IN THE HOUSE OF REPRESENTATIVES

JULY 20, 1967

MRS. SULLIVAN (for herself, MR. GONZALEZ, MR. MINISH, MR. ANNUNZIO, MR. BINGHAM, and MR. HALPERN) introduced the following bill; which was referred to the Committee on Banking and Currency

DECEMBER 13, 1967

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italics]

A BILL

To safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need
Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,

SECTION 1. This Act may be cited as the "Consumer
Credit Protection Act".

TITLE I—CREDIT TRANSACTIONS

SEC. 101. (a) The Federal Reserve Act is amended
by striking the first section sentence and inserting:
"TITLE I—THE FEDERAL RESERVE SYSTEM
"SECTION 1. SHORT TITLE AND DEFINITIONS
"SECTION 1. This title may be cited as the Federal
Reserve Act."

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

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

"TITLE II—CREDIT TRANSACTIONS
"DECLARATION OF PURPOSE
"Sec. 201. (a) The Congress finds that economic
stabilization would be enhanced and that competition among
the various financial institutions and other firms engaged in
the extension of consumer credit would be strengthened by
the informed use of credit. Significant segments of the popu-
lation are misled by the manner in which the terms and con-
ditions of credit are offered and contracted for, as well as by
advertising in or affecting commerce, which fail adequately
to disclose the credit terms offered to buyers in making pur-
chases, or obtaining loans, payable in installments or offered
under open end credit plans. Such failure of adequate dis-
closure tends to increase the uninformed and untimely use of
credit by the public, thereby adversely affecting economic
stabilization, increasing inflationary pressures, and decreas-
ing the stability of the value of our currency. The informed
use of credit results from an awareness of the cost thereof by
consumers. It is the purpose of this title to assure a mean-
ingful disclosure of credit terms so that the consumer will
be able to compare more readily the various credit terms
available to him and avoid the uninformed use of credit.

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

SEC. 202. For the purposes of this title

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

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

(c) 'consumer credit sale' means a transaction in which credit is granted by a seller in connection with the sale of goods or services, if such seller regularly engages in credit transactions as a seller, and such goods or services are purchased primarily for a personal, family, household, or agricultural purpose. The term does not include any contract in the form of a bailment or lease unless the obligor contracts to pay as compensation for use a sum substantially equivalent to or in excess of the value of the goods or services involved, and unless it is agreed that the obligor is bound to become, or for no other or a merely nominal consideration has the option of becoming, the owner of the goods upon full compliance with the provisions of the contract.
"(d) 'finance charge' means the sum of all the mandatory charges imposed directly or indirectly by a creditor, and payable directly or indirectly by an obligor, as an incident to the extension of credit, including loan fees, service and carrying charges, discounts, interest, time price differentials, investigators’ fees, costs of any guarantee or insurance protecting the creditor against the obligor’s default or other credit loss, and any amount payable under a point, discount, or other system of additional charges, except that

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

"(A) fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to a credit transaction, or the premium, not in excess of those fees and charges, payable for any insurance in lieu of perfecting the security; or

"(B) taxes; and

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

"(B) preparation of the deed, settlement state-
ment, or other documents;

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

"(D) notarizing the deed and other documents;

"(E) appraisal fees; or

"(F) credit reports.

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

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

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

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

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

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

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

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

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

“(h) ‘installment open end credit plan’ means an open end credit plan which has one or more of the following characteristics: (1) creates a security interest in, or provides for a lien on, or retention of title to, any property (whether real or personal, tangible or intangible). (2) provides for a repayment schedule pursuant to which less than 60 percent of the unpaid balance at any time outstanding under the plan is required to be paid within twelve months, or (3) provides that amounts in excess of required payments under the repayment schedule are applied to future payments in the order of their respective due dates.

“(i) ‘organization’ means a corporation, government or governmental subdivision or agency, business or other trust, estate, partnership, or association.

