

manner, we can break the endless chain of misleading claims and shabby deceptions which now characterize too large a segment of the credit industry. Businessmen would be secure in the knowledge that higher cost competitors cannot lure away their customers with deceptive credit information.

While the modified truth-in-lending bill passed by the Senate represents progress in the long efforts to enact meaningful legislation in this area, a number of glaring weaknesses and loopholes are contained in that version which can seriously weaken the effectiveness of truth-in-lending protection. I am most happy to see that H.R. 11601, which your committee is considering, closes most of these loopholes.

The basic premise behind truth-in-lending legislation is that the true facts as to interest and financing charges and annual interest rates should be disclosed on all types of credit so that the public can compare and make a sound choice in obtaining credit. The omission from coverage in the Senate version of revolving credit accounts, and purchases where the finance charge is \$10 or less, opens up glaring loopholes that could possibly nullify most of the protection provided by this legislation.

Revolving credit accounts is the fastest growing form of credit in the country today. In addition, the interest rate charged on these accounts is typically 18 percent a year, a most excessive rate of interest equal to the national interest rate ceiling recommended elsewhere in H.R. 11601. There is no reason why department stores, credit card plans, and others who offer revolving credit accounts cannot state their interest rate charge on an annual basis. If they are required to state only the monthly rate of interest, millions of consumers could be led to believe that the interest rates on these accounts are among the lowest available to them, where the actual fact, revolving credit accounts are one of the most costly forms of credit available.

The existence of such a glaring loophole as this can only encourage installment sellers and lenders to abandon other forms of credit that they now offer and operate on a revolving credit basis. The effect would be to water down considerably the protection that the consumer direly needs. Furthermore, it would place in an unfair competitive position those businessmen who would be required to state interest rates on an annual basis.

The exclusion from coverage under the Senate bill of debts of small amounts where finance charges are less than \$10 is completely unjustified. Interest rates are often the highest on these smaller loans, where the cost of the item is \$100 or less. Moreover, these smaller sized purchases make up the bulk of the credit buying for the average worker and for those living in poverty. The argument that the true interest charges are hard to compute in these cases, or that this would constitute a costly inconvenience to merchants does not hold up when elaborate tables have been prepared which avoid the need for the seller to do any computations. The only difference in computing interest charges and interest rates on a \$100 loan as compared to a \$1,000 loan or a \$10,000 loan is one or two decimal points.

I am most happy to see that the bill your committee is considering does not allow such flimsy reasoning to stand in the way of providing needed protection for the low-income family making small purchases.