

a credit transaction was preceded by an advertisement which violated the law, apparently, could recover the civil penalty even though the creditor disclosed to him before the credit was extended all the information required by Section 203 and had thereby, cured any defects in the advertisement.

The advertising provisions of H.R. 11601 were copied from Senator Magnuson's proposed "Fair Credit Advertising Act." Senator Magnuson's proposal contains no civil penalties. It would, therefore, seem that application of civil penalties to advertising violations was inadvertent. H.R. 11601, like Senator Magnuson's Act, should rely exclusively on criminal penalties for enforcement of its advertising requirements.

The introduction to Section 206(a) (1) should, therefore, be amended to read:

"Any creditor who, in connection with a credit transaction, knowingly fails in violation of Section 203 (*except subsections 203 (j) and (k)*), or any regulation thereunder..." (New matter italicized.)

We believe that the net result of legislative action along the lines suggested in this statement will be a measure which would deal with the realities of the situation to which both S. 5 and H.R. 11601 are addressed. We strongly recommend, however, that such legislation should not include sections of H.R. 11601, not found in S. 5, providing for a statutory interest rate ceiling, prohibiting the garnishment of wages or confession of judgment, and authorizing the imposition of selective controls on consumer credit. Nor do we see any clear need for a National Commission on Consumer Affairs. Finally, the effective date of the legislation should be that prescribed by S. 5 rather than H.R. 11601.

We have attempted in this statement to treat what we regard as the more important provisions of S. 5 and H.R. 11601 as they affect our members.

By way of summation, we remain unconvinced that the anticipated benefits to the consumer from enactment of legislation in this field will be realized. And we continue to believe that the burdens imposed on small independent businessmen who sell automobiles, trucks and farm implements will far outweigh the supposed benefits accruing to consumers.

Nevertheless, if there is to be legislation, we would hope that the final version would include amendments to S. 5 proposed above along with the incorporation in S. 5 of those provisions of H.R. 11601 which we have presented and supported in this statement.

STATEMENT OF AMERICAN ASSOCIATION OF UNIVERSITY WOMEN, WASHINGTON, D.C.

Madam Chairman and members of the committee, the AAUW welcomes the opportunity to support enactment of a Truth-in-Lending or Consumer Credit Protection Act.

The rise in consumer debt over the past quarter of a century in its relation to either the Federal debt or to the disposable income of this country's wage earners has been astonishing. The rise in the cost to the consumer of such debt is in many instances equally amazing. Even the otherwise sophisticated fall prey to hidden charges, to misleading advertising and to small print in contracts. Many seemingly astute home buyers believe they are paying 6% interest a year, when in fact, they are paying 12%. Many otherwise "educated" purchasers of commodities fail to translate 2½% a month in finance charges into something that can be costing 30% a year.

While credit, used wisely and properly extended, can be useful both the the consumer and producer, we in AAUW, believe many current consumer credit practices are insupportable and harmful both to the stability of the economy and to the welfare of the public.

We believe the buyer has a right, when making a purchase on credit under contract, to information in writing on the total dollar amount of the credit charge, and to this dollar charge expressed as a true annual percentage rate on the outstanding or unpaid balance. In other words, we believe the consumer has a right to know, indeed, that the seller has an obligation to reveal the difference between the cost of an article sold for cash and the final cost of one sold on credit when paid for within a stipulated time. We believe that any incidental charges, such as charges for servicing the loan or for life insurance should be disclosed in writing to the borrower. We also believe that the disclosure requirement should be extended to cover the advertising of credit in order that consumers be in a position to make a comparison of the costs of different kinds of credit.