“(j) ‘advertisement in interstate commerce or affecting interstate commerce’ includes, but is not limited to,
"(1) the advertising of goods, services, loans, or open end credit plans through any means or instrumentality of interstate commerce; and
"(2) the advertising
"(A) of any goods which are made in whole or in part of any item which has been shipped and received in interstate commerce;
"(B) of any service which is to be performed using any item which was shipped and received in interstate commerce; or
"(C) of any loan or of any extension of credit under an open end credit plan which is to be made in whole or in part in interstate commerce.
"(j) "State" means any State, the Commonwealth of Puerto Rico, or the District of Columbia.
"DISCLOSURE OF FINANCE CHARGES; ADVERTISING
"SEC. 203. (a) Each creditor shall furnish to each person to whom credit is extended and upon whom a finance charge is or may be imposed the information required by this section, in accordance with regulations prescribed by the Board.
"(b) This subsection applies to consumer credit sales other than sales under an open end credit plan. For each such sale the creditor shall disclose, to the extent applicable,
“(1) the cash price of the property or service purchased;

“(2) the sum of any amounts credited as down-payment (including any trade-in);

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

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

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

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

“(7) the finance charge expressed as an annual percentage rate, unless the finance charge does not exceed $10, and in ascertaining the applicability of this paragraph, a creditor may not divide a consumer credit sale into two or more sales to avoid the disclosure of an annual percentage rate pursuant to this paragraph;

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

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

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

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

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

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

(4) the amount of the finance charge;
"(5) the finance charge expressed as an annual percentage rate, unless the finance charge does not exceed $10, and in ascertaining the applicability of this paragraph, a creditor may not divide an extension of credit into two or more transactions to avoid the disclosure of an annual percentage rate pursuant to this paragraph;

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

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

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

"(d) (1) This subsection applies to open end credit plans.
“(2) Before opening any account under an open end credit plan, the creditor shall, to the extent applicable, disclose to the person to whom credit is to be extended—

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

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

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

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

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

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

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

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

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

"(E) the finance charge expressed as an annual percentage rate the rate, if any, used in computing the finance charge and, in the case of an installment open end credit plan, the equivalent annual percentage rate;

"(F) the balance on which the finance charge was computed and a statement of how the balance was determined. If such a balance is determined without first deducting all payments during the period, that fact and the amount of such payments shall also be disclosed;

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

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

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

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

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

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

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

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

“(2) After June 30, 1968, all rates required to be disclosed by this section shall be expressed as percentage rates.
No creditor, in order to aid, promote, or assist,
directly or indirectly, any consumer credit sale, extension of
credit, or open end credit plan, may state or otherwise repre-
sent in any advertisement in interstate commerce or affecting
interstate commerce

that specific credit terms are available with
the purchase of goods or services or the obtaining of
a loan, unless the advertisement clearly and conspicu-
ously sets forth

(A) the cash sale price,

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

(C) the downpayment, if any,

(D) the time sale price, and

(E) the finance charge, expressed as an an-
nual percentage rate;

that a specified periodic credit amount or in-
 stallment amount can be arranged, unless the creditor
usually and customarily arranges credit payments or in-
 stallments for that period and in that amount; or

that a specified downpayment is required,

unless the creditor usually and customarily arranges
donpayments in that amount;

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

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

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

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

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

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

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

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

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

"(B) the downpayment, if any;

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

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

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

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

"(1) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;
"(2) the method of determining the balance upon which a finance charge will be imposed;

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

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

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

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

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

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

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

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

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

"(2) 18 per centum per annum;

whichever is less.

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

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

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

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

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

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

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

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

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

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

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

"(2) The use of rate tables or charts may be authorized in cases where the total finance charge is determined in a manner other than that specified in paragraph (1). Such tables or charts may provide for the disclosure of annual percentage rates which vary up to 8 per centum of the rate as defined by section 202(f).

However, any creditor who willfully and knowingly uses such tables or charts in such a manner so as to consistently understate the annual percentage rate, as defined by section 202(f), shall be liable for criminal penalties under section 206(b) of this title.

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

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

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

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

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

“EFFECT ON STATE LAWS

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

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

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

"CIVIL AND CRIMINAL PENALTIES"

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

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

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

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

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

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

"REGULATION OF CREDIT FOR COMMODITY FUTURES
TRADING

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

"EMERGENCY CONTROL OF CONSUMER CREDIT

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

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

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

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

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

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

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

"(2) the extension of credit to finance directly or indirectly the extension of consumer credit. Controls imposed pursuant to this paragraph may be related to the borrower's financial history, or to the lender's other loans and investments, or to such other factors as the Board may deem appropriate:
"(b) in the case of any lender engaged both in the
extension of consumer credit and in other types of
financing, the proportion of such lender’s assets which
may be devoted to the extension of any type of con-
sumer credit.

