

One of the most significant of these additional safeguards is the prohibition against the garnishment of wages to satisfy debts. While it is true that people must learn to pay their debts and meet their obligations, when the salary of a working person is garnisheed, there is not only no incentive to continue to work, but often the person garnisheed is fired and cannot obtain other employment. This is tragic. In my State, New York, only up to 10% of one's wages is subject to garnishment and there is a prohibition against an employer dismissing an employee for a single garnishment. This is the minimum an antigarnishment law should provide. I strongly believe, however, that garnishments should be done away with completely, because they encourage the worst abuses in the consumer credit field.

The most important similarity between H.R. 11601, under consideration, and my bill is the requirement in both bills for full disclosure of all finance charges in terms of dollars and cents and also of an annual percentage rate in all consumer credit transactions, without the weakening exemptions of the Senate bill. This provision will insure that a borrower is informed of the full cost of credit, including the true rate of interest being charged, instead of being led to believe by the lending institution, as so often happens, that a lesser rate is being charged. For example, lending institutions discounting interest in advance on monthly payment loans would have to reveal that they are charging between 11% and 12% interest, when they now claim the rate is only 6%. Most importantly, the public will be made aware of the fact that interest is being paid on the full amount of the loan and not merely on the unpaid balance. A lending institution will no longer be able to claim that it is charging only 6% interest if it discounts in advance \$7.20 on a \$120.00, one-year, monthly payment loan when, in fact, 6% interest computed on the unpaid balance would amount to only \$3.90 for a year, and \$7.20 would represent an annual rate of between 11% and 12% on the actual amount received of \$112.80. On an "add-on" basis of \$7.20 in interest for \$120.00, repayable in 12 installments of \$10.60 each, the rate would still be 11%, even though the claim is made that it is only 6%.

In addition, H.R. 11601 would establish a Federal ceiling of 18% on the annual percentage rate in any extension of credit to an individual without disturbing State laws which provide lower ceilings.

This bill is a major forward step in protecting consumers in their dealings with lenders and with those who provide goods and services on credit. There are many other areas that require study leading to remedial legislation, and, in this regard, H.R. 11601 would create a National Commission on Consumer Finance to investigate all aspects of the consumer finance industry and report back to Congress no later than December 31, 1969.

I respectfully urge that the basic provisions of this legislation be favorably reported and speedily enacted so that the consumer will no longer be deceived or defrauded in the expanding use of credit. Undoubtedly, this is a field in which the consumer needs far more protection than is presently available to him.

Mrs. SULLIVAN. With that, we will recess the committee until we can get a better idea of the situation in the House, relative to an afternoon session.

(Whereupon, at 12:15 p.m., the subcommittee recessed to reconvene at 9 a.m., Wednesday, August 9, 1967.)