

houses. The contest for revolving credit business has recently been much intensified by the large-scale promotion of bank revolving credit cards and revolving credit checking account schemes. Later in this testimony, we will attempt to show that accurate cost comparisons among the various, often-competing, revolving credit plans will require more information than merely the equivalent annual rate derived from a stated monthly or other periodic rate.

It is a great virtue of H.R. 11601 that it opens fresh avenues of approach to problems of installment-credit users scarcely touched on in the six years of Senate hearings and debate. Highly praiseworthy, for instance, are the bill's proposed remedies for the consumer who faces high-handed collection and repossession methods; it is time to raise serious questions about the workings of legal mills grinding out judgments, repossessions, garnishments and wage assignments, for which state, county and local taxpayer must foot the administrative bill.

Some excellent studies have been made into the social ills and the rank inequities visited especially on the underprivileged consumer by these collection methods. I would call the committee's attention especially to a report to the Mayor of Chicago, the Hon. Richard J. Daley, by Jerome Schur, special assistant to Chief Judge Boyle for Consumer Credit. The report released on December 15, 1966, examines confession of judgment complaints filed in the Municipal Division of the Circuit Court of Cook County during two weeks in June 1966. The study uncovered interest rates for used cars as high as 283%. Finance charges on money advanced to pay insurance premiums ranged up to 97%. The premiums themselves were found to be as high as \$794 for 12 months' accident, credit life and health coverage. The study found that the courts had routinely processed judgments based on improperly drawn, incomplete or otherwise illegal credit contracts.

(For this report see p. 1142.)

If Mr. Schur's report is not yet a part of your record, it should be, albeit that record is already rich with evidence. I refer especially to the 1965 Hearings of the Subcommittee on Domestic Finance into servicemen's credit problems. One outgrowth of those hearings was the Department of Defense directives on standards of fairness and full disclosure of credit terms offered to members of the Armed Forces. The directives represent a very big step toward a Truth-in-Lending Bill. House Banking and Currency Subcommittees are thus performing indispensable work toward the achievement of truth and equity in lending.

THE ECONOMIC GOALS

The strengths and weaknesses of the bill as it shapes up thus far can be properly understood only in terms of the purposes underlying it. Behind the progress of the Truth-in-Lending Bill is a vital need for marketing tools to help stabilize a most turbulent sector of the national economy.

Total short-term consumer debt has been growing at a furious pace. In the past 15 years, it has quadrupled to a present level of around \$95 billion. About \$75 billion is installment debt, on which repayments last year were \$73 billion. By comparison, total personal income has only a little more than doubled in the same 15 years, and now stands at about \$505 billion, after taxes. Plain arithmetic thus says that about every seventh dollar in the average pay envelope is spent before it's earned.

And plain arithmetic understates the case. You must add interest charges to about \$12.5 billion per year. You must also take into account that only about half of the nation's wage earners have short-term installment debts. Installment debt alone, plus its interest, is generally estimated as laying prior claim to one dollar of every four in an *average debtor's* pay.

Some observers of the economy fear that, with so large a part of future income committed in advance, any serious rise in unemployment or drop in wages would snowball into a major recession. For many people would have all they could do to make their payments; they would be in no position to increase their debts, and their cash buying power would be harshly curtailed. Nevertheless, the present long-term economic boom has been stimulated by the huge and expanding wave of consumer credit. It is therefore understandable that nobody in the Government has come out against the fast-growing consumer installment debt as such.

It's the turbulent fluctuations in credit expansions that cause official concern. Like Robert Louis Stevenson's little shadow, the rate of increase in consumer credit sometimes shoots up taller like an India-rubber ball, and sometimes get so little that there's none of it at all. The pattern of sharp rises and falls over the