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

"ADMINISTRATIVE ENFORCEMENT"

"Sec. 200. (a) Whenever the Board has reason to
believe that any person has engaged, is engaged, or is about to
engage in a violation of this title, and it appears to the Board
that a proceeding by it in respect thereof would be in the
public interest, it shall serve upon that person a complaint
stating its charges and containing a notice of a hearing upon
a day and at a place therein fixed at least thirty days after
the service of the complaint. The person so complained of
shall have the right to appear in opposition to the charges set
forth in the complaint. The Board may upon good cause
shown allow any person to intervene by counsel or in person
in such a proceeding. The testimony in any such proceeding
shall be reduced to writing and filed in the office of the
Board. If upon the hearing the Board is of the opinion that
the person charged in the complaint has violated, is violat-
ing, or is about to violate this title, the Board shall state its
findings of fact in writing and shall issue and serve an order
requiring the person not to engage in the violation. Until
the expiration of the time allowed for filing a petition for
review, if no such petition has been duly filed within such
time, or, if a petition for review has been filed within such
time then until the record in the proceeding has been filed
in a court of appeals of the United States, as hereinafter
provided, the Board may at any time, upon such notice and
in such manner as it shall deem proper, modify or set aside,
in whole or in part, any report or any order made or issued
by it under this section. After the expiration of the time
allowed for filing a petition for review, if no such petition
has been duly filed within such time, the Board may at any
time, after notice and opportunity for hearing, reopen and
alter, modify, or set aside, in whole or in part, any report or
order made or issued by it under this section, whenever in
the opinion of the Board conditions of fact or of law have
so changed as to require such action or if the public interest
shall so require. The person subject to the order may, within
sixty days after service of the report or order entered after
such a reopening, obtain a review thereof in the appropriate
court of appeals of the United States, in the manner provided
in subsection (b) of this section.
(b) REVIEW OF ORDER; REHEARING.—Any person
required by an order of the Board not to engage in a violation
of this title may obtain a review of such order in the court of
appeals of the United States, within any circuit where the act
or practice in question was used or where such person resides
or carries on business, by filing in the court, within sixty
days from the date of the service of such order, a written
petition praying that the order of the Board be set aside.
A copy of such petition shall be forthwith transmitted by
the clerk of the court to the Board, and thereupon the
Board shall file in the court the record in the proceeding,
as provided in section 2112 of title 28. Upon such filing
of the petition the court shall have jurisdiction of the pro-
ceeding and of the question determined therein concurrently
with the Board until the filing of the record and shall have
power to make and enter a decree affirming, modifying,
or setting aside the order of the Board, and enforcing the
same to the extent that such order is affirmed and to issue
such writs as are ancillary to its jurisdiction or are neces-
sary in its judgment to prevent injury to the public or to
competitors pendente lite. The findings of the Board as
to the facts, if supported by evidence, shall be conclusive.
To the extent that the order of the Board is affirmed, the
court shall thereupon issue its own order commanding
obedience to the terms of such order of the Board. If either
party shall apply to the court for leave to adduce addi-
tional evidence, and shall show to the satisfaction of the
court that such additional evidence is material and that
there were reasonable grounds for the failure to adduce
such evidence in the proceeding before the Board, the court
may order such additional evidence to be taken before the
Board and to be adduced upon the hearing in such manner
and upon such terms and conditions as to the court may
seem proper. The Board may modify its findings as to the
facts, or make new findings, by reason of the additional
evidence so taken; and it shall file such modified or new
findings, which, if supported by evidence, shall be conclu-
sive, and its recommendation, if any, for the modification
or setting aside of its original order, with the return of
such additional evidence. The judgment and decree of the
court shall be final, except that the same shall be subject
to review by the Supreme Court upon certiorari, as pro-
vided in section 347 of title 28 of the United States Code.

“(c) Jurisdiction of Court.—Upon the filing of the
record with it the jurisdiction of the court of appeals of the
United States to affirm, enforce, modify, or set aside orders
of the Board shall be exclusive.

“(d) Service of Complaints, Orders, and Other
Processes; Return.—Complaints, orders, and other proc-
esses of the Board under this section may be served by
anyone duly authorized by the Board, either (1) by de-
ivering a copy thereof to the person to be served, or to a
member of the partnership to be served, or the president,
secretary, or other executive officer or a director of the cor-
poration to be served; or (2) by leaving a copy thereof at
the residence or the principal office or place of business of
such person; or (3) by mailing a copy thereof by registered
mail or by certified mail addressed to such person at his or
its residence or principal office or place of business. The
verified return by the person so serving said complaint,
order, or other process setting forth the manner of said serv-
ice shall be proof of the same, and the return post office
receipt for said complaint, order, or other process mailed by
registered mail or by certified mail as aforesaid shall be
proof of the service of the same.

