

arbitrarily designed to exempt other open-end or revolving credit plans. We oppose such exemptions and, hence, the need for the above-mentioned definition.

(2) FINANCE CHARGES

We strongly urge that H.R. 11601, which includes credit health and/or life insurance premiums within the definition of a finance charge, be approved. The Senate bill excludes these premiums even though, in most cases, they are incident to the extension of credit.

The use of this insurance, in many cases, is a subterfuge for raising the true cost of the loan to the borrower. By quoting a lower interest charge and then requiring the borrower, as a condition for receipt of the loan, to purchase a credit life insurance, the creditor, in reality, may be charging a very high rate of interest.

Moreover, there is growing evidence of a tie-in between the small loan companies and credit life insurance. In testimony before the Senate Antitrust Subcommittee evidence was given that banks, finance companies, and other consumer-loan institutions require their borrowers to take out certain insurance policies for which they are getting kickbacks from the insurers. In such cases, the creditor accepts the highest bid rather than the lowest for this type of insurance because he can receive the difference in a kickback.

In many cases credit companies set up their own insurance companies. In an article which appeared in the New Republic, James Ridgeway discloses that the CIT Finance Corp. through a wholly owned subsidiary, the North American Co., insures its credit life insurance policies wherein there was a gross profit of 50 percent in premiums or \$6.8 million in 1965. And this profit is on top of the rate that is already being charged for the loan.

I should like to submit two articles for the record dealing with this subject. (See p. 758.)

(3) SMALL INSTALLMENT TRANSACTIONS

Unfortunately, the Senate bill exempts from coverage installment sales and loan transactions in which the finance charge is less than \$10. The reason for this exclusion defies explanation.

In a bill which is admittedly designed to afford the consumer protection, the proponents for this dropout from coverage claim that the interest rate is so high that, and I quote from the testimony of the Federal Reserve Board:

The creditors may be understandably reluctant to disclose a high annual percentage rate, and might instead simply discontinue this type of credit.

Well, all I can say is that the consumer himself might well decide to discontinue this type of purchase if he knew what the true charges were. It is that right which we are trying to provide by this legislation.

We are also concerned that a single unit of purchase might be subdivided into parts in order to come under the \$10 finance charge loophole. The purchase, for instance, of a \$50 chair with a \$5 finance charge at the end of the month amounts to a 120-percent annual rate.

The exclusion of these transactions would, of course, have a real adverse impact upon the low-income wage earner who needs the protection of this bill the most.