The Federal Home Loan Bank Board would enforce compliance on the part of savings and loan associations. The Federal Trade Commission would have re-

sidual jurisdiction over all other segments of the credit industry not specifically enumerated in the enforcement provisions.

These provisions were adopted in the conference report.

COMMISSION ON CONSUMER FINANCE

The House bill established a nine-member commission to study the structure and workings of the consumer finance industry and to determine if additional Federal regulation is needed, including the desirability of Federal charters for consumer finance companies. This provision was agreed to by the conference committee. The life of the commission was extended from March 31, 1970 to March 31, 1971.

LOAN SHARKING

The House bill was amended on the floor of the House to include a provision dealing with loan sharking. This provision would make it a Federal felony to extend credit with the understanding that criminal means would be used to enforce the obligation to repay. The penalty for entering into an extortionate extension of credit includes a fine of $10,000 or a prison term of 20 years or both. An extortionate extension of credit is defined as one in which it is the understanding of the creditor and the debtor that delay in making repayment or failure to make repayment could result in the use of violence or other criminal means to collect the debt.

In order to provide the Department of Justice with the means for enforcing this provision, the House provision set up a prima facie rule of evidence that any extension of credit is extortionate if all of the following factors are present:

First. The debt is legally uncollectable under State law;

Second. The annual rate charged for the debt exceeds 45 percent per year;

Third. The debt exceeds $100;

Fourth. The debtor reasonably believed that either, first, the creditor resorted to extortionate methods on one or more occasions, or second, the creditor had a general reputation for using extortionate methods to enforce repayments.

Once again these provisions raised serious questions of Federal-State responsibilities. Nonetheless, because of the importance of the problem, the Senate conferees agreed to the House provision. Organized crime operates on a national scale. One of the principal sources of revenue of organized crime comes from loan sharking. If we are to win the battle against organized crime we must strike at their source of revenue and give the Justice Department additional tools to deal with the problem. The problem simply cannot be solved by the States alone. We must bring into play the full resources of the Federal Government.

EFFECTIVE DATE

The disclosure provisions of the Senate bill were effective on July 1, 1969. Under the House bill, the disclosure and advertising provisions were effective in 9 months following enactment. All other provisions were effective immediately. Under the conference bill, the disclosure provisions are effective on July 1, 1969, the garnishment provisions are effective on July 1, 1970, and all other provisions effective immediately.

Mr. President, it has taken 8 long years to get this legislation through the Congress. Like all worthwhile reform measures it takes a number of years to mobilize support. However, in enacting the truth-in-lending bill I believe we have achieved a victory not only for the consumer but for the average businessman as well. The bill permits consumers to shop effectively for the best credit buy; it also protects businessmen against unfair and deceptive competition.

It is somewhat hazardous to list all of those who have played an important part in passing this important legislation. So many people have made an important contribution that to list them all would run to many pages of the CONGRESSIONAL RECORD. Nonetheless, I believe a few outstanding names must be mentioned.

First of all, Mrs. LEONOR SULLIVAN, of Missouri, must be given a tremendous amount of credit for her leadership on the House side. Many of the additional provisions in the bill, including those on credit advertising and wage garnishments were included in the bill introduced by Mrs. SULLIVAN. In addition she led the fight to improve and strengthen the disclosure provisions of the Senate bill. More than any other person, she is responsible for the strong and effective bill which emerged from the House of Representatives.

Much of the credit for passing a strong truth-in-lending bill must also be given to Congressman WRIGHT PATMAN, the chairman of the House Banking and Currency Committee. Throughout the years, Congressman PATMAN has proven that he is a champion of consumer causes. He continued to demonstrate his concern for consumers by working along with Mrs. SULLIVAN for an effective measure.

