

together to solve their common problems. Many of these merchants have much the same credit problems as the consumers; and it is clear that an effective disclosure law will be as valuable to them as a protection from the public distrust created by unscrupulous competitors as it will be to the consumers themselves. But the fact is that it is the low-income consumer who is most likely to fall prey to the unscrupulous merchant or lender, because it is the low-income consumer who is under-educated, who needs the credit, and who must hunt for the bargain with the low down payment. And so the records of committee hearings of this House and of the Senate are already full of examples of the injustices suffered by those who, because of their circumstances, have no effective choice, but must either accept credit on the terms offered by unscrupulous merchants and lenders or do without the necessities of life.

And the problems to which this bill addresses itself will increase as the War on Poverty succeeds in creating new buying power among our country's low-income citizens. It is a sad fact that as those with limited education, those who come to the cities from depressed rural communities, manage after much effort and fortitude to reach that point where they are able to buy life's necessities—and maybe if they are fortunate enough, even a few of those amenities that go to make up the "American Way of Life"—they find themselves facing a system based on a common law built to meet the needs of the Industrial Revolution and adapted since to serve the interests of the Affluent Society. In short, a system of credit with very little relevance to the ghetto resident or the sharecropper. A system whose rules all were designed to increase the flow of commerce, and whose roots were in the doctrine of Caveat Emptor—Let the Buyer Beware.

All this is a very important part of what is meant when we hear it said that the poor are "outside the mainstream of American Life"; it is central to that system of entrenched values and favored relationships known to the poor as The Establishment; and it is a key factor in the often referred-to difficulty in "breaking the cycle of poverty", a cycle which is often characterized by a spiral of increasing debt weighed down by penalties and interest charges from which there is little hope of ever extricating oneself. I would suggest to you that this system of consumer credit to which this bill addresses itself has been a major contributor to the frustrations and the despair which finally led to the tragic upheavals which have recently rocked Newark, Detroit and so many other cities.

Disclosure alone will not solve all the credit problems of the poor; but without a good disclosure law these problems are not likely to be solved. Disclosure presupposes the ability to choose, which is just what the poor do not have; disclosure does not protect the consumer from abuses connected with acceleration, repossession, and quality of merchandise to which the poor are particularly susceptible. We at OEO look upon our task as that of helping the low-income consumer to develop sources of low cost credit that will offer him a choice; and to work with neighborhood residents and local law makers to build protection from possible abuses. We have been active in this field. In addition to the grants made this past year under Section 206(b) for the Farbstein Emergency Loan Program, we funded five Consumer Action Demonstration Programs, all of which involve the setting up or strengthening of low-income Credit Unions, around which are built a host of consumer and legal services designed to improve the choices open to low-income consumers. We also are providing technical assistance through contracts with CUNA International and the Bureau of Federal Credit Unions to a large number of low-income Credit Unions around the country, with the precise aim of providing low-income consumers with sources of low cost credit. Our Neighborhood Legal Service programs across the country are actively involved in representation of consumers and in the development of case law as well as local legislation which will protect consumers from abuse. We hope that our programs can do much to solve the credit problems of the poor; but they cannot do so without legislation requiring honest and clear disclosure of all the elements of the credit transaction.

We therefore urge you to enact the basic disclosure provision of H.R. 11601. I particularly support the language of Section 203(d)(3)(E) requiring that the finance charge in open end credit plans be expressed as an *annual* percentage rate. This differs from—and is preferable to—the provision of S. 5 as finally passed by the Senate. If disclosure is to be of any help to the low-income consumer, then it must be clear and consistent. To permit statement of the finance charge in open end credit plans as a monthly percentage rate, as does the Senate bill, while requiring annual rates in other types of transactions, would only