

percent, 30 percent, 42 percent, or even 75 percent per year for easy credit. Even if such rates are charged, the creditor would prefer to phrase the contract in such terms that the rate is not clearly stated to the consumer. Many States, either by statute or by the absence of any statute, permit the rate of the finance charge to be hidden by omission or by statement in terms of a monthly rate or a rate on the original balance of the debt. Such practices are misleading. Banks will clearly state the annual rate of interest that they will pay on a depositor's money. Businessmen who borrow from banks know exactly the annual rate of interest that they are paying on their loans. In their dealings with the consumer, however, both banks and businessmen often abandon the practice of stating the annual interest rate clearly and simply. Any statement of the cost of credit which does not include this annual rate is incomplete and deceptive.

On the other hand, the laws of some States do require disclosure of the annual rate of charge for the use of credit, and on particular kinds of credit as, for example, small loans, revolving credit, automobile credit, and installment credit on other goods.

H.R. 11806 would require such disclosures on all consumer credit transactions. The requirement is as simple as requiring meat markets to state the price per pound on veal roast, and to state the whole price of the roast. The bill would require all creditors to give the consumer the information which the laws of a few States now require to be given on a few types of credit transactions. By the enactment of this bill, the Federal Government would be able to raise the level of competition in the consumer credit field by finding the best existing practices and making them general rather than isolated practices.

I believe that the House bills relating to consumer credit are superior to the measure which the Senate has passed, especially with respect to finance charge disclosure. Proposed House legislation would allow no exemptions, whereas the Senate-passed bill allows exemptions for revolving credit, which is the fastest growing type of credit at retail stores and among banks; for payday loans, which often border on the extortionate even under State laws, and for any other credit which can be broken down into a series of credits, each of which imposes a charge of less than \$10; and for first mortgages, which are both the largest single debt ever incurred by most families and a means of obtaining credit for many purposes other than home purchase.

The disclosure provisions of the House bills give the consumer the information which he needs for rational choice between paying cash or buying on credit, and for choice among competing offers of credit. It provides a foundation for individual choice as the controlling element in the use of the Nation's credit and money resources.

But it goes further than arming the consumer with information. It gives the consumer the protection of limitations on the rate which he may be charged by a creditor.

The rate which it sets as an upper limit—18 percent per annum—has been found a profitable rate by retailers on the small transactions for which revolving credit has been used. For larger purchasers on credit where a regular installment plan is used, States often set maximum rates which are substantially below 18 percent. Bank loans to finance purchases usually are below this limit, and their personal loans often