

One of the first problems that came to my attention during those first hearings involved the application of a minimum dollar charge, which while reasonable in terms of dollars, became ridiculous when translated into an annual rate.

To illustrate the problem, let me tell the story of a man who went into a gas station one morning. His car battery was dead. He was the driver in a carpool that week. He could not wait. He had no money in his pocket, so he could not make a downpayment.

The service station operator said, "The battery costs \$20. I will make a credit charge of \$2. You pay me \$5 every payday until you pay off the amount."

Those figures are small enough so that everybody can understand them. When I tried to figure out the annual rate of interest on that simple transaction, I became involved in a process that eventually ended in some of the largest universities in the West. Every man who figured that annual rate reached a different answer. All I could finally determine was that the annual rate was somewhere between 115 and 130 percent.

The rate statement on such purchases may appear unreasonably high yet when one talks about paying \$2 for the privilege of having credit, under those circumstances, it does not seem to be too bad.

Fortunately, the bill takes care of such a case, because it exempts all installment transactions in which the charge for credit is no more than \$10. In practice, this provision would exempt purchases which could be as high as \$110, if paid off in 1 year, even at an annual rate of 18 percent, and the value of the purchase could go higher at lower percentage rates or a more rapid payoff. The committee agreed that this exemption was necessary to protect the poor because rather than to state an extremely high rate like that in the battery case, sellers would simply dry up the credit on small loans or purchases.

* * *

Mr. HOLLAND. I thank the distinguished Senator for yielding.

Mr. President, of course I presume all Senators received, as I did, many complaints as to the original bill that was pending in the Senate for several sessions prior to this one. I have had very few complaints on the pending bill. I am sure the committee must have made many changes that are helpful, and that have tended to clear up the difficulties in the old bill.

I have received only one recent complaint, and it is that about which I wish to question the distinguished Senator. It has come from small merchants who do business by way of installment sales, and then have to be financed by selling that paper to small finance companies—local finance companies, I think I should say, though they are not large concerns—and from some of the small finance companies.

They say the pending bill would make it increasingly difficult for small merchants who do that type of business, and small finance companies which finance that type of business, to stay in operation, because of the fact that the large concerns which have their own finance companies are able to distribute their profits between the selling operation and the financing operation in a way which will be hurtful to the small merchant and the small finance company.

* * *

Mr. SPARKMAN. Mr. President, I merely wanted to add that there is another provision in the bill which is helpful to the small businessman, and that is the \$10 exemption.

Mr. BENNETT. Yes. I covered that before the Senator came in.

Mr. SPARKMAN. I was hoping the Senator would cover it in connection with the question raised by the Senator from Florida.

Mr. BENNETT. I thank the Senator. I shall do so.

The bill provides an exemption for every sale on credit where the total credit charge is less than \$10—which translates into a sale as high as \$110, to be paid for over a year. So the little man has that protection at the low end of his business.

* * *

Mr. HOLLAND. Is it true that this particular point, the application of the law to small businesses and small financing companies, was of concern to the committee?

Mr. PROXMIRE. Yes. It gave us the deepest concern.

The Senator from Alabama is the Senate's outstanding man in the small business field. For years he has been chairman of the Select Committee on Small Business. I have been chairman of the Subcommittee on Small Business of the Committee on Banking and Currency. We have both been deeply concerned, and other Senators have been very concerned, that we do all we could to protect and safeguard small business.