"(e) Finality of Order.—An order of the Board to
cease and desist shall become final

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

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

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

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

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

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

"(h) Same; Rehearing Upon Order or Remand.—
If the Supreme Court orders a rehearing; or if the case is
remanded by the court of appeals to the Board for a rehear-
ing; and if (1) the time allowed for filing a petition for
certiorari has expired; and no such petition has been duly
filed; or (2) the petition for certiorari has been denied; or
(3) the decision of the court has been affirmed by the
Supreme Court, then the order of the Board rendered upon
such rehearing shall become final in the same manner as
though no prior order of the Board had been rendered.

"(i) Definition of Mandate.—As used in this sec-
tion the term 'mandate', in case a mandate has been recalled
prior to the expiration of thirty days from the date of issu-
ance thereof, means the final mandate.

"(k) Penalty for Violation of Order.—Any
person who violates an order of the Board to cease and
desist after it has become final, and while such order is in
effect, shall forfeit and pay to the United States a civil
penalty of not more than $5,000 for each violation, which
shall accrue to the United States and may be recovered in
1 a civil action brought by the United States. Each separate
2 violation of such an order shall be a separate offense; ex-
3 cept that in the case of a violation through continuing
4 failure or neglect to obey a final order of the Board each
5 day of continuance of such failure or neglect shall be deemed
6 a separate offense.

"ADMINISTRATIVE ENFORCEMENT"

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

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

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

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

“(4) No air carrier or foreign air carrier subject
to the Federal Aviation Act of 1958 is subject to the
Federal Trade Commission or to the provisions of the
Federal Trade Commission Act with respect to this title.
The Civil Aeronautics Board or the Federal Aviation
Administration, as may be appropriate, shall enforce
this title and regulations in implementation thereof with
respect to any such carrier.
"(5) Except as provided in section 406 of the Act of August 15, 1921 (7 U.S.C. 227)—

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

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

"REPORTS

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

"SEC. 211 209. The provisions of this title shall take effect July 1, 1968 on the first day of the ninth calendar month which begins after the date of enactment of this title, except that section 204 shall take effect immediately."

TITLE II—PROHIBITION RESTRICTION OF GARNISHMENT OF WAGES

Sec. 201. The Congress finds that garnishment of wages is frequently an essential element in predatory extensions of credit and that the resulting disruption of employment, production, and consumption constitutes a substantial burden upon interstate commerce.

Sec. 202. (a) No person may attach or garnish wages or salary due an employee, or pursue in any court any similar legal or equitable remedy which has the effect of stopping or diverting the payment of wages or salary due an employee.

(b) Whoever violates subsection (a) of this section shall be fined not more than $1,000, or imprisoned not more than one year, or both.

Sec. 202. (a) Except as provided in subsection (b) of this section, not more than 10 per centum of the excess over $30 per week, or its equivalent for any pay period of a different duration, of any wages, salary, or earnings in the form of commission or bonus as compensation for personal services may be attached, garnished, or subjected to any
similar legal or equitable process or order. No court of the
United States or of any State may make, execute, or enforce
any order or process in violation of this section.

(b) The prohibition contained in subsection (a) of this
section does not apply in the case of any debt due—
(1) under the order of any court for the support of
any person; or
(2) for any State or Federal tax.

c) The Secretary of Labor is authorized to make such
regulations as may be necessary to carry out the purposes of
this section. Whoever willfully and knowingly violates any
regulation issued under authority of this section shall be fined
not more than $1,000, or imprisoned not more than one year,
or both.

(d) The Secretary of Labor, acting through the Wage
and Hour Division of the Department of Labor, shall enforce
the provisions of this section.

SEC. 203. (a) No employer may discharge any em-
ployee by reason of the fact that, on one occasion, wages or
other compensation due the employee for personal services
have been subjected to attachment, garnishment, or any simi-
lar legal or equitable process.

(b) The Secretary of Labor, acting through the Wage
and Hour Division of the Department of Labor, shall enforce
the provisions of this section.
(a) Whoever willfully violates subsection (a) of this section shall be fined not more than $1,000, or imprisoned not more than one year, or both.

