The appearance here during the past two weeks of representatives of eight Government agencies and the Special Assistant to the President for Consumer Affairs attests the broad significance of this legislation and the full recognition of its importance.

So I shall be brief even to the point of risking misunderstanding.

The organic law of the Department identifies in the Secretary of Labor, however, a particular responsibility for "the interests of the wage earner," and few such interests are larger than that in protecting against abuse of his-or-her use of credit. For what is earned is useful principally for what it buys, and the effect of an unfair credit charge on a wage earner is indistinguishable from the effect of a wage reduction or a temporary layoff.

Wage earners are organized, to a considerable extent, in their capacity as producers; but not in their capacity as consumers. They bargain with employers collectively; but they buy alone, and at the disadvantage of unfamiliarity with the hazards of fine print. When they make purchase contracts, only the other party has the advantage of advice of counsel. They are entitled, at the very least, to have plainly stated truth as an ally when they go into the marketplace to buy the fruit of their own labor.

I make only the point that we try, in a variety of ways, to even up the odds between those who do business with each other and to prevent, so far as is practicable, undue advantage to either side in bargains that have to be made. The legislation under consideration contributes to this purpose in an area where it has been too little served.

Disclosure of the rates charged for consumer credit is an essential and important step toward more rational and fair consumer credit practices. Certainly, it is basic in deciding whether to borrow to buy. Without intelligible information on the cost of consumer credit, good management of family income is virtually impossible.

The buyer has every right to be told the price in words and figures he can understand—in terms which enable him to compare the rates offered by one seller or lender with those of another. And he should have the facts to permit him to decide whether he might not better wait and pay cash.

Both H.R. 11601 and H.R. 11602 contain workable disclosure provisions requiring the disclosure, in advance, of the terms of a consumer loan. They also require an itemized account of the cost of credit including all relevant charges, in dollars and cents, and the finance charges expressed as an annual percentage rate.

This means that the thoughtful buyer can gauge whether he will be able to meet the payments in dollars, and then—armed with an annual percentage rate—can make comparisons of charges between lenders or sellers. Without that calculated annual rate he is lost in a maze of confusing calculations.

I would prefer, frankly, to testify in support of the original provisions of S. 5, covering

—"open end" or "revolving credit,"
—transactions where finance charges are less than $10,
—first mortgages on homes.

Revolving credit—while still small in volume compared to automobile loans, for example—is the most rapidly growing type of consumer credit.

Department stores, mail order houses, furniture stores, jewelry stores, all advertise credit arrangements, many of them "revolving" or open-end. One has only to look at the advertisements in the Sunday paper to see how universal this has become. Accounts are invited, and indeed are urged on everyone strongly! Without a statement of the annual rate on such accounts, consumers will frequently not know what they are really paying for the credit they use.

The exemption of credit transactions involving a $10 annual credit charge or less, leaves out a great many credit purchases, especially those of the poor.

As a general rule, the rate of interest on most first mortgages is clearly stated and the various charges are itemized. But with the recent scarcity of first mortgage money and the prevailing practice of charging "points" for financing, some home buyers may not realize that they are in fact paying a higher rate on the total charge. Home buyers should be entitled to credit charge information, as are other borrowers.

There is a great deal to be said, too, for required disclosure of credit terms in advertising. If credit is offered this way, the offer is the place to apply the rule of whole truth—where less than that may mislead.