We must also recognize the constructive and able role played by Senator JOHN SPARKMAN, the chairman of the Senate Banking and Currency Committee and Senator WALLACE BENNETT, the ranking Republican member from the State of Utah. Senator BENNETT has always endorsed the main principle of truth in lending and has worked diligently to insure that the final bill is both workable and fair. Senator BENNETT did a marvelous job in committee on the floor and in the conference committee. I might add that it was only through Senator SPARKMAN's skillful leadership that we were able to reconcile the diverse and sometimes conflicting viewpoints and to develop an effective and workable bill. Other Senators, of course, played a most important role. The Senator from Maine [Mr. MUSKIE] demonstrated his great brilliance, grasp, and understanding of this most complicated revolving credit issue and was most helpful in permitting us to resolve our differences.

During the 8 long years of struggle, many groups have helped to develop support for truth in lending. I want to express my particular gratitude to the Credit Union movement which from the beginning championed the truth-in-lending bill. The same is true of the National Association of Mutual Savings Banks. Through the years the AFL-CIO has given much time and effort to the cause. I hope I will not offend any of my friends in the labor movement by expressing my particular admiration and gratitude to the International Ladies Garment Workers Union and its indefatigable legislative representative, Evelyn DuBrow. Another persistent and tireless worker for the cause was Mrs. Sarah H. Newman, general secretary, National Consumers League.

A number of members of the academic community also made outstanding contributions. The earliest and most consistent support throughout the years has been from Richard L. D. Morris of Kansas State University. Dick Morris was making speeches on truth in lending even before Senator DOUGLAS introduced the first truth-in-lending bill. Through the years he supplied the sponsors of truth in lending with a continuing stream of material and encouragement.

Another outstanding contribution came from Father Robert J. McEwen, chairman of the Department of Economics, Boston College. Father McEwen has long been a champion of consumer causes and was most instrumental in securing the enactment of the Massachusetts truth-in-lending law which was a forerunner to the Federal bill.

As is the case with much reform legislation, truth in lending was initially opposed by the industry affected, that is the credit industry. To take one historical example, the chairman of the New York Stock Exchange solemnly predicted that as a result of the Securities Exchange Act of 1933 the securities industry would collapse and that grass would grow on Wall Street. Just the opposite has occurred. The Securities Act has maintained and increased public confidence in the securities industry and has made it much stronger as a result.

I believe the same will hold true of the truth-in-lending legislation. The State of Massachusetts has demonstrated that the full disclosure of credit charges is both reasonable and workable. Testimony from Massachusetts businessmen before both the Senate and the House banking committees clearly demonstrates that the Massachusetts truth-in-lending law has been an outstanding success. I believe the same will hold true for the Federal truth-in-lending bill.

In the final analysis the bill was based upon the fundamental premise that consumers have a right to know the facts. It is only through free and full disclosure that our competitive free enterprise system can be made to function effectively. The truth-in-lending bill should not be thought of as proconsumer or antibusiness. Instead, it is profree enterprise. By informing consumers, it increases public confidence, enhances competition, and improves credit practices.

I hope that the entire Senate will agree with me that in taking the final step in the legislative process to enact the truth-in-lending bill, we will bring to reality the long-held dream of Paul H. Douglas.

Mr. BENNETT. Mr. President, as the

minority Member who has been working on the bill for 8 years, may I express a sense of relief that the Senate and Congress has come to the point that it can at least put out a bill which will make a start on this problem.

The bill is a compromise. I think it is still full of rather serious problems, because many of the ideas it contains are theoretical rather than practical. We will not know until after we have gone through the experience of trying to live with the bill, whether any additional changes will be needed.

We have passed on to the Federal Reserve Board the responsibility for writing regulations. The bill does not go into effect for another year, so that they will have time to study it.

I think there are some problems in the garnishment section. At the moment, I do not know exactly what the amount exempt from garnishment will be. For the first time in my experience as a conferee, the staff discovered a situation, after the conference had been agreed to, that one part of the provision is probably impractical. But the conference had been agreed to, and we could not go back and correct it.

I think there may be some other things in the bill that are similarly difficult so that I believe before we get what we would consider to be a practical bill, there must be some further amendments to it.

