

**STATEMENT BY HON. WARREN G. MAGNUSON, SENATOR FROM
THE STATE OF WASHINGTON, CHAIRMAN, SENATE COMMITTEE
ON COMMERCE**

Senator MAGNUSON. Madam Chairman and members of the committee, I appreciate this opportunity to go on record before this distinguished committee in support of truth-in-lending legislation and, in particular, the credit advertising provisions of H.R. 11601. The disclosure provisions of your bill are identical to those in S. 2268, the Fair Credit Advertising Act, a bill which I had the honor to introduce and which is cosponsored by Senators Bartlett, Brewster, Clark, Dodd, Hart, Inouye, Kennedy of Massachusetts, McGee, Mondale, Proxmire, Scott, Tydings, and Young of Ohio.

The fair credit advertising provisions are designed to insure the meaningful disclosure of the cost of credit in any advertising which promotes a retail installment sale, an installment loan, or an open-end credit plan. With this legislation, we move another step forward toward our goal of securing the consumer's basic right " * * * to be given the facts he need to make an informed choice" when contemplating a loan or purchase—in this case a purchase under an installment sale contract.

The obligations imposed by this measure are simple. It requires that where a person advertises to make an installment loan or an installment sale to a would-be buyer, he must disclose the cash sale price; the number, amount, and period of each installment payment; the amount of the downpayment required, if any; the time sale price; and the finance charge, expressed as an annual percentage rate. Where the advertisement involves an open-end credit plan, there must be a meaningful disclosure of the details of that plan.

The scope of the legislation is narrow. It does not apply to credit sellers who do not advertise specific credit terms. It does not attempt to regulate the cost of credit. It merely requires that where specific credit terms are advertised, the advertiser must disclose enough information to enable a consumer to decide intelligently whether to buy for cash or credit, and, if he decides to buy on time, where to obtain the most favorable credit terms. In so doing, it extends to all consumers the basic protection which the Department of Defense has already afforded servicemen through the standards it has promulgated for all persons who advertise credit terms in unofficial military publications.

The need for this legislation is great. Since 1945, the outstanding amount of consumer debt, excluding long-term-mortgage debt, has multiplied nearly 17 times. Today, it totals about \$94 billion—well over one-fourth the size of the national debt. A 1959 "Survey of Consumer Finance" published in the Federal Reserve Bulletin revealed that 60 percent of all "spending units" in the United States today have some amount of personal debt—which excludes mortgage debt—and nearly 50 percent of these units have installment debt. Personal debts for 30 percent of these families exceeded \$500, and for those families affected by unemployment, the percentage with some amount of personal debt climbed even higher to 70 percent. As a suggestion of the large number of credit buyers who have greatly overextended themselves, we should note that families and individuals incurred 170,000 or 90 percent of all bankruptcies last year.