

STATEMENT OF THE AMERICAN INDUSTRIAL BANKERS ASSOCIATION

The American Industrial Bankers Association is a national trade organization of sales finance companies, industrial loan companies and small loan companies. We have approximately 425 member companies with some 8,500 offices. Some of our members only have one office, some have several hundreds.

The sales finance companies primarily buy documents involving credit transactions (paper) from dealers. The industrial loan and Morris Plan companies make direct loans in larger amounts to the consumer; they also (where permitted by state law) issue certificates of investment or indebtedness to those wishing to invest in their operations. The small loan companies make direct loans to the consumer, but usually on a smaller scale than do the industrials.

The total dollar outstandings of the companies and individuals who are members of AIBA currently average about 20 billion dollars a year. In other words, the members of our association are engaged in the consumer credit business and any legislation dealing with consumer credit will have a direct effect on the business of our member companies.

In presenting this written statement with regard to H.R. 11601 and other related bills, we want to make it clear from the outset that the American Industrial Bankers Association strongly favors the full disclosure of the terms of all consumer credit transactions. Moreover, we feel that such full disclosure should be in language that consumers can easily understand. Finally, full disclosure should be made in a manner that is not at variance with the normal practices with respect to the particular kind of transaction involved.

In our Senate testimony on S.5, we have already expressed our views with respect to the preferability of State action, rather than Federal, on the subject of consumer credit. In view of the role of the States in this field, we do not think Federal legislation is necessary.

Most states today, have laws that regulate and control the type of credit transactions handled by various companies that are members of this association. We do not believe that the superimposing of Federal regulation on top of existing state regulation will help. Neither do we feel that Federal legislation requiring the merchant, the dealer, the finance company, or the bank, to state the charges involved in a credit transaction, on an annual percentage rate, will help the consumer make more intelligent decisions about the use of credit. We fail to see how the passage of a Federal law of any kind is going to cause the consumer to use any different common sense than he has been using all along. Good judgment and education cannot be legislated!

In addition, as this subcommittee is fully aware, there has been in progress for several years a detailed study by the Commissioners on Uniform State Laws to determine if a Uniform Consumer Credit Code should be established throughout the fifty states. Particularly in view of the pendency of this project, we feel that the passage of any Federal legislation at this time is unwarranted. We believe it would be for the best interests of all concerned for Congress to wait and see the results of this study—which will become available, in final form, in the near future.

As this subcommittee is no doubt aware, this Association opposed S.5 in the form it was originally introduced. We testified before the Senate Subcommittee on Financial Institutions setting forth our reasons for this opposition. We watched with a great deal of interest the progress this bill made as it moved from subcommittee to full committee to the floor of the Senate. We had naturally hoped the bill would not pass as we still feel such legislation is not necessary. However, in fairness to all concerned, we must state that S. 5, as finally passed by the Senate, is a much better bill than it was when first introduced.

We would also be less than candid if we did not add to this statement that we feel there are one or two provisions of H.R. 11601 that we feel would improve S. 5. We agree with Mrs. Sullivan and those who have been advocating this type of legislation for many years that if a Federal Act is passed it should cover every segment of the consumer credit industry. Therefore, we feel that provisions for open-end credit, along the lines provided in H.R. 11601, should be added to S. 5. We also feel that mortgage credit, whether first or second, should be added to S. 5.

Having said this, however, we must keep the record straight by expressing our opposition to some of the other provisions of H.R. 11601 that differ from S. 5; namely: A Federal usury statute—a statute imposing a ceiling on rates to