I also feel that I should say to the Senate that the bill is not going to solve the credit problems of the poor. Their problems grow out of their lack of understanding of credit, and because of that, their misuse or by misusing it, they occasionally give men in business an opportunity to exploit them. The bill will not wipe out all of those opportunities. But, we have made a start. That is important.

We have built a framework and as we try to live with it, we may discover that we have made some mistakes.

So, from that point of view, as I say, I am happy that the bill has been passed. I do not agree with all of the decisions made by the conference, but I signed it because I felt that to do otherwise would tag me as being opposed to supplying information to creditors about the cost of their credit.

I certainly recommend to the Senate that it approve the conference report, for the same reasons that I approved it; but I am sure there may be some in the group who have the same reservations.

I appreciate the kind things that the Senator from Wisconsin [Mr. PROXMIRE] said about my contribution to the bill over the years. I think his own contribution should not go unnoticed.

When Senator Douglas left this body, Senator PROXMIRE picked up his responsibilities, and through the last 2 years I have been working with Senator PROXMIRE as chairman of the subcommittee. That relationship has been a very happy one for me. We have not always agreed on what we thought the bill should contain, but we have respected each other's point of view and we have been able peaceably to work together in bringing this bill into being. He certainly shares whatever credit there may be, and deserves a great share, because he provided the leadership which finally, after nearly 8 years, brought a piece of legislation which, as I say, I think represents a start.

I again repeat, I hope the Senate will approve the report.

Mr. PERCY. Mr. President, I would be remiss if I did not also comment on the contribution to this bill of my predecessor, former Senator Paul Douglas, of Illinois. I stated when I came to the U.S. Senate that I would feel obligated to work on behalf of all those things which he was working on with which I agreed. That was a conditional commitment to myself, but I did find several areas in which I concurred in the work he was doing here.

It was, therefore, with a great sense of gratification that I took a place on the Committee on Banking and Currency of the Senate. One of the earliest pieces of legislation we worked on was truth in lending. I had there an opportunity to see a tremendously complicated concept unraveled by understanding compromises by our able and distinguished chairman of the committee, the Senator from Alabama [Mr. SPARKMAN].

I also saw, with a good deal of satisfaction, the minority side of the committee, under the leadership of the Senator from Utah [Mr. BENNETT] ably work toward a compromise which was acceptable and which carried unanimously not only through the committee but the Senate itself.

I have been particularly impressed with the tenacity of the distinguished Senator from Wisconsin [Mr. PROXMIRE], who worked uphill most of the time. Jogging uphill as well as downhill is his avocation, and he carries on against the most difficult odds at times. I developed a tremendous appreciation for what he did in this field.

Also, I wish to mention a very valiant lady in the other body, Congresswoman LEONOR SULLIVAN, whom I have gotten to know through her interest in the concept of homeownership for low-income families. I have watched with admiration her fight to strengthen what I considered to be ready a strong truth-in-lending bill. I think we have as a result a piece of legislation that the Senate can accept with great confidence. The House has already, of course, approved it earlier this afternoon.

I would like to comment particularly on the section that the Senator from Wisconsin [Mr. PROXMIRE] earlier mentioned.

Title II of the conference report contains a very important and new provision of law to assist in the war on organized crime. It is entitled "Extortionate Credit Transactions," and it addresses itself to the growing business of organized crime known as loan sharking, or the "juice" racket.

The provision was proposed on the floor of the House by Congressman RICHARD POFF, of Virginia, an extremely able and distinguished minority member of the House Judiciary Committee. Congressman POFF is also chairman of the House Republican task force on crime, vice chairman of the Commission To Revise and Reform the Federal Criminal Laws, and a widely recognized expert on law enforcement and criminal administration. His ability and leadership are amply demonstrated in the perception and craftsmanship that have produced this excellent amendment to the truth-in-lending bill, and that have allowed the Congress to swiftly respond to a rapidly growing activity of the organized crime syndicates. The members of the task force are to be commended for this contribution to the achievements of the Congress in the fight against organized crime.

