

take a loan at an add-on rate of \$5 per \$100, or pay $1\frac{1}{2}\%$ a month on the revolving credit account? A former Vice President in charge of finance for the Ford Motor Company testified at a Senate Hearing once, "The variety and complexity of finance and insurance arrangements, and the charges for them, are such as to almost defy comprehension. It is impossible for the average buyer to appraise the rates . . . offered, as compared with alternatives available elsewhere."

Members of the Committee, there are over \$5 billion of revolving credit now outstanding. To give the fastest growing segment of consumer credit preferential treatment would not only be discriminatory legislation (including a Montgomery Ward and exempting Sears Roebuck; including a bank but exempting a department store), it would strike a blow at the very heart of the protection this legislation should be extending. Disclosure *must be on a uniform basis* for all types of credit, so that the consumer can make easy and accurate comparison between different types of credit available to him.

H.R. 11601 differs from S. 5 also by including those transactions in which the credit charge is less than \$10. The National Consumers League is opposed to the exemption of such transactions. We have no figures to show what proportion of credit sales would be included in this arbitrary exemption but, as has been pointed out already in these hearings, it would be very easy to break down larger purchases into a series of contracts each of which would be exempt. Actually, fairly large items would be exempt, up to about \$100. For many consumers, a large proportion of their purchases would thus be exempted from the disclosure. For instance, take the purchase of a \$50 chair and a \$30 appliance bought for \$10 down and 12 monthly payments of \$6.60. The buyer will pay \$89.20 (\$10 down plus \$79.20 in monthly payments). The finance charge is \$9.20. The rate of interest on the \$70 credit comes to over 26%, but since the total interest charge is less than \$10, this rate would not have to be disclosed under the provisions of S. 5. It is just as important for consumers to have full information in this type of transaction as it is for someone who buys an expensive suite of furniture. It is specious to argue that the requirement to give such information will either make credit unavailable to the poor, or will cut down significantly on purchases. A consumer needing the merchandise will still buy it. He may just look elsewhere for his credit arrangements or decide to save up the money and buy for cash. If the poor need help in getting cheaper sources of credit, other government programs are already working in this area.

H.R. 11601 would also extend the disclosure requirements to advertisement of credit, and the National Consumers League strongly endorses this provision. Just the other day, on my way to these hearings, I heard an ad from a finance company urging those harassed by a multiplicity of credit payments to come to them for a loan which would be sufficient to pay off all other creditors. At no time was any mention made of how much the loan would cost, nor that the consumer would probably merely be adding on to his total indebtedness by the loan. Newspaper ads and store window signs constantly lure customers with so-called easy credit terms, but rarely, if ever, do they quote interest rates. Advertisements of credit should be required to give all the information required in the actual transaction so that consumers are not misled into believing what is not in fact true.

By including revolving credit, and all transactions large and small, and providing for truth in credit advertising, H.R. 11601 provides for disclosure which will be meaningful, and of tremendous value to the beleaguered consumer in the jungle of today's credit world.

The National Consumers League is also in favor of including home mortgages in the disclosure provisions of the Act. While it has been the custom to quote the interest rate on mortgages in terms of the simple annual rates on the outstanding balance, consumers rarely are aware of the total cost of the mortgage. For many home buyers, such knowledge might well lead to larger down payments. Nor are home buyers generally aware of the many charges they face at time of settlement. As so eloquently urged by Mr. Barr earlier in these hearings, it is high time some uniformity of disclosure in this area was imposed on real estate transactions.

On the provision to prohibit garnishments of wages, the League would recommend a somewhat different approach. There is no question about the devastating effect of garnishment on the lives of many. I understand you were given some hair-raising testimony on this last Friday when I was, unfortunately, not able to be present at the hearings. We feel that garnishments should be regulated in such a way as to act as a significant deterrent to the present unwise extension