ENFORCEMENT

H.R. 11601 would give the Federal Reserve Board new and wide-ranging regulatory and enforcement power over retailers. For example, it would direct the Board to issue complaints, hold hearings, issue cease and desist orders, and require records and reports. We note that the Board has said many times that it does not want this authority for a number of reasons.

We much prefer H.R. 11602 which leaves the major part of enforcement to civil suits, making the Board responsible only for regulations with respect to methods of disclosure and establishing reasonable tolerances of accuracy.

We believe that a self-enforcing law is preferable whenever possible. Certainly self-enforcement should be given a chance to prove itself.

NATIONAL COMMISSION ON CONSUMER FINANCE

H.R. 11601 would set up a Presidential Commission to study the entire field of consumer credit. The group would make a full report on its findings with respect to prevailing credit practices and the various regulatory agencies dealing with those practices. At the same time, it contains the language of S. 5 under which an advisory committee is to be set up to do much the same thing, reporting its findings to the Federal Reserve Board. We feel that this is unnecessary duplication, and that one such Board will certainly be enough.

Of the two groups mentioned in the bill, we would prefer the advisory committee assigned to work with the Federal Reserve Board. They would be a continuous group, and not under the pressures of a deadline for a specific single report.

OTHER FACTORS

There are other factors of which the Committee should be aware. Some segments of the industry who offer revolving credit while retaining title to the merchandise are concerned with the revolving credit provisions of H.R. 11602 (S. 5). Under these provisions, if there is title retention, the finance charge must be expressed as an annual percentage rate in open-end credit. If title is not retained, the seller discloses the monthly percentage charge. In those states which permit title retention on revolving credit accounts, stores which retain title feel that they may be hurt competitively by stores with identical payment terms which relinquish title.

However, it is thought essential to develop a means to discourage transactions normally made on an installment basis from being converted to revolving credit for the sole purpose of evading disclosure of an annual rate. This was the means chosen after thorough consideration. As was said many times on the Senate floor, the final compromise worked out on revolving credit by the Senate committee has not satisfied everyone.

As you consider these points, we wish to make it clear that the one thing about which all retailers do agree is that an annual statement of revolving charge is misleading and would be improper, as Doctor Wooley has pointed out.

CONCLUSION

We are opposed to H.R. 11601.

It is impossible to state truthfully an annual percentage rate for revolving credit transactions as the bill requires.

Requiring a statement of annual rate in the case of installment credit where the finance charge does not exceed $10.00 will eliminate a socially desirable segment of consumer credit to the detriment of the less affluent consumer.

H.R. 11601 would discourage the advertising of needed credit information.

By placing a ceiling on finance charges and undertaking a piecemeal excursion into the area of creditor remedies, the bill invades areas where the states are for more competent to provide meaningful consumer protection than is the federal government.

The imposition of standby controls would be contrary to Congress' own experience in this field.

The placing of far-ranging enforcement powers in the Federal Reserve Board is unwarranted and is contrary to the Board's own wishes.

H.R. 11602 (S. 5) creates some problems for retailers. We would hope that changes in it would be made before the House agreed to the Senate version. However, if faced with a simple choice between H.R. 11601 and H.R. 11602, the vast majority of the members of the American Retail Federation would prefer H.R. 11602.