Mr. President, this is the first comprehensive attack on the interstate aspects of the insidious criminal activity. At an appropriate time, I will propose an amendment to include the crimes enumerated under title II of the conference report in the crimes for the detection of which an electronic surveillance order may be issued under title III of the omnibus crime control bill, now under consideration in this body. I would hope the President would sign this bill into law with all dispatch so that this provision to fully implement the new law may be made.

As the ranking minority member of the Subcommittee on Small Business of the Banking and Currency Committee, I have followed with great interest the hearings recently conducted by the Senate Select Committee on Small Business on the impact of loan sharking on small business. I was pleased to introduce the executive director of our Illinois Crime Commission, Mr. Charles Siragusa, to that committee last week. The testimony he and his associates gave was on the victimization of the poor and less privileged inner-city residents by the loan shark racketeers. The distinguished chairman of that committee, the Senator from Florida [Mr. SMATHERS], is to be commended for his bringing this situation to the attention of the Senate and the public.

Mr. President, I hope that the pending conference report will be agreed to.

Mr. SPARKMAN. Mr. President, let me say I am grateful to all Senators who have made comments on this conference report and to all who have worked on it, and that includes the entire Senate Banking and Currency Committee.

I call attention to the fact that the bill was reported by the committee without a single dissenting vote, that it passed the House on a rollcall by unanimous vote, and now, in a few minutes, I hope, we shall be bringing it to a final conclusion by unanimous vote in the Senate. I think that is a remarkable record for a piece of highly controversial legislation as this started out to be.

I give great credit to the chairman of the subcommittee, Senator PROXMIRE, and to the ranking Republican member, Senator BENNETT, who worked so closely with us in trying to work out this bill. I also give credit to the Senator from Maine [Mr. MUSKIE], who was one of the early sponsors of this legislation and who proved himself to be quite constructive both in committee and in the conference.

I give credit to every single member of the Banking and Currency Committee

for a wonderful job on a most difficult piece of legislation.

Mrs. LEONOR SULLIVAN and Congressman WRIGHT PATMAN of the House Banking and Currency Committee, are also to be given credit for championing the effective and comprehensive bill that passed the House of Representatives.

I am hopeful that, in the final analysis, the bill will prove to be of benefit to consumers and workable to the average businessman.

Mr. President, I am pleased to see at long last what may be final action on S. 5, the truth-in-lending bill, originally introduced by Senator PROXMIRE on January 11, 1967, which is now before us. The bill represents more than a year of work and hearings concerning credit cost disclosure. I refer only to this bill, to say nothing of the predecessor bill, which ran over a period of 6 years. While the bill does not satisfy all of the wishes of those who have played a part in the legislation, on balance I believe it represents a fair and workable bill that will provide consumers with substantially more information.

Different approaches were suggested regarding many problem areas covered by the bill. However, effective compromises were developed. An example is that of credit insurance. Many suggested that credit insurance premiums should be included as a part of the finance charge and in the calculations to determine the annual percentage rate. Others argued that the premiums were not part of the finance charge since the insurance was for the benefit of the consumer. The committee agreed to a provision that is workable and fair.

When the creditor makes the required disclosures as to credit insurance and the prospective debtor acknowledges in writing that he is not required to purchase credit insurance, then the insurance premium is not part of the finance charge. However, if the debtor is required to purchase the insurance as a condition to the extension of credit, then the premium is to be included in computing the annual percentage rate.

Mr. President, mention has been made of the fact that the effective date of the bill is a little more than a year away, July 1, 1969. That date was selected purposely in the hope that by that time the States will have had an opportunity to act upon the recommendations for a uniform consumer credit code which is being developed by the Commission on Uniform State Laws. I believe the State legislatures should have an opportunity to give further study to this perplexing and distressing problem throughout the country, and to adopt their own laws. Should the States enact legislation substantially similar to the Federal bill, they can become exempt from the Federal law.

