

chased on credit. This is particularly a problem in "add-on" purchases, where a merchant sells another item on credit before a purchaser completes payments on the original item that he bought. If the customer misses one payment, merchants have often repossessed both items, even though the amount already paid has been more than enough to completely repay the outstanding debt on the original item. Actual situations have been reported in the press where four or more items purchased on an add-on installment basis have been repossessed, even though the value of one item alone was sufficient to satisfy the outstanding debt.

Legislation should prohibit the repossession of any item whenever full payment has already been made. The language of the legislation could provide that when debt is outstanding on two or more items, payments be allocated to each of the items, based on the ratio of the original purchase price of each of the items to the other items. Further, repossessions should be limited by statute to the extent necessary to satisfy any outstanding debt. Merchants should also be required to return to the purchaser any proceeds gained from the sale of the repossessed items that is over and above the amount of debt still owing.

Other Areas for Future Action

There are a number of additional areas requiring legislative protection which this committee should seriously consider. Many of the abuses and shady practices could be eliminated from the credit field if lenders and merchants offering goods on credit were licensed and had to meet adequate standards covering the entire scope of their lending practices. The lack of adequate legal recourse for consumers who have outstanding debt on shoddy and defective merchandise needs to be remedied. The common abuse of using fine print to prevent customers from knowing what they are signing could be abolished by requiring print to be a certain minimum size on credit contracts. Steps might also be taken to simplify the obscure legal language on credit contracts so that customers would know exactly what they were agreeing to.

Madame Chairman, I want to thank you for the opportunity of appearing here today to express the views of the UAW and the IUD. I hope I have spelled out for you very frankly the areas where our union would like to see positive Congressional action. We are aware of political realities, and do not take the position that the bill that comes out of your committee this year need contain all of our recommendations. We would leave it up to you and your committee to determine how much can be passed through the Congress this year and how much might be enacted next year and in subsequent years.

The members of our unions are extremely gratified with the efforts of you and your committee to enact long overdue reforms in the field of consumer credit. You may be assured that the UAW and the IUD will stand strongly behind your efforts to adequately protect the American consumer. We hereby enlist in your crusade for the duration.

Mrs. SULLIVAN. Thank you, Mr. Greathouse.

Before Mr. Stephens and I begin to question you, I want to say that I am sorry that you gentlemen have not had a better attendance of members of the subcommittee this morning. You both have given outstanding and important testimony.

I will make sure that all of the members do receive copies of your statements, however, and I will personally urge them to read your testimony.

I would like to call your attention to an article by Sylvia Porter in last night's Washington Star. It describes how to cut costs on your mortgage. I think it is one of the best examples of what we are trying to accomplish in this legislation—to show people what they are actually paying for credit and to help them, through this knowledge, to make intelligent decisions on how long a period, for instance, their mortgages should be written for. Without objection, I will place it in the record at this point.