

Since retail credit is growing four and a half times faster than our economy and since the retail credit business now grosses \$92.5 billion annually, the confusion that exists in this field is rightly the concern of the Federal Government. We are dealing here with a significant and major factor in our economy.

The solution to the very real and very serious problem facing us is not regulation—the solution is education. The small print must be clarified, the actualities explained. The consumer need not be told where and how to borrow. However, he does deserve to be informed about the borrowing options open to him and the cost of the options. This is what S. 5 does and this is what is needed.

This point helps to clarify the discussions about the inclusion of revolving credit in the House bill. The goal of the legislation, to extend what I said a minute ago, is to make the consumer aware of the range and type of credit charges and to express these charges on an annual basis for clarity and comparison. Such action should also include revolving credit.

Within the next 5 years, estimates are, revolving credit will represent 50 percent of all consumer credit. Because of its importance it is imperative that revolving credit be included in the scope of the truth-in-lending bill. Thus, I strongly support the reinstatement of full disclosure provisions for revolving credit accounts as outlined in the original version of S. 5 considered in the Senate. The public has the right to know of the credit charges involved in revolving credit. Those who take the other position are justified in urging that consumers be made aware of the “free ride” period and other means of avoiding credit charges.

But only through complete disclosure, including revolving accounts, can we properly protect the consumer, fulfill the objective of this legislation, and bring order and clarity into the confused and chaotic marketplace.

Passage of this legislation will be an important step, but it must be accompanied by an increase in public education. An excellent study by Dr. Monroe Friedman and Dr. Alfred H. Lieverly of Eastern Michigan University of the short-term effects of truth-in-lending legislation concludes that sudden, unannounced replacement of variable rate information with uniform rate information will not at first help the consumers. Borrowing decisions are currently made on such peripheral issues as location and size of the lending institution. Unless a complete and planned education campaign accompanies truth-in-lending legislation the potential good of such legislation will be long and slow in coming. Your committee, Madam Chairman, must consider the implications of the Friedman-Lieverly study. I recommend that the committee, in its consideration, make plans for the most effective and widespread education campaign to accompany passage of a truth-in-lending bill during this session.

The buyer should not be beware—he should be aware. He should be aware of the value of standardized criteria as a means for choosing among credit opportunities. Education is the key, first through the inclusion of revolving credit in the pending legislation, and second through a campaign to inform the public of the service provided by truth-in-lending legislation.