When credit plays such a prominent role in the lives of so many consumers, it is essential that they have some knowledge of the various credit terms available to them. Yet, studies indicate that no area of retail selling is as confusing to the American consumer, regardless of education or income level, as the cost of credit. A survey of the 10 most popular department and appliance stores in Baltimore conducted by Prof. Samuel Myers of Morgan State College and reported by David Caplovitz in his book, "The Poor Pay More," revealed, for example, that the cash price of each item "* * * was practically the same in the various stores, but that there were wide variations in the credit terms leading to sizable differences in the final cost to the consumer." In short, those retailers who sell on credit are no longer competing on the basis of price, in the tradition of a truly competitive economy, but are taking advantage of the consumer's lack of knowledge and information, to compete on the basis of their ability to conceal what may be unconscionable time sale prices in apparent bargain credit terms. We should no longer permit such unethical business practices to prevail in the marketplace. Last month the Senate took the first step toward promoting true credit competition among retailers by passing the Truth in Lending Act.

It is the purpose of this legislation to strike at another aspect of this problem—the advertising of credit terms. In imposing minimum disclosure requirements in advertising, which today has become an integral part of most retail selling, the consumer, now hopelessly lost in the jungle of confusing credit terms, may be given enough guidance to enable him to seek out the most advantageous credit offer available to him. No longer will he be lured by the uninformative ad: "new TV—easy credit terms—just $2.50 per week," or the ad which positively misleads him in stating: "new TV—$130 cash or just $2.50 per week" without revealing that the payments will continue for 70 weeks. Instead, the consumer will be furnished with pertinent information enabling him to make an intelligent choice among differing products and terms with revised ads such as "new TV—$142 cash or $156 on time with easy payment of $3 per week for 1 year—18.77 percent annual percentage rate," or "new TV— $142 cash or $150 on time—just $20 down and $2.50 per week for one year—11.84 percent annual percentage rate."

Since the protection afforded by this legislation will complement that provided by truth in lending, I have followed very closely the hearings and debate on S. 5 in order to insure that the terminology and the disclosure requirements of these bills will be consistent. I was particularly pleased to see that the experiences of Massachusetts and Washington, under their recently enacted truth-in-lending legislation, had demonstrated that required disclosure of an "annual percentage rate" did not render their legislation unworkable. In fact, disclosure of this figure had apparently provided the most useful single standard for comparing various credit offers.

It is remarkable to me that the present credit system with its various methods for expressing—or concealing—interest rates has existed for so long. In a surprisingly analogous situation, this country discovered very early in its history, when government under the Articles of Confederation, that business could not easily be carried on when each State