

I have felt from time to time that those of us who were trying to stay within the 5-minute rule were being penalized a little bit by efforts of others to secure exceptions to the rule.

I would like to compliment both gentlemen on their statements.

Mr. MARGOLIUS, I think it would be a fair statement, would it not, that much of what you had to say about the abuses that have made life miserable for small creditors deal more with the garnishment provision of the bill than the truth-in-lending provisions as such?

Mr. MARGOLIUS. The more flagrant abuses do arise from the garnishee power, yes.

Mr. BINGHAM. Some of the things you were saying seem to me to reflect the problems of enforcing our statutes against fraud—the difficulties of providing legal services to the poor and such things as that that would not be dealt with in this bill.

Mr. MARGOLIUS. The whole problem hinges on the fact that it is impossible to prove verbal fraud. It is the salesman's word against the customer's.

Mr. BINGHAM. You don't have any proposal for us for legislation at the Federal level to deal with that problem, do you?

Mr. MARGOLIUS. I certainly do. I hereby proposed a cooling-off law, a revocation of the holder in due course provision and a provision that a seller can repossess or sue for deficiency judgment; but he can't do both.

Mr. BINGHAM. I would welcome anything from the gentlemen either in the record or by letter—any proposals for additions to this bill.

Professor Morse, I have been looking through your proposed amendments and I must say I am tremendously impressed with the amount of work and care with which you have studied this particular bill and made some specific suggestions.

Some of them seem to be extremely well taken and I think you have attacked particularly the problem of the annual percentage rate on open end credit transactions with remarkable ingenuity. I have been concerned about the fact that even the existing provision in H.R. 11601 doesn't quite meet the problem because of some of the discrepancies that exist in the way in which the bills are submitted and so forth.

And I think your proposed language might be a great improvement.

I would like to ask you a little bit more about your position on the graduated or step-rate problem and ask, Mr. Margolius, too, if he would comment on that. I take it that your proposals here on graduated or step rates would make it almost impossible for them to be used, because they would have to vary their monthly percentage charge every month to reflect the different blend.

Mr. MORSE. I think I can come up with little nicer language. I don't propose eliminating them. They may use them but let them disclose to the consumer a single-blended rate.

Mr. BINGHAM. That might vary month to month according to the blend of the charges posed; is that right?

Mr. MORSE. Whatever rate they are charging. My position would be, if they find it convenient in their business to use graduated rates, this is an internal bookkeeping system. Maybe they prefer to use this system. As far as the consumer is concerned, however, the single rate is the meaningful rate.