

the common denominator of an annual percentage rate and be disclosed to the consumer.

At long last the issue of truth-in-lending is before a House committee. For more than seven years, this legislation was trapped in the Senate Banking and Currency Committee without any glimmer of hope that it would reach the floor of the Senate for a vote. It was during those years that the heroic efforts of Senator Paul Douglas kept the legislation alive. The American consumer owes a great debt of gratitude to this man for his crusading spirit to protect the average working man from misleading and, at times, unscrupulous credit practices in the market place.

The hard work and persistence of this committee will, I hope, be instrumental in correcting some unneeded compromises made in the Senate-passed bill and in contributing some new concepts of its own to the original bill.

During the last few years there has been a growing grassroots concern about and awareness of the plight of the consumer. As a matter of public policy, the old adage "Let the buyer beware" has been rejected by the American people. Congress, for the most part, has reacted favorably to this demand for legislative action. A consumer-oriented Congress has gradually expanded the areas of its scrutiny where the safety of the consumer was at stake. 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 six 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 has 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 down-payment". It is little wonder, then, that pent-up resentment in the ghettos can become the fertile ground for the violent militant. (See attachment 1.)

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, Pennsylvania, that the primary cause of default for many homeowners has been the overburdened 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 down-payment 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 six percent, are able to extract from the consumer rates which vary from thirty-five percent up to one hundred or two hundred percent.

Four years ago this month, the Senate Subcommittee on Banking and Currency went to Pittsburgh, Pennsylvania. A number of steelworkers testified before that committee. One of them, a president of a local union with many years of seniority in a U.S. Steel plant, was a good credit risk. Yet on a loan of \$152 he paid an interest rate of over seventy one percent. He was completely unaware of the charge and could have obtained the same amount at a local bank for much less interest.