

Traditionally, state governments have exercised authority for regulating consumer credit. Legislation relating exclusively to one or more aspects of consumer credit is in force in every state. Forty states have enacted retail installment sales acts. These laws provide extensive protection to over 80% of the total population. Most of these statutes require everything that the Senate-passed S. 5 does except for a statement of charges as an annual rate.

Any needed changes in credit law will undoubtedly be covered in the project of the National Conference of Commissioners on Uniform State Laws to develop a model state law which will deal with all phases of consumer credit.

It is our understanding that this project is more than half completed and a model law should be ready for consideration by the state legislators no later than 1969.

The Conference has been working on this project for nearly three years in a deliberate but effective manner. Its members and workers are some of the most experience and knowledgeable people in the consumer credit field and both the consumer and extender of credit are represented. The Conference's methodical procedure for developing a uniform statute is far more likely to produce a workable, effective law than any other body or organization that has approached the problem so far.

The National Chamber, therefore, opposes H.R. 11601 since federal action is unwarranted. We also believe that all proposed consumer credit legislation should be suspended until the work of the Uniform Consumer Credit Code project of the National Conference of Commissioners on state laws is completed.

DISCLOSURE PROVISIONS

Comparison of S. 5 with H.R. 11601, the Consumer Credit Protection Act

Insofar as disclosure is concerned, H.R. 11601 goes much too far.

H.R. 11601 does not exempt first mortgages as does S. 5. Since the rate of interest on first mortgages is already clearly stated and the various charges are itemized, it is not necessary to subject this type of financing to the special requirements set forth in H.R. 11601.

Finance charges of less than \$10 on consumer credit sales and loans are exempted from disclosure by S. 5, but not by H.R. 11601. To include transactions of this amount or less would be an undue burden on business and in many cases the cost of compliance would rule out the financing of small purchases.

Charges for premiums for credit life and accident and health insurance, if itemized, are excluded as finance charges by S. 5 but not by H.R. 11601. Insurance premiums are not a part of finance charges and should not be shown as such.

The statement of rate on revolving credit plans is required only as a percentage rate per period under S. 5, whereas H.R. 11601 requires the annual rate at which the charge is computed. The annual rate a revolving credit customer will pay cannot be calculated in advance since the time that will elapse between date of purchase and date of payment cannot be determined in advance. Requiring the creditor to give the annual rate in advance would force him to rely on guesswork and in many cases to quote a false rate.

Under S. 5, until January 1, 1972, the annual rate may be expressed as a percentage rate per year or as a dollars per hundred per year rate of the average unpaid balance. After this date all rates are to be expressed as percentage rates. Under H.R. 11601, all rates are to be expressed as percentage rates after June 30, 1968. We prefer that this alternative continue indefinitely, but at least it should continue until 1972.

OTHER PROVISIONS

In addition to the above disclosure provisions, H.R. 11601 differs from S. 5 in that it departs completely from consumer credit disclosure and includes provisions which should be removed from current consideration.

Among these are:

Establishment of a Federal ceiling of 18% on the annual percentage rate of any credit transaction

As with consumer credit disclosure, enactment of usury laws should continue to be the province of the states. Usury laws differ from state to state and rightfully so because each state knows its own circumstances and is entitled to write its usury law accordingly. Enforcement and administration of such laws can be handled locally. A Federal usury law such as suggested in H.R. 11601, could not