

chandising and credit fields. The Commission on Consumer Finance provided under Title III of this bill appears to provide an excellent vehicle to determine further steps of a regulatory or legislative nature needed to provide the long overdue protection that the consuming public deserves.

National Interest Rate Ceiling

The provision of H.R. 11601 calling for a national ceiling on interest rates makes extremely good sense to the UAW and the IUD. Excessive profits from interest charges for fast buck merchants and small loan companies who prey primarily on the poor should rapidly become a thing of the past. However, the ceiling of 18 percent established in this bill is too high. The 18 percent rate charged by many department stores on revolving credit is so excessive that it can actually result in a greater profit on the credit transaction than on the original sale of the item itself. Conventional bank rates and interest rates on commercial credit are very substantially lower than 18 percent. Credit unions are able to extend loans to working people and to the poor at about half that rate.

In its place, we would suggest a flexible ceiling that would be related to going interest rates such as the Federal Reserve Board's discount rate. Your committee might investigate what multiple of the discount rate would be most appropriate to provide a flexible and workable ceiling that would relate to changing conditions in the national economy. The difficulty with any flat rate is that it would have to be high enough to provide adequate leeway in a tight money market when interest rates are extremely high generally. When you do this, however, the ceiling does not provide any significant protection against usurious interest rates in normal times when interest rates are low.

UAW and IUD Opposes Emergency Credit Controls

Madame Chairman and members of the subcommittee, the UAW and the IUD would like to go on record in opposition to that portion of H.R. 11601 which would provide for emergency control of consumer credit by the President of the United States. This provision does not come under the scope of consumer credit protection. Rather, it deals with overall economic policy. It is a form of economic control to which the UAW and the IUD are opposed. It could only lead to hardships for the individual consumer in need of credit, while the major borrowers in this country, business and industry, would not be subject to such controls. It would constitute discriminatory legislation, applying only to those with the least ability to overcome the consequences of such legislation. There appears to be no need to enact any economic controls over credit in the present state of the economy, nor does it appear likely that emergency credit controls will be needed in the foreseeable future.

Ban Confessions of Judgment

The provision in H.R. 11601 which prohibits the use of confessions of judgments in consumer credit transactions is highly deserving of legislative enactment. This device, used by predatory merchants to induce debtors to waive their legal rights to contest any judgments that may be entered against them, is an excellent example of how our legal system is perverted to exploit the poor. Typically, such a clause is inserted in the fine print of the contract which the borrower is required to sign. There is no justification for allowing this practice where the typical individual has no knowledge and no bargaining power to enable him to avoid surrendering valuable legal rights, and thus become subject to severe financial hardship at a later date.

Prohibit Wage Assignments

In a similar fashion, the UAW and the IUD feels additional protection is needed to prohibit entirely the use of wage assignments in the consumer credit field. Here is another example where a borrower is placed under extreme pressure, often without any knowledge or full understanding of the consequence, to sign away his rights and allow a creditor to attach his wages at any time in the future that he sees fit. These so-called "voluntary" agreements to attach wages are coercive rather than voluntary in the typical seller-purchaser relationship. Since wage assignments have many of the pernicious effects of wage garnishments, both should be treated the same and abolished in the same legislation.

Regulate Repossession Practices

Another area where your committee should act to protect the consumer is to regulate the pernicious practices of many merchants in repossessing goods pur-