The garnishment measure does not become effective until July 1, 1970. Again, that is for the purpose of allowing States to restudy, if they desire to do so, their own garnishment laws to make sure that they are fair to the consumer as well as to the creditor.

I believe both those provisions are good.

I wish to say just a word about credit insurance. Credit insurance, which is treated in this conference report, can be beneficial to the consumer when the cost is fair and economical. Accordingly, it can be expected that many consumers will take advantage of credit insurance on this basis. While creditors must make it clear that credit insurance is not required, the fact that a given percentage of prospective debtors normally request credit life and accident and health insurance should not be construed to mean that such insurance is a factor in the approval or extension of credit. This must be determined on the basis of the facts in each individual case.

I believe that is the meaning of the conference report, and I think it should be clear. In other words, we are trying to protect the consumer from being forced to buy insurance, but at the same time we are trying to preserve to him the right to take it if he wants it, as a protection to his own position.

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

Mr. SPARKMAN. I yield.

Mr. HART. Mr. President, these rituals are sometimes suspect, because committee members who have labored long over difficult problems thus acknowledge to each other that the job is a good one.

I lingered here tonight because I would like to speak to the members of the committee for those who are not on the committee. While we do not know, in full detail, the agonies that went into what the committee now presents before the Senate, most of us who have been sponsoring these bills over the years realize the enormity of the problem and the intensity of the pressures, and I am satisfied that what the committee has brought from the conference represents a magnificent achievement in consumer protection.

So I lingered tonight to thank all the members of the committee for what I think will be noted as one of the truly historic achievements of this and many Congresses.

Mr. SPARKMAN. Mr. President, those are most generous remarks of the distinguished Senator from Michigan, and I thank him on behalf of the entire committee.

TRUTH IN LENDING AND MORE

Mr. NELSON. Mr. President, many problems confront the consumer today. Everyone is exposed to unethical practice and high pressure selling; rising prices and escalating credit charges; inferior product quality and recurrent repair difficulties. And it is no doubt true, we all are concerned with being able to pay our bills and staying out of debt. Nevertheless, in our credit oriented economic system, few buyers can pay cash for everything they buy; not even the very wealthy. In fact, last year the consumer debt was about $86 billion.

It is also true that for the wary and well to do, as well as the unsophisticated and economically despairing, present-day practices have made it difficult to make intelligent decisions about credit. Former Senator Paul Douglas was among the first to perceive the need for legislation to protect consumers from deceptive and misleading practices of lending institutions, merchants and others who extend credit. After careful investigation the Congress is now acting on this important matter. Senator WILLIAM PROXMIRE should be applauded for guiding this measure through the Senate and for his outstanding achievement in regard to this vital legislation. The Senate-House conference committee has reported a measure that deserves both acceptance and applause. This proposal will go a long way toward curbing the abuses of consumer credit while imposing no hardship upon legitimate merchants.

The truth-in-lending bill does several things. It requires that lenders and retail creditors disclose the cost of credit offered to the customer. In this way the consumer can compare how much it will cost to do business with lending institution A as opposed to B.

Second, this bill requires the full disclosure of interest rates on all revolving charge accounts on both an annual and monthly basis. This means that the buyer will know the rate being charged by the store for a deferred payment plan.

In addition, this bill restricts the amount of money that can be garnished from a man's wages as well as imposing regulations upon credit life insurance and credit advertising. The truth-in-lending bill also makes it a Federal crime to extend credit with the understanding that criminal means will be used to enforce the obligation to repay. This provision is aimed at the loan shark business, which is infiltrated with criminals. "Juice money" as it is called in the Midwest, has become a source of tremendous revenue for syndicated gangsters and this proposal is the first step toward cracking down on this racket.

