Car Loans ($31 Billion estimate). Hidden interest charges here are even more devious than in the other fields. Most used car dealers simply don't like cash customers.

Consumer Installment Debt Grows. At the end of World War II, only 3½% of the individual's income was spent to pay back consumer installment loans. By 1965, it had risen to about 17%. It has become a major item in the family budget.

It used to be that the family could get food on credit but equipment, radios, clothes, etc. he paid cash for. As a result, in low income families they at least ate. Today, they can get everything except food on credit and the first bills that get paid are the installment payments. If there is any left over it is spread out and stretched to cover food and a few other items.

If people only knew how much interest they were being charged for installment loans they would go to a bank or credit union and get a regular loan and not only save money but would have the freedom to buy as they want to. Too many people buy what they can get on credit where they can get credit.

The families with lower income have greater consumer installment debt. One half of the families with a total income of between $3000 and $5000 have installment debts.

If there has to be a choice, it would be preferable for the law to protect these families rather than the wealthier families. Therefore we plead the cause of the small consumer and urge that all installment loans be included under the law and not just the big purchases usually made by the wealthier families.

The Senate passed bill excludes much of the revolving credit and installment credit where the interest charge is less than $10.00. There is probably as much "deceptive usury" taking place where the interest charges are less than $10. as there is in the installment loans covered by the Senate passed bill. It is on the short term (6 to 12 months) small loan ($100 to $250) where the average consumer needs help. For example, one of the largest electrical appliance companies has an installment plan to cover such items as refrigerator. The refrigerator, at a price of $200, can be purchased through a local dealer through an installment plan from the company in 10 monthly payments. The chart supplied by the company to the dealer shows a flat cash charge for the interest for the 10 month period. If the bill is paid early, there is no decrease in the interest charged. There is no percentage of interest charge of any type nor could the interest rate be computed easily or even with difficulty by the average purchaser or salesman. The purchaser has to guess whether he should spend the time to go to a bank to borrow the $200 or simply pay the charge and hope that he wasn't "taken" too badly.

It has been stated that many of our finance companies in this country are financed by banks. Some say that they receive from 70 to 80% of their funds from banks directly or indirectly. The Federal Reserve Board reported last December that 350 large banks had loans to finance companies totaling nearly $7 billion.

Perhaps the worst deceivers with regard to interest rates traditionally have been those finance companies serving military personnel. Also those finance companies in the slums have not been noted for their honesty. Credit and loan practices by finance companies and retail stores have been a contributing factor to the violent attacks upon businesses in the recent ghetto riots.

However the deceptive credit practices have now spread to the white collar stores and even to the very expensive places. They have reached out and corrupted the lending practices in our small towns. The chain stores have spread the revolving credit plans with their deceptively low interest charges of 1½% per month forcing the local merchants to do likewise. It is spreading to other types of business. A big lumber yard in Washington, D.C. has handled its revolving credit operations in the same manner as the toughest finance company, giving a very unclear picture of the interest that they are really charging.

The net result

If the truth were known, we would find much of the revolving and installment loans are made by the local department stores or other retail stores who turn around and borrow this from the banks. This practice makes many of the retail merchants, who charge 2% per month, nothing more than deceptive loan sharks. Often they make more on their lending business than they do on the actual sale.