The bill which the Senate recently passed, S. 5, shows very careful attention to the issues which gave ABA so much concern. While we do not feel that the final Senate version is beyond the need for amendment, we feel it represents a great improvement over the earlier versions. We propose to suggest further amendments which we feel are consistent with the objectives of the proposal.

The most important problem raised by the bill is the relationship between it and the many State statutes in the field. We conducted an intensive research project in connection with our testimony in the Senate, and we estimate there are over 400 State statutes of this type which may be involved. In our work with the National Conference of Commissioners on Uniform State Laws on the proposed Uniform Consumer Credit Code, we have learned of the many hundreds of State laws in this general field—disclosure laws, small loan laws, usury laws, garnishment laws, and so on. These laws differ widely. In some States, they provide virtually all the protection suggested by any of the bills before the subcommittee. In a few States, legislation in this field is admittedly limited. Still, one thing is clear: If the Federal Government is to enter into this complicated field, it must do so carefully and cautiously; otherwise, the legislation could seriously disrupt existing relationships, to the detriment of borrowers and lenders alike.

The bills before the committee recognize this problem and contain specific provisions as to their impact on State laws. State laws would not be affected by the Federal statute except to the extent State laws are inconsistent, and the Federal Reserve Board must exempt from the Federal statute those credit transactions which are subject to State laws which are substantially similar. While there are some technical problems involved in the language of these provisions which are discussed in the detailed ABA statement, we agree with these general principles. I trust that we will be able to continue our work with the Commissioners on Uniform State Laws and the ABA committees working in this field, so that the Federal and State laws would be fully coordinated. If all States should adopt laws which qualify for exemption under the Federal law, the new Federal law might eventually become a standby measure.

Until this coordination is accomplished, and the State laws are fully meshed in with the new Federal law, serious problems will arise.

Many State laws limit finance charges or interest rates and require them to be stated in different ways—percent per month in the case of credit unions, dollars per hundred or percent per month or per annum discount or add-on in the case of loans, or the time price in the case of sales. These States will have to decide whether to abandon these requirements or to require lenders and sellers to set forth finance charges in two different ways on each transaction, with resulting danger of confusion.

Many States have stringent usury statutes, prohibiting interest charges above 6 or 7 or 8 percent simple annual interest. Exceptions to these usury statutes have been carved out by judicial decision or by statute. But when a seller or a lender is required by the new Federal law to state that the "finance charge" is 12, 18, or 24 percent—or