

It has also taken some steps when his economic interests were involved. Consumer credit vitally affects the economic well-being of every American family. Statistics presented to your committee indicate the phenomenal growth of consumer credit from \$56 billion, just 6 years ago, to a current rate in 1966 of \$95 billion. The interest charges are over \$12½ billion.

Proper use of credit is, of course, an important factor contributing to the economic growth of the economy. However, the consumer cannot make a wise decision in the use of credit unless he has sufficient knowledge about the credit transaction. The consumer has the right to know the true cost of borrowing, just as he had the right to know the price of any other commodity he purchases.

Furthermore, as was pointed out to this committee by Sargent Shriver, Director of the Office of Economic Opportunity:

It is the low-income consumer who is most likely to fall prey to the unscrupulous merchant or lender, because it is the low-income consumer who is undereducated, who needs the credit, and who must hunt for the bargain with the low downpayment.

It is little wonder, then, that pent-up resentment in the ghettos can become the fertile ground for the violent militant.

Just yesterday some of the members of our commission toured the ghettos of Harlem and certainly there is evidence at hand of every place you turn in areas like that of the impact and the need for this kind of action.

The truth-in-lending legislation, therefore, would provide both information and protection. The key tool is the provision which requires that there be a full disclosure both in dollar terms and in annual percentage rates of the cost of credit which is extended in making a purchase or obtaining a loan.

When credit transactions are reduced to a common denominator in terms of an annual percentage rate, then there can be an adequate comparison between the various forms of credit which are offered.

Furthermore, the consumer will be in a position to determine whether he can afford the credit. This, I think, is very important. The consumer should, at least, be given the information so that he can make that choice for himself.

I emphasize this factor of "ability to pay" because it has been the experience of saving and loan associations in Pittsburgh, Pa., that the primary cause of default for many homeowners has been the overburdening monthly payment obligations on other consumer debts and loans. These borrowers admit getting into financial difficulty without knowing it. When they came to a realization that they could not keep up their payments, they lost not only the articles which they purchased on time, but their homes as well.

The unwary consumer is too often misled by the sale with the low downpayment and the low monthly rate. He is usually not aware that the final price of his purchase may well be beyond his means.

The small loan companies, by failing to disclose the annual interest charge, or by misrepresenting the charges to be only 6 percent, are able to extract from the consumer rates which vary from 35 percent up to 100 or 200 percent.

Four years ago this month, the Senate Subcommittee on Banking and Currency went to Pittsburgh, Pa. A number of steelworkers testified before that committee. One of them, a president of a local union