

annual rate. A rise from $5\frac{1}{2}$ to $6\frac{1}{2}$ percent on a 25-year, \$20,000 mortgage, for example, adds more than \$3,600 in total interest costs to be paid by the buyer.

The Senate bill regrettably exempts from annual rate disclosure any retail credit transaction on which total finance charges are less than \$10. We see no excuse for this exemption, which creates a wide potential for evasion. Large bills made up of small purchases would completely escape annual rate disclosure. If a person buys several items, on no one of which a finance charge amounts to as much as \$10, no rate disclosure would be required even though the combined total of purchases could be substantial as well as the combined finance charges. In particular, the inclusion of revolving credit in the general coverage of the bill will be made meaningless if this finance charge exemption is retained. Large monthly bills are often run up in department stores on the basis of an accumulation of relatively small purchases on which the individual finance charge would certainly come to less than \$10. At an 18-percent annual rate, no disclosure would have to be made so long as the buyer never made any single purchase amounting to more than \$100.

Mrs. SULLIVAN. May I interrupt you there? Would that be true of the average revolving account in a department store where they do not show the charges until the end of the month when the bills come in?

Mr. BIEMILLER. We are simply pointing out that this could be done under the bill as it passed the Senate, that this loophole is there for any corporation or person who wanted to take advantage of it. I agree with you it is not normally done. The normal procedure is simply to put the charge of $1\frac{1}{2}$ percent per month on the balance at the beginning of the month.

Mrs. SULLIVAN. Thank you.

Mr. BIEMILLER. Definition of finance charge. We support the provisions of H.R. 11601 rather than those of the Senate bill with respect to the definition of finance charge. The finance charge should properly include all items which the buyer must pay as a condition of obtaining the credit, and which would not be present if the purchase were made on a cash basis. Credit life, health, and accident insurance clearly fall in this category, as does property and liability insurance which creditors naturally require in connection with loans. The Senate bill, however, permits their exclusion, so long as the cost is itemized. Under H.R. 11601 they are properly covered as part of the finance charge.

We believe that the disclosure provisions of H.R. 11601 on credit contracts are quite satisfactory and we urge their approval by the subcommittee.

I now turn to the remaining provisions of H.R. 11601 which have no counterpart in the Senate bill or in H.R. 11602. While the AFL-CIO has placed primary emphasis on the long-standing truth-in-lending proposals, we have an inescapable and natural concern for other aspects of consumer credit. The AFL-CIO executive council in its February 24, 1967, statement on consumer legislation included a specific endorsement of legislation to end misleading advertising on consumer credit costs and urged the Congress to undertake or authorize a comprehensive study of consumer credit laws and practices. A copy of this statement is attached.

(The statement referred to follows:)