NEIGHBORHOOD LEGAL SERVICES CENTERS,
Detroit, Mich., August 23, 1967.

Hon. LEONOR K. SULLIVAN,
Chairman, Subcommittee on Consumer Affairs, House Committee on Banking and Currency, House Office Building, Washington, D.C.

DEAR MRS. SULLIVAN: I write you as the Research Director of the Neighborhood Legal Services Program of the City of Detroit, a part of the Administration's War on Poverty.

Our office has been functioning in assisting the people of our community for somewhat less than a year. Even in that brief span of time, it has become very clear to us that among the very basic problems faced by the poor are those of consumer credit sales and financing.

The poor are untutored in the wise use of credit and are prey to that segment of the comercial community which takes advantage of this lack of knowledge to deliberately induce credit buying beyond their means.

I was most pleased to read that your credit protection bill contains a prohibition on the garnishment of wages to settle debts. I have reluctantly come to the conclusion that this somewhat drastic remedy is absolutely necessary for the protection of the people of our community. I do not mean to belittle "truth in lending", or the other protections of the bill, but my experience here convinces me and convinces my fellow attorneys from the program, that mere disclosure is not adequate protection, and that there is the evil of garnishment which makes the oppression of the poor possible.

By and large, the poor of our community have not the same freedom of choice in purchasing as many other segments of our community. They lack the knowledge of the competitive sources, they lack transportation facilities, they are lured by promises of bargain rates, they consistently pay more for merchandise of lower quality, both in food and in household furniture and goods, then other segments of our community, and are deliberately lured into extending themselves beyond their own credit capabilities. We can see from our bankruptcy practice in Detroit, that the results of these problems and the cycle generally goes as follows:

A family will buy furniture beyond which it can afford on credit, usually for a higher price than the goods are worth, and for unreasonable credit rates; then having over-extended themselves, will, because of layoffs or family illness, be unable to meet the payments. They then borrow from the small loan finance companies where the interest rates are even greater and it is garnishment which then boxes them further into this trap from which there is no proper escape.

Even bankruptcy is not an adequate remedy. In the first place, it is not fair to the sellers, in the second place, it is available only once each six years, and in the third place and most serious difficulty, sellers and lenders in our area habitually sue the bankrupt after the completion of the bankruptcy proceedings, for fraud in obtaining the credit initially, and are usually successful. Thus, the buyer finds himself helplessly meshed in this trap, owing the credit merchant and the finance company and unable to meet his obligations as they come due and is threatened with garnishment which will cost him his job with no possible way out.

I would like very much to have appeared before your committee and testified as to the problems existing in our community, but it seems that there was not sufficient available time before your Committee. I hope you will consider this letter as my testimony and distribute it to the members of your committee.

Perhaps even stronger testimony than mine could be, was the response of the citizens of our community to the dispair which this sort of trap has led them into. Certainly, one of the large factors in causing the recent riots in our community was precisely this problem. It is significant to note as you travel down the ravaged streets of our community, that the three major types of stores which were looted and burned, frequently standing next to untouched business places, were grocery stores (where the prices were high and quality low), credit furniture stores and pawn shops. Several of the stores which were burned caught fire from the credit records being burned by desperate people in an improper attempt to avoid a despairing trap. Something must be done to give these people, most of whom are really trying hard, a better alternative than burning the credit records of our stores. And I feel that the garnishment provision of your bill is the greatest step possible in that direction.