

protection against personal loss or assure the discharge of his obligation in the event of the occurrence of an unforeseen contingency.

The requirement under H.R. 11601 that insurance charges or premiums be included in the finance charge upon which the annual rate is based would result in an unjustifiable inflation and distortion of the rate of charge. After all, the finance charge is the principal medium which enables a borrower or credit purchaser to compare the costs of credit. Finance charges are not truly comparable unless they relate solely to the service or commodity involved in the transaction. They should not include miscellaneous or collateral charges such as insurance which may or may not be involved in a transaction depending upon the needs of a specific individual who seeks the extension of credit. A finance charge should involve a relatively fixed concept to be of utility to consumers for the purpose of comparing credit costs.

A requirement that insurance or other miscellaneous charges be included in the finance charge which must be converted to a rate would probably create problems under the usury statutes of a number of States. For example, if a residential mortgage loan is made at the maximum contract interest rate permitted under State law, the inclusion in the finance charge of insurance charges or various other charges which traditionally have not been required to be included in "interest" rates could drive the rate over the ceiling prescribed by the State usury statute.

DISCLOSURE—THE DOLLARS PER HUNDRED OPTION

The Association urges that any Federal finance charge disclosure Act should contain a permissible option for expressing the finance charge in terms of dollars per hundred in lieu of a statement in terms of a percentage rate.

As previously noted, S. 5 permits a dollars per hundred option until January 1, 1972.

With regard to the dollars per hundred option, H.R. 11601 contains provisions which are truly perplexing.

Section 203(i) permits the annual percentage rate to be expressed in the alternative as a dollars per hundred per year rate of the average unpaid balance prior to July 1, 1968. Subsection (2) provides that after July 30, 1968, all rates must be expressed as percentage rates. This provision is altogether meaningless in view of the fact that the effective date of H.R. 11601 is stated in Section 211 to be July 1, 1968. Thus, Section 203(i) permits the dollars per hundred option to operate *before* the Act becomes law! We can only assume that one or more of these dates is in error.

THE \$10 FLOOR ON RATE DISCLOSURE

As indicated in the remarks relating to S. 5 and H.R. 11602, the disclosure provisions of H.R. 11601 in Section 203(b) (7) relating to consumer credit sales and under Section 203(c) (5) relating to loans omit the \$10 floor on rate disclosure.

For the reasons previously elaborated, the Association urges that H.R. 11601 be amended so that this provision will correspond to the related provisions under S. 5 and H.R. 11602 with the result that rate disclosure would be required only in instalment loans in transactions in which the finance charge is \$10 or more.

ADVERTISING

The disclosure in advertising provision in Section 203(j) (1) seems to us to be ambiguous. In effect, this provision requires that certain information must be set forth if a creditor advertises that "specific credit terms are available." The question arises as to whether the term "specific" relates to an advertisement which contains credit terms for a *specific* commodity, service or loan or whether, in effect, this term is intended to apply to an example or illustration of credit terms that may be provided by the creditor. In the event that the former assumption is correct, it would be meaningless to state, as is required, the down payment or the time sale price because these two factors vary according to the individual credit transaction. In other words, different consumers will make down payments of different sizes and in an instalment loan or sale the size of the instalment payments and the term of the loan will vary from transaction to transaction.

More important, from our point of view, is the fact that the items of information in Subsection (A) through (E) of this provision quite obviously do not