

Section 202(b) (which is identical with Section 3(b) of S-5) defines "credit" to mean debts contracted by the obligor:

"Primarily for personal, family, household or agricultural purposes."

Similarly, Section 202(c) (which is identical with Section 3(c) of S-5) defines "consumer credit sale" to include sales of goods which are purchased "primarily for a personal, family, household or agricultural purpose."

Commercial farmers are businessmen. The equipment manufactured by FIEI members and purchased by farmers is acquired for business or commercial purposes just as much as production equipment in any other industry. Farmers purchase equipment when they conclude that the investment is a good one in terms of greater efficiency, lower costs, or greater capacity. They are at least as astute in analyzing the needs of their enterprise and the best way to finance these needs as other businessmen who are exempted from the bills.

If Section 202(n) stood alone, extensions of credit to farmers for the purchase of equipment would clearly be exempted from the rate disclosure requirements of the Act along with other kinds of commercial credit. However, the express reference in Subsections (b) and (c) of Section 202 to "personal, family, household or agricultural purposes" singles out this particular commercial transaction and subjects it to rules otherwise applicable only to consumer transactions.

We think the reasons for excluding commercial credit from these bills are sound, and these reasons apply to farm credit just as much as other commercial credit. The most important reasons, as we see them, are:

(a) It is only in the consumer area that a need for regulation has been shown. The large number of different ways in which credit is offered to consumers makes it especially difficult for them to make intelligent choices—e.g., sales finance companies, banks, credit unions, Morris Plan companies, revolving credit accounts and consumer loan companies all express their charge for credit in differing ways. Since some consumers present a much greater degree of risk than others, some consumer credit carries very high rates. Therefore, it is important that consumers eligible for less expensive credit understand what their choices are. Many consumers are both necessitous and unsophisticated and may be misled by some ways in which the charge for consumer credit is sometimes expressed. For these reasons, helping the consumer compare credit costs is so important that a law requiring everyone who finances consumers to state his charge in exactly the same way may be justified.

(b) No such need has been shown in the case of commercial financing. No one has established that commercial borrowers are making unwise choices or borrowing too much because they do not understand their credit costs. There has been no showing that present methods of computing and expressing the cost of credit have misled or confused any commercial borrowers.

(c) The need for flexibility in commercial financing methods is more important than supplying the business borrower with a single yardstick for comparing credit costs. Credit procedures must fit the peculiar practices of particular industries and in our dynamic economy these are constantly changing. Innovation and imagination should not be impeded by the need to always charge for credit in a way which conveniently permits computation of a rate per annum.

We therefore urge that Sections 202(b) and 201(c) be amended by omitting the specific reference to agricultural credit so that agricultural financing will be included in the exemption of business and commercial credit contained in Section 202(n).

(The following statement was submitted by The Reverend Shirley E. Greene, director for economic concerns, Department of Social Justice, National Council of the Churches of Christ in the U.S.A., of which The Honorable Arthur S. Flemming is president, 475 Riverside Drive, New York, N.Y.):

DEPARTMENT OF SOCIAL JUSTICE,
NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A.,
New York, N.Y., August 16, 1967.

Mrs. LEONOR K. SULLIVAN,
House of Representatives,
Washington, D.C.

DEAR MRS. SULLIVAN: I am pleased to enclose a statement on behalf of the National Council of the Churches of Christ in the U.S.A. regarding the "Truth-in-