We firmly believe that the $10 floor on disclosure in installment loans, as provided by S. 5 and H.R. 11602, must be contained in any Federal disclosure statute. This provision is essential if banks are to continue to make relatively high-cost loans of small amounts.

H.R. 11601 would include first mortgages, which were excluded from S. 5 on the ground that there was no evidence of substantial abuse in this area. The ABA also opposes this provision of H.R. 11601.

H.R. 11601 would require all finance charges to be stated as an annual percentage rate, with no special provision for monthly rates for revolving credit, and without any option to use a dollars-per-hundred-per-year after the effective date. As I have said, the ABA favors uniform statement of finance charges, in the interest of comparability, but we recommend use of monthly rates, not annual, and we would prefer dollars-per-hundred-per-year to an annual percentage rate.

H.R. 11601 would require certain information about credit terms to be stated whenever specific credit terms are set forth in an advertisement. We go into this in detail in our supplementary statement. We would agree that if credit terms are advertised, the information supplied should be sufficiently complete so that the advertisement is not misleading. The detailed ABA statement contains suggestions for improving this provision.

H.R. 11601 also contains several provisions completely unrelated to the disclosure objectives of S. 5 and H.R. 11602.

H.R. 11601 would prohibit any finance charge in excess of the maximum rate permitted by State law, or in excess of 18 percent per annum. Since the finance charge must include many items other than interest, such as insurance, service charges, loan fees, and discounts, this provision might prohibit loans and mortgages made at the ceiling permitted under State law, if insurance or loan fees or discounts were involved. And since the ceiling of 18 percent on finance charges would also have to include these other items, the effective ceiling on true interest might be reduced appreciably below 18 percent, if any of these other charges were involved.

The ABA strongly opposes the enactment of any Federal usury statute, and especially a Federal usury statute not based on interest charges in the same manner as State laws but on a much broader finance charge. There is no doubt in our minds that the imposition of the proposed usury statute would substantially reduce the availability of funds for consumer credit from responsible financial institutions and force poorer borrowers into the hands of loan sharks operating outside the bounds of law.

H.R. 11601 would prohibit wage and salary garnishment in connection with consumer credit. This is a substantial change in the law of creditors' remedies, which historically has been considered solely within the jurisdiction of the States.

This proposal might have substantial effects on the availability of credit for less affluent borrowers. Clearly it has nothing to do with disclosure of the cost of consumer credit—with "truth in lending." In the limited time since the introduction of H.R. 11601, we have not been able to make a thorough survey of the State laws on this subject, or to obtain the considered views of our members. We shall examine Mr. Annunzio's exhibit with considerable interest in that respect.