

Cover Revolving Credit

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 in 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 directly needs. Furthermore, it would place in an unfair competitive position those businessmen who would be required to state interest rates on an annual basis.

No Exclusion for Small Purchasers

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.

Critical Need To Cover Advertising

One of the greatest sources of credit problems for the working man and the poverty stricken is the oversimplified, confusing, misleading, or blatantly deceptive advertising of credit and the sale of goods on credit. If truth-in-lending legislation is to be truly effective, the true facts of the interest charge and the interest rate should be available to the prospective customer before he has decided where he is to make a purchase or a loan. With the high pressure salesmanship that exists in many retail establishments, the average worker does not have a truly free choice to determine where he can make his purchases on the most economical basis if he is initially misled by advertising of the cost of credit.

While we cannot mandate that the true cost of credit be inserted in all advertising of consumer goods, we should require that any advertising of credit costs state the truth about interest charges. The omission of advertising from the coverage in the Senate-passed bill is a grave weakness. The UAW and the IUD strongly supports the provisions of the bill before your committee which bring advertising under the truth-in-lending protection.

Other improvements in H.R. 11601 as compared to the Senate passed version of truth-in-lending which the UAW and the IUD strongly supports is the provision for full disclosure on charges on first mortgages, where discounts and the point system are most confusing to the average home buyer, and the inclusion of insurance charges levied against consumer credit as part of total finance charges in computing the true cost of credit.

F.T.C. Should Enforce Law

I would like to point out one area regarding the truth-in-lending provisions of the excellent bill before your committee that we in the UAW and IUD would like to see changed. This is the choice of the Federal Reserve Board as the agency charged with enforcing the truth-in-lending legislation. The Federal Reserve Board is an agency that is basically oriented towards the banking business. Furthermore, it has little or no experience in the consumer protection field, and has no staff ready to carry out the enforcement provisions in the bill.

In its place, we would recommend that enforcement of consumer credit legislation be placed in the hands of the Federal Trade Commission. The FTC is