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 State law which prohibits employers from firing employees because of garnishments. The New York law now applies only to the first garnishment, but there is no reason why such a law should not cover two or even three garnishments. Moreover, if the abolishment of garnishment is not yet feasible, attention should also be given to the amount of income that is exempt from garnishment. Many states have harsh garnishment laws, while some states permit garnishment on only a small percentage of income. (It should be noted that personal bankruptcy rates are higher where garnishment laws are harsh.)

Although problems may arise in trying to abolish garnishments now, there is hardly any justification for wage assignments which circumvent the courts entirely. I would strongly recommend that the Act do away with wage assignments which are now permitted in a number of states.

If I may, I should now like to call attention to some aspects of the consumer credit problem that are not covered in the proposed legislation. One of the major abuses in the legal procedure leading up to garnishment has to do with inadequate service of process. All too frequently the debtor has no idea that he is being sued until his employer informs him of the garnishment, for the simple reason that he was never properly notified. In some jurisdictions—New York, for example—improper service, known as "sewer service", is quite common. Needless to say, failure to notify the defendant of the law suit is a fundamental violation of our whole legal structure, and yet this happens all too often. Many suggestions have been made about correcting this abuse; one is to have process served by registered mail. I am not sure what the best solution is, but I would suggest that the Committee look into this problem.

As you know, the State of Massachusetts has recently passed a very progressive consumer credit law and there are two provisions of that law that I would strongly urge be adopted in the proposed legislation. One attempts to control the frequent abuses that occur in door-to-door selling by introducing a cooling-off period. In Massachusetts the consumer is given 24 hours in which to rescind the contract in direct selling. In England, the comparable law provides for a 72-hour cooling-off period. I believe that a "cooling-off" period in direct selling would go some way toward reducing the abuses associated with this method of selling. The second feature of the Massachusetts law that I think should be adopted in this Act has to do with the assignment of contracts to third parties. Under the "holder in due course" clause, these third parties are not responsible for any defenses the consumer may have against the original sellers. According to the law, they are entitled to payment—whatever the fraud involved in the transaction. As a result, many finance companies do not hesitate to buy the contracts of unscrupulous merchants who employ deception to obtain the consumer's signature on the contract. These fly-by-night credit merchants could not long survive without the finance companies that buy their paper. Thus, one way of controlling fraud and increasing the protection of the consumer would be to do away with the holder-in-due-course doctrine and make the assignee also responsible for the transaction. This may have the beneficiary effect of making the finance companies behave in a more responsible fashion.