While the truth-in-lending bill is a giant step forward, it is only the beginning. New imaginative programs must be initiated to further protect the consumer. To illustrate why I say this, let me give you some examples of consumer exploitation brought to my attention:

A housewife was contacted by a magazine subscription company. The saleslady led her to believe that by purchasing one magazine at a low weekly rate, she would receive three others at no extra cost. While there was no extra charge, the initial subscription price had been jacked up so that the cost of the supposed free magazines was hidden in the weekly charge. While you might say, let the buyer beware, I say the time has come to remove deception from the marketplace.

Another shocking example recently involved a women on welfare payments. She had hardly enough money to pay the food bill let alone the extravagance of a stereo television console. In any event, the store sold her a television console on the following terms:

1. Cash sale price	$711.60
2. No down payment	0
3. Balance (1 minus 2)	711.60
4. Credit service charge	198.78

5.	Principal balance (3 plus 4)	910.38
6.	Charges for credit life insurance (If selected) F.F.	16.61 2.00
7.	Charges for credit accident and sickness insurance	35.87
8.	Time balance (5 plus 6 plus 7)	964.86
9.	Previous time balance time sales price (2 plus 8)	964.86

Payable in 48 equal installments of $27 and one final installment of $9.86 starting on—and monthly thereafter.

The total price, as you can easily determine, was over $1,300. It was not long before this imprudent purchase could not be paid for. The store quickly repossessed the TV, pocketing the money already paid and taking the set back to resell it again. You might feel gyped if this had happened to you, but if you were an uneducated, frustrated, poor woman, what would you do?

These are not isolated examples. Whether it is a TV set or a refrigerator, magazine subscriptions, or aluminum siding, fast-talking, dishonest, and deceptive sales practices are bilking the American consumer.

But if your reaction is like so many I hear—that could not happen to me—let us explore another area which I think you will be able to appreciate a little.

I submit that warranties on consumer goods are becoming meaningless to the shopper, because many manufacturers are making promises that are not being honored. Some are even making pledges that cannot be fulfilled. In fact, you cannot mention this subject to anyone anywhere, without somebody saying, "Let me tell you what happened to me. That warranty wasn't worth the paper it was printed on."

Many of the complaints I have heard have involved the failure of the product itself. But there are other problems, too: excessive labor costs; delay in service; and annoying trips back and forth for repeated repairs of the same product.

Thus one man told me about the power steering problem on his new car. He said, the steering worked fine until he tried to get into a tight parking spot.

He added:

You should have heard the screeching and squeaking.

Another complained that his power brakes worked well during the summer, but when it got below freezing, they did not work properly. Both these people brought their cars in to be fixed and after considerable aggravation, got them repaired. However, in both cases the warrantee did not cover the costs. Both complained that their warrantee was useless, although they were led to believe upon buying the car that it would protect them against just such circumstances.

Another case, was that of the lawnmower. It did a great job of cutting down the dandelions, but could not cleanly cut a blade of grass.

Similarly, there was the snowplow, that only performed when there was no more than 2 inches of snow. Again upon returning these items, to the proper service dealer, they were eventually fixed. But there was one hitch: the snowplow was returned just in time for the first April shower and the lawnmower came back in tiptop shape to be stored for the winter.

Still another case involved a toaster, that had a mind of its own, popping up different degrees of burnt toast. It was fixed, and pleased everyone in the family; but within 6 weeks it was ready to be repaired again. Rather than go through the same amount of trouble and with the same possible results, they bought another toaster.

Isolated examples? Just think back a little; was it your refrigerator that would not defrost; your television set that could not pickup UHF stations clearly; your hot water heater that worked only when you did not want to take a bath; or was it your new steam-dry iron that always burnt that new synthetic fabric? Whatever your experience, do you remember trying to get the product fixed, at no extra cost, as your warrantee seemed to suggest? Do you recall that you had to pay the mailing cost and the redelivery fee; or if you did not have to mail the product back to the manufacturer but had to bring it to an authorized service dealer, the trouble and inconvenience you experienced in trying to find the proper serviceman? And what about the time you brought the broken item to the wrong service dealer only to find out that your warrantee was then worthless.

