

charges. If interest is mentioned at all, it is likely to be described in such terms as "Sensational Financing—No Payments Until May— $3\frac{1}{2}\%$!!" There is no clue as to the meaning of the $3\frac{1}{2}$ percent. The not infrequent boast of "bank financing" on the part of automobile dealers discloses not a word about actual rates but clearly conveys an impression that interest charges will be at rock bottom. We are in full accord with the proposal to put an end to these abuses, as set forth in H.R. 11601.

NATIONAL COMMISSION ON CONSUMER FINANCE

We are very pleased with the provision of H.R. 11601 establishing a National Commission on Consumer Finance. Because consumer credit has heretofore been so firmly the province of state legislation, there has been little investigation or concern by the Federal government either in the Congress or the Executive Branch with the complexities of present arrangements under state laws, their abuses, nor any realistic assessment of their adequacy in protecting the borrower. With the mounting use of consumer credit and its importance in the economy, certainly an overall investigation plus delineation of areas in which Federal regulation would be desirable is long overdue.

FEDERAL REGULATION OF CONSUMER-DEBTOR RELATIONSHIPS

In other major provisions, H.R. 11601 would enact immediate substantive legislation in the consumer credit field, beyond the requirement for simple disclosure. The bill would establish a maximum finance charge of 18 percent per year, abolish cognovit notes, and outlaw wage garnishments, matters currently regulated entirely by state law.

Within the AFL-CIO, efforts to reduce excessive finance charges and reform abusive or inadequate provisions of state laws with respect to debtor-creditor relationships have in most instances been concentrated on state legislatures by state AFL-CIO organizations, operating within their specific jurisdictions. No formal or specific national policy has been developed by the national AFL-CIO with respect to desirable specifications, standards and reforms with respect to interest rate maximums, garnishments, cognovit notes nor on most other elements of the complex web of state legislation, and private legal obligations in creditor-debtor contracts.

For the most part these matters have had little or no exploration at the Federal level, although the President has called for a special study of the wage garnishment problem by the Department of Justice, in cooperation with the Department of Labor and the Office of Economic Opportunity. Nor have we ourselves been in a position to accumulate the necessary documentation and evidence necessary for arriving at conclusions on what form Federal legislation should take. It is our best judgment that the subjects of maximum finance charges, cognovit notes, and even wage garnishment are properly ones for inclusion in the investigations by the proposed National Commission on Consumer Finance to be established by Title III of H.R. 11601, rather than for immediate legislative consideration in this bill.

We can readily agree, however, with the sponsors of H.R. 11601 and H.R. 11806 that these particular subjects have a high priority in consideration of consumer finance issues.

Finance charges on retail sales credit, falling outside the definition of "interest", escape coverage under state usury statutes. Special legislation to establish lids on such charges is often either missing or inadequate as to coverage. Permitted rates of charge under such laws and under small loan legislation can be very high.

Cognovit notes and wage garnishments have long been a subject of complaint to state legislatures, which have moved slowly or not at all to remedy the abuses.

Chief of the complaints about wage garnishments are; they frequently result in the firing of the worker by his employer on account of the garnishment. The employer simply does not wish to be put to the trouble of processing the garnishment through the courts. Further, the amount of wages that creditors are permitted to seize under state laws too often does not leave enough income for the wage earner and his family to live on. Or the legal procedures for obtaining allowable exemptions may be onerously difficult, so that the worker does not even get the income he is entitled to.

The worker who faces garnishment or is even threatened with garnishment—whether carried out or not—will go enormous lengths to avoid garnishment in