

costs in terms of a true annual rate. The arguments for this reform are so cogent and are so well known that I need not repeat them. I should only add that I particularly approve of the provision to include the cost of insurance that the debtor is required to buy as part of the credit cost.

From the vantage point of the consumer, this is part of the price he must pay for credit and it makes little sense to exclude it from the calculation of that cost. Moreover, it may well have the additional advantage of bringing down the exorbitant charges that are now being made for this type of insurance. I feel less strongly about the provision to fix a ceiling on credit charges. With full disclosure of cost, perhaps the market mechanism will be sufficient to keep credit charges at a reasonable rate.

I am in complete agreement with the provision to abolish confessions of judgment. The confession of judgment assumes that the transaction was scrupulously carried out and that the debtor has no defenses for defaulting on payments. Needless to say, this is not always the case. My own research has shown that many debtors stop payments when they believe they have been cheated. Since fraud is not uncommon in credit transactions, the debtor should not be deprived of his day in court.

Perhaps the most controversial feature of the proposed act is title II which would abolish wage garnishments. I share the committee's view that this remedy of the creditor is frequently abused and often results in severe hardships for the debtor, particularly when he loses his job because of the garnishment.

Studies have shown that some of the hard-core unemployed are, in fact, unemployable because they have garnishment records. Not only does garnishment impose a burden upon the debtor, but also it is quite costly for the employer as well.

I see little point in making America's employers into collection agents for the creditor. Nor, for that matter, should the courts have as much of that responsibility as they now have. Studies have shown that many of the minor courts in various States do little more than collection work, and in some States the minor judiciaries make their living from the fees charged on the debts collected.

Doing away with garnishment might well make the more unscrupulous creditors more hesitant in foisting heavy debt burdens on the consumer.

But all this notwithstanding, I am not yet convinced that doing away with garnishment is either feasible at this time or would have the desired effects even if it were possible to pass such a law.

For example, garnishment is not permitted in Pennsylvania and yet credit merchants are thriving in that State and consumer fraud is just as prevalent there as elsewhere. The creditors in Pennsylvania do not hesitate to attach both personal and real property and sheriff's sales of furniture and even homes are quite common. To lose one's home because of a consumer debt is certainly as harsh a consequence as losing one's job.

Although eliminating garnishment is probably a desirable long run objective, I would urge the committee to consider a more modest proposal now—the adoption of a stronger version of the New York