These are some of the problems that consumers have to face when they try to take advantage of their warrantee. What can be done to eliminate these and the other difficulties I have mentioned which confront the consumer?

Certainly legislation such as the truth-in-packaging law, enacted last year, and the present truth-in-lending bill now pending will go a long way toward curing some of the evils which I have already described. Hopefully, because of these new initiatives, chicanery and deception will disappear from the marketplace. But I am certain that this lofty principle will not be easily translated into reality. For consumer protection legislation to be effective, cooperation from the business community is necessary. Of course, consumers must do their part also.

In conclusion, I want to commend the joint House and Senate committee for their excellent work and achievement. I warmly endorse the truth-in-lending bill and feel confident that it will help a great deal.

However, I need not remind you that we can ill afford to become complacent in this area. These new laws are just the cornerstones—much work still remains to be done. This is a responsibility that I am sure we will not shirk, but rather will welcome.

Mr. SPARKMAN. Mr. President, I move the adoption of the conference report.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

The PRESIDING OFFICER. What is the will of the Senate?

NEW FDA COMMISSIONER MUST BE DEDICATED TO SERVING THE PUBLIC INTEREST

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent to have printed in the RECORD a statement by the distinguished junior Senator from New Mexico [Mr. MONTOYA], who is unavoidably absent, and, accompanying his statement, an article entitled "The Tragedy of Thalidomide Babies: Preview of a New German Horror Trial," written by Leonard Gross, and published in Look magazine for May 28, 1968.

There being no objection, the statement and article were ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR MONTOYA

An article which appeared in the May 28, 1968, issue of Look magazine entitled, "The Tragedy of Thalidomide Babies: Preview of a New German Horror Trial," tells the story of the criminal case which will begin in Germany on May 27 against nine employees of the firm which discovered and promoted the drug Thalidomide.

The charges against these men are: intent to do bodily harm; involuntary manslaughter.

These nine men were so eager to market Thalidomide, a sleep-inducing drug, that they failed to test it properly. They sold this drug in Germany and to licensees in 45 other countries with assurances that it was safe, though no such assurances existed. Thousands of people who took this drug suffered serious adverse effects to their nervous system. But these nine men made light of such reports, lied to doctors, and to public health authorities. When the reports became too numerous to ignore, the defendants did everything they could to suppress them, and used money to encourage the production of favorable reports.

This drug, advertised as safe even for pregnant women, "did finally cause the birth of 7,000 monster babies throughout the world, some of whom died, some of whom were killed and most of whom now live maimed lives."

Such a tragedy could happen again, and perhaps the next time the United States will not be spared. A key means of averting such mass suffering and waste of human lives is to have as Food and Drug Commissioner a man dedicated to serving the public interest, dedicated to the enforcement of the Food and Drug laws, dedicated to insuring that the drugs which reach our citizens are safe and effective.

Dr. James Goddard is such a man, and I read with regret in this morning's press of his resignation. It is essential that his successor in this highly sensitive position be a similarly outstanding individual who will carry on in the tradition of Dr. Goddard to protect the public against such occurrences as the Thalidomide tragedy. Dr. Herbert L. Ley, Director of FDA's Bureau of Medicine is such a man and has been recommended by Dr. Goddard as his successor. Winton Rankin, Deputy Commissioner of FDA is also of such caliber.

It is to be hoped that one of these two men—both with fine records of public service and concern—will be selected by the President for the leadership role at FDA.

Certainly, the new Commissioner should be understanding and appreciative of the role of drug manufacturers. But his primary obligation is to the people of the United States. In other words, we come first.

THE TRAGEDY OF THALIDOMIDE BABIES: PREVIEW OF A NEW GERMAN HORROR TRIAL

(By Leonard Goss)

Men forgive a blunder. They try to understand the crime of passion. But they judge