

include insurance premiums would overstate the actual charge for credit. Therefore, we think that the cost of any kind of insurance is not properly regarded as part of the finance charge, and should be specifically excluded in S. 5. Similarly, we feel that the statute should specifically exclude official fees and taxes from the finance charge, since generally they benefit neither creditor nor borrower, are not within their control, and are the same regardless of the source and terms of the credit. Both types of charge should be required to be itemized among the nonfinance charges that must be disclosed pursuant to section 4(a)(4)."

RE ITEMS 6 AND 14

Item 6 proposes to define "advertisement" and "an advertisement containing specific credit terms"; Item 14 proposes to impose requirements for advertisements. These provisions follow generally the provisions relating to advertising in Sections 2.303. and 3.303. of the Second Tentative Draft of the proposed Uniform Consumer Credit Code, appearing at pp. 731 and 745 of the S. 5 Transcript.

RE ITEMS 7 AND 9, AND PROPOSED SUBSECTIONS (J)(1)(B) OF SEC. 203. IN ITEM 14

These Items propose to eliminate requirements for the expression of the finance charge as an annual percentage rate and for any similar disclosure in an advertisement, if the amount of the finance charge is \$10 or more.

The following excerpts from the S. 5 Transcript relate to these Items:

EXCERPTS FROM STATEMENT OF WILLIAM J. PIERCE, PRESIDENT OF NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS, AT PAGES 285-286:

"6. Where the amount involved in the credit transaction is relatively small and has a short maturity, time rate disclosure is meaningless and only dollar disclosure should be required. For example, consider the sale of a \$60 vacuum cleaner with a minimum \$10 credit service charge and a total time price of \$70 payable in 8 monthly installments of \$8.75 each. To be told that the credit service charge is at the rate of \$25 per hundred of principal per year or 42.6 percent per year does not help the customer in making a value judgment."

STATEMENT OF HON. J. R. ROBERTSON, VICE CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, AT PAGES 663 AND 664:

"EXEMPTION OF SMALL CREDITS AND CHARGES

"I am sure that none of us wants to press disclosure of credit costs to the point where borrowers are denied access to credit at any price. But there is one area where disclosure of an annual percentage rate might do just that. In a closed end credit transaction involving a small amount, a high effective rate may be justified to compensate the creditor for the relatively high out-of-pocket costs of handling the transaction. However, he may be understandably reluctant to disclose the very high rate—perhaps 50 or 100 percent—and might decide instead simply to discontinue this type of credit transaction.

"For some borrowers, unable to obtain open-end credit accommodation or not having access to small cash loans, the need to make relatively small purchases on credit may be great indeed. It may also be argued that a small finance charge—in dollar amount—is not of great significance to the credit user regardless of the effective rate of finance charge. Therefore, we would be disposed to see closed-end credit transactions involving a small amount—perhaps under \$100—and a small total finance charge—perhaps under \$10—exempted from the disclosure requirements. But we think Congress should make the decision and, if it agrees, should incorporate the specific exemption in S. 5."

RE ITEM 23

Item 23 proposes to renumber SEC. 211. as SEC. 208. and to revise it to provide July 1, 1969 as the effective date of the legislation, and to grant authority to the Board of Governors of the Federal Reserve System to postpone the effective date to July 1, 1970.