STATEMENT OF HON. BETTY FURNESS, SPECIAL ASSISTANT TO THE PRESIDENT FOR CONSUMER AFFAIRS

Mrs. SULLIVAN. You may proceed.

Miss FURNESS. Madam Chairman, members of the subcommittee, I am grateful for the opportunity to be here today, to express my strong support for H.R. 11601. This bill is of vital importance to the consumer. It affects him where he is most sensitive—in the pocketbook. And if it is enacted, I think it will strengthen not only the borrower, but the marketplace as a whole.

I am on record in support of the original Senate bill, S. 5, and I am glad to see that you have, in the House bill, restored some of the provisions which were struck from S. 5.

I continue to believe that provisions for full disclosure are absolutely essential. At a time when our lives are run more and more on credit, the least we can do is permit a person to know exactly how much he will be paying for an item.

Clearly, that is not the case now. The number of personal bankruptcies, the number of unintentional defaults on payment, indicate that many people cannot manage credit as it is now constituted. With full disclosure often cloudy or nonexistent, the consumer is unable to determine precisely how much debt he can safely carry.

The creditor knows exactly how much money he will be receiving. It doesn't seem too much to ask that he reveal that figure to the man who will be paying him. We want the average consumer to be able to wisely and knowledgeably select the best creditor for him. Even a consumer who tried very hard to be a good comparison shopper for merchandise is now unable to cope with the complexities of comparison shopping for credit.

I think, Madam Chairman, that you have improved upon the Senate version of truth-in-lending in several respects, and I'd like to mention some of them.

You have asked that insurance charges levied on consumer credit be included in the total charge disclosed to the purchaser. This is indeed necessary if the true cost of credit is to be known. There have been reports in the press, as well as testimony before Congress, which indicate that excessive premiums can amount to a substantial additional cost, and it's only fair that they be revealed to the prospective buyer.

You have asked that revolving credit not be excluded from the legislation, as it is in the Senate bill. I think the argument that revolving credit represents only a small part of consumer debt is based on specious logic. First, it is growing rapidly. Second, it affects those least able to bear the burden of excessive debt, the small purchaser. Third, if revolving credit is excluded, more and more businesses might switch to it as a loophole for avoiding full disclosure.

You have also helped the small purchaser by refusing to exclude credit charges of less than $10. This is the area where the poor are subject to the most abuse.

We shouldn't discriminate against the man who purchases a small powersaw, and who pays only $8 interest, in favor of the family that buys a $700 set of furniture and pays $100 interest.

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