

credit in the fairly recent past, have been understood to be financial devices to promote the sale of goods. Today, however, the promotion of goods has become a device for the creation of interest-bearing debt. The nation's retail merchants at their annual convention in San Francisco 12 years ago put it succinctly with the phrase: "Bait the hook with merchandise."

It is obvious that urgent action is necessary. Action such as you are considering in H.R. 11601. The statistics of the U.S. Department of Commerce quite clearly show how necessary this legislation is. The U.S. Government paid \$13 billion in interest on its \$329 billion debt in 1966. In the same year U.S. Consumers paid nearly as much as \$12 billion, in interest on installment debts, charge accounts and other loans of only \$95 billion about three times the rate paid by government. Moreover, John Gorman, a Commerce Department economist, has figured out that nearly a fourth of the average family's income in 1966 went to pay off debts and the interest on debts.

Seven long years have passed since this legislation was introduced. Meanwhile, millions of our citizens have gotten themselves and their families into even greater financial difficulty due to a lack of curbs on the unbridled avarice of those in the credit business.

Bankers, small loan companies, retail merchants, and their various trade associations have violently opposed truth-in-lending from the beginning.

They have called it an attempt to hamstring private enterprise. They have described it as a move toward federal regulation of interest rates and credit charges. They have pleaded that it would be impossible to administer, because salesmen and sales clerks could not compute the finance charges they are asking the customer to pay.

These arguments are sheer and utter nonsense.

Truth-in-Lending imposes only two conditions on credit establishments and money-lenders. It would require them to tell their customers the total amount they are paying for credit:

*In dollars and cents.

*As an annual percentage rate on the loan or credit.

This is not regulation; it is simply disclosure.

A lender or credit house that is unwilling to do this must feel that it has something to hide. This, of course, is the point.

The credit houses and the loan companies know to the third decimal point exactly how much they charge for credit and at what annual rate. They have to know; it's how they make their money. They could provide their personnel with little tables—like the sales tax tables that perch on so many cash registers, and they do in many instances but to their salesmen only—that would give instant answers.

Nor is the requirement for a maximum finance charge unreasonable. Credit extended in an effective, useful and prudent manner can yield sufficiently to make much more handsome profits than many business organizations do.

The worst sufferers from excessive credit charges are those who can least afford them—the lower income groups. They have less cash, and greedy sellers can more easily exploit their need for credit. In addition, members of minority groups are often charged higher rates regardless of their personal credit standing.

But these are not the only victims. The well-to-do are also duped. The true rate of interest on one of the more popular college tuition loans was found to range from 26 to 54 per cent a year.

Servicemen are among the favorite targets, too. The Defense Department has sought to rescue them with a truth-in-lending directive of its own, requiring lenders to disclose finance charges and actual interest rates in transactions with men in uniform.

This very action by the Defense Department is some small indication of how serious the situation is in the area of credit. After all the Defense Department is essentially saying that these charlatans are prepared to take advantage even of men who are going to the battlefield and are prepared to die for their country. Furthermore, it is common practice for them to hound to death survivors of servicemen with means both legal and illegal which would shame the worst of us.

H.R. 11601 is necessary because businessmen have not learned that their continual wrongdoing must eventually lead to effective elimination of their evil deeds through meaningful legislation. It is not clear to them that accurate labelling and safe cars, for example, are ultimately in everyone's interest—including the businessman's. They fail to believe that honest business is the best business, as some learned a long time ago.