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.

(4) *Garnishment.*—Madam Chairman, a federal anti-garnishment law is long overdue. You are well aware of the vicious repercussions of garnishments. Many employers, rather than undertake the costly procedure to garnishee wages, will discharge the worker. Or the worker, driven by the threat of discharge or loss of reputation, will seek out other loan companies to pay off the original loan. Eventually, many of them end up in the hands of the "loan sharks."

Garnishment increases the security of the creditor thereby making them willing to extend credit to borrowers that they otherwise might not accommodate. The protection, which the creditor thus obtains, makes him most eager to entice the wage earner into his tender trap.

Stripped of this privilege the lenders will be more cautious in their extension of credit. The labor movement has consistently opposed the garnishment of wages. It is reminiscent of the days when workers were thrown in jail until such time as they would pay their debts. Now, instead of seizing his person, they seize his wages and, in many cases, his job.

Last year the Wall Street Journal carried an article indicating that at the Inland Steel plant in East Chicago, Indiana, each pay period the company makes deductions from about 2,000 production employees—all of whom are members of our union. Inland annually pays out more than $500,000 in withheld wages to creditors.

Even the editorial page of the Journal remarks that: "In their own interest lenders could stand a stronger dash of self-restraint. By paying a little less attention to boosting their business and a little more to a borrower's actual ability to repay, they not only would protect their own solvency but possibly head off new restrictive legislation."

I understand that Inland Steel has written to Congressman Annunzio expressing their concern that these garnishments not only are a heavy financial burden to the company but that "this repayment device may well lead to the extension of credit to wage earners in situations where credit more reasonably might be withheld." (See attachment 4.)

A recent study conducted by the Labor Department "How Garnisheed Workers Fare Under Arbitration," which appeared in the May issue of the *Monthly Labor Review*, mentions that a worker's going into debt, like any other off-duty conduct, generally should be of no concern to the employer. However, if defaulted debts are subject to garnishment, then arbitrators tend to treat this the same as off-duty misconduct and uphold the right of the employer to discharge the worker. (See attachment 5.)

In many states the labor movement is trying to get the state legislatures to pass laws to prevent discharge due to garnishment. Where there is an organized plant the discharge is subject to the grievance procedure and arbitrary discharge is prevented. But what about the many unorganized low-income workers who are most subject to the blandishments of easy-money advertisement. What recourse do they have where there is no union to protect them. At the very least, there should be a federal law prohibiting the discharge of employees because of garnishment.

In some cases the tenacious lender pursues the employee into another state jurisdiction where there may be more liberal garnishment laws. One steel corporation has actively pushed a bill in Congress to prevent the courts of the District of Columbia from issuing a garnishment decree which is not consistent with the state law in which the worker resides and draws his income. For instance, the state of Pennsylvania prevents garnishment but it is of no avail to the worker if the District of Columbia courts can attach his wages.

Strong testimony was given to you by a group of referees in bankruptcy wherein they attest to the fact that in those states where there is no garnish-