

whatever the charge may be—including credit life insurance and other costs under H.R. 11601 or a more limited group of costs under S. 5 and H.R. 11602, how many courts will disregard the time price doctrine or the add-on or discount statutes, taking the position that the percentage rate disclosed under the new Federal statute must be considered as the interest rate for the purpose of the State usury laws?

The Senate committee has taken great pains to make it clear that this is not their intention. We hope all courts will accept this view, but we are dealing with the laws and the courts of 50 different States, and it seems to us unwise to assume that each of these courts will reach the result the Senate committee intended.

These problems are compounded under H.R. 11601, which also applies to first mortgages, and which imposes ceilings on the amount of finance charges.

The problems of coordinating existing State statutes with the new Federal law make it essential to give adequate leadtime before the new law takes effect. In the Senate, the ABA recommended that a 3-year leadtime be provided, since many State legislatures meet only every other year, and some State constitutional amendments will be necessary. Another reason is that it will give more time for adoption of the Uniform Consumer Credit Code which is moving toward fruition that is very extensive and will take some time to enact. The Senate cut this down to something less than 2 years—giving a grace period up to July 1, 1969. H.R. 11601 would make title I, including the disclosure provisions, effective July 1, 1968—less than a year away. This, we feel, is entirely insufficient and would surely lead to serious problems in many States. It would lead to mechanical problems in the Federal Reserve Board with respect to the issuance of regulations, as Governor Robertson pointed out the other afternoon.

The Senate provided an important safeguard in the provision authorizing annual percentage rates to be stated either as a percentage rate per year or as a dollars per hundred per year rate—on the declining balance of the loan—up to January 1, 1972. We believe this alternative should continue indefinitely. In any event it is important that it should be continued at least until 1972. H.R. 11601 does not provide for this option.

The ABA is also seriously concerned about the installment open-end credit plan provisions of S. 5 and H.R. 11602. These bills seek to distinguish between short-term revolving credit and long-term installment credit, using three standards to define plans which must set forth the finance charge on an annual basis: (1) retention of a security interest by the seller; (2) a repayment schedule calling for less than 60 percent of the balance to be paid within 12 months; or (3) allocation of prepayments to future payments in order of due dates. The ABA agrees that finance charges should be stated on a monthly basis, but we oppose discriminatory use of different methods of time disclosure. S. 5 and H.R. 11602 would work a real hardship on bank revolving credit, including particularly bank credit card and check credit programs, because in most cases it would require banks to state their finance charges on an annual basis, while many competitors under similar circumstances could state their charges on a monthly basis. We can go into this in detail in the questions, if you so desire.