Sec. 204. This title shall not be construed to annul, alter, or affect, or to exempt any creditor from complying with, the laws of any State relating to the garnishment of wages, salary, or earnings in the form of commission or bonus, as compensation for personal services in connection with credit transactions, where such laws—

(1) prohibit such garnishments or provide for more limited garnishments than are provided for in section 202(a) of this title, or

(2) prohibit the discharge of any employee by reason of the fact that, on any occasion, wages or other compensation due the employee for personal services have been subjected to attachment, garnishment, or any similar legal or equitable process.

Title III—Commission on Consumer Finance

Sec. 301. Establishment.—There is established a bipartisan National Commission on Consumer Finance (referred to in this title as the “Commission”).

Sec. 302. Membership of the Commission.—(a) The Commission shall be composed of nine members, of whom—
(1) three are Members of the Senate appointed by the President of the Senate;

(2) three are Members of the House of Representatives appointed by the Speaker of the House of Representatives; and

(3) three are persons not employed in a full-time capacity by the United States appointed by the President, one of whom he shall designate as Chairman.

(b) A vacancy in the Commission does not affect its powers and may be filled in the same manner as the original appointment.

(c) Five members of the Commission constitute a quorum.

SEC. 303. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at a rate of $100 for each day he is engaged upon work of the Commission, and shall be reimbursed for travel expenses, includ-
ing per diem in lieu of subsistence as authorized by law (5 U.S.C. 5703) for persons in the Government service employed intermittently.

SEC. 304. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the functioning and structure of the consumer finance industry, as well as consumer credit transactions generally. The Commission, in its report and recommendations to the Congress, shall include treatment of the following topics:

(1) The adequacy of existing arrangements to provide consumer financing credit at reasonable rates.

(2) The adequacy of existing supervisory and regulatory mechanisms to protect the public from unfair practices, and insure the informed use of consumer credit.

(3) The desirability of Federal chartering of consumer finance companies, or other Federal regulatory measures.

(b) The Commission may make interim reports, and shall make a final report of its findings, recommendations, and conclusions to the President and to the Congress by December 31, 1969.

SEC. 305. POWERS OF THE COMMISSION.—(a) The Commission, or any three members thereof as authorized by the Commission, may conduct hearings anywhere in
the United States or otherwise secure data and expressions of opinions pertinent to the study. In connection therewith the Commission is authorized by majority vote

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above; and

(6) to pay witnesses the same fees and mileage as
are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to require directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized and directed to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any
person, it is authorized to publish such information in the
form and manner deemed best adapted for public use,
except that data and information which would separately
disclose the business transactions of any person, trade
secrets, or names of customers shall be held confidential
and shall not be disclosed by the Commission or its staff.
The Commission shall permit business firms or individuals
reasonable access to documents furnished by them for the
purpose of obtaining or copying such documents as need
may arise.

(f) The Commission is authorized to delegate any of
its functions to individual members of the Commission or to
designated individuals on its staff and to make such rules
and regulations as are necessary for the conduct of its busi-
ness, except as herein otherwise provided.

Sec. 306. Administrative Arrangements. — (a) The Commission is authorized, without regard to the pro-
visions of title 5, United States Code, relating to appoint-
ments in the competitive service or to classification and
General Schedule pay rates, to appoint and fix the compens-
sation of an executive director and the executive director,
with the approval of the Commission, shall employ and fix
the compensation of such additional personnel as may be
necessary to carry out the functions of the Commission, but
no individual so appointed shall receive compensation in
excess of the rate authorized for GS-18 under the General Schedule.

(b) The executive director, with the approval of the Commission, is authorized to obtain services in accordance with the provisions of section 3109 of title 5 of the United States Code, but at rates for individuals not to exceed $100 per diem.

c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services. The regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds
shall apply to appropriations of the Commission. The Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 304 (b), the Commission shall cease to exist.

SEC. 307. AUTHORIZATION OF APPROPRIATIONS.—There is hereby authorized to be appropriated such sums not in excess of $1,500,000 as may be necessary to carry out the provisions of this title. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 306 (e).

TITLE IV—SEVERABILITY

SEC. 401. If any provision of this Act is judicially held to be invalid, that holding does not necessarily affect the validity of any other provision of this Act.

Amend the title so as to read: "A bill to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by restricting the garnishment of wages; and by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes."
A BILL

To safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations as the need for further regulation of the consumer finance industry; and for other purposes.

By Mrs. SULLIVAN, Mr. GONZALEZ, Mr. MINISH, Mr. ANNUNZIO, Mr. BINGHAM, and Mr. HALFERN.

JULY 20, 1907

Referred to the Committee on Banking and Currency

DECEMBER 13, 1907

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed.