

Garnishment of wages and confession of judgment as means of enforcing payment of loans have been long established and are the subject of State laws. These laws vary widely. There are no cogent reasons for the Federal Government to destroy these State laws. If properly designed, these laws furnish security and thus enhance availability of credit. Banks must be concerned with their depositors' money. To take away these forms of security is not in the public interest.

As to civil and criminal penalties, we feel that an aggrieved person should have a civil remedy, but only after any error or violation is discovered and the creditor has had a reasonable time to correct it.

For example, if the annual percentage rate is stated to be 6 percent and is actually 6½ percent, the customer should be paid the difference within 15 days after discovery by either party. If the creditor fails or refuses to pay within that time, only then should court action be permitted.

The amount of judgment should be no more than the difference, plus reasonable costs. This is the practice in most collection situations in our courts today, and it should be no different here. The civil penalties stated in these bills are apt to unduly encourage lawsuits against creditors. We have no objection to severe penalties for habitual offenders.

We can see no reason for the bill to create the presumption that the creditor is dishonest and deliberately falsified the rate. If the creditor is in fact dishonest, that remedy should be under a limited criminal penalty.

The criminal provisions are too severe and we oppose them as written. They should be limited to permit their use only in case where the creditor "repeatedly, knowingly, and willfully" violates the law. The penalty should be limited to fines up to \$5,000. The provision for imprisonment should be deleted.

As to penalties generally, we feel that in new and untried "fair practice" legislation such as this, initially it would be best to think in terms of moderate penalties.

We see no need for creation of a Commission on Consumer Finance. The Federal Reserve Board necessarily would consult with many representatives from all areas of the credit field in developing the contemplated regulations. No matter how well chosen, no nine-member commission could possibly represent a cross section. Furthermore, the Board and the Attorney General are required to give Congress and the President a full report each year on the experience under the act. This should be sufficient.

The section on commodity futures trading does not appear to us as being within the scope or purpose of these bills.

We see no point to the section on Presidential standby power, to cause controls over consumer credit. A "national emergency" is undefined and such drastic controls should be invoked only when Congress finds an emergency to exist. This section should be deleted.

In closing, I wish to reiterate our concern, previously expressed in our testimony on the Senate side, that disclosure legislation would put banks at a disadvantage in competing with captive finance companies controlled by manufacturers or retailers.