

credit economy. The signed contract is treated as sacrosanct in courts of law and the fraudulent techniques used to obtain the consumer's signature, so difficult to prove in court, are largely ignored. It is a sad fact that the laws in most states are now heavily biased in favor of the creditor; his rights are much better protected than those of the debtor.

My own research on the consumer problems of the poor has convinced me that the poor, more than any other group in society, are victims of abuses arising from consumer credit. They are particularly prone to exploitation by unscrupulous credit merchants who now operate with virtual immunity as a result of loopholes in current legislation and the absence of enforcement machinery. The poor, more than any other group, are apt to be misled by the false promises of the credit salesmen, by the "bait ads" that appear in the mass media, and by the misrepresentation of price and quality by high-pressure salesmen. It is not uncommon for the poor consumer to be sold reconditioned merchandise that is misrepresented as new, and yet this obviously fraudulent practice is almost never punished by our law enforcement agencies. Should the poor consumer protest the fraud by withholding payments, he soon discovers that his wages are being garnisheed and by that time he has great difficulty protecting his job, let alone his legal rights in the transaction.

I cannot stress too strongly the need for government to do everything in its power to stamp out consumer fraud and exploitation. The need is particularly great today when our cities are being torn asunder by ghetto riots. Last year, when I testified before another congressional subcommittee, I suggested that resentment against consumer exploitation was one of the many grievances that find expression in riots. I am even more convinced of this today. Numerous newspaper accounts have quoted ghetto residents as rationalizing the looting on the grounds that they have been victimized and robbed by the merchants for many years.

The common thief is severely sanctioned when apprehended, but the credit merchants who abuse the law to bilk the unsuspecting consumer run little risk of punishment. Untold millions of dollars are stolen each year from consumers by disreputable used car dealers, home repair firms, vacuum, cleaner firms and many other types of firms. But instead of being met with criminal sanctions, the perpetrators of this kind of thievery more often than not become wealthy men respected in their communities. How can we expect the disadvantaged to learn respect for the law when those in positions of responsibility do not themselves respect the law? And how can we expect the disadvantaged to obey the law when we do not enforce the law for their protection? I believe the time has come when society can no longer tolerate a dual system of law, one set of laws for the disadvantaged and another set for those in respected positions of responsibility.

It is in the light of these observations about the compelling need for consumer protection that I shall comment on the proposed legislation. I wholeheartedly endorse the provision for full disclosure of credit 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 reasonable rates.

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