

The remainder of title I of the bill would make substantive changes unrelated to the disclosure of finance charges, which is the subject matter of S. 5. Section 203(1) would prohibit any finance charge for credit to natural persons which exceeds 18 percent. Section 203(m) would prohibit notes authorizing the confession of judgment against a debtor. Section 207 of the proposed title II would direct the Board of Governors of the Federal Reserve System to prescribe regulations governing the amount of credit that may be extended or maintained on commodity futures contracts. Section 208 would provide the Board with standby authority to restrict or control the use of consumer credit whenever the President determines that a national emergency exists. Section 209 would give the Board certain powers of administrative enforcement with regard to violations of the title.

Title II of the bill would prohibit the attachment or garnishment of wages or salary due to an employee.

Title III of the bill would establish a bi-partisan National Commission on Consumer Finance. The Commission would be composed of nine members: three members of the Senate appointed by the President of the Senate, three members of the House of Representatives appointed by the Speaker, and three persons appointed by the President. The Commission would study and appraise the functioning and structure of the consumer finance industry, and would be required to report to the President and the Congress, by December 31, 1969. The report would include treatment of (1) the adequacy of existing arrangements to provide consumer financing at reasonable rates; (2) the adequacy of existing supervisory and regulatory mechanisms to protect the public from unfair practices; and (3) the desirability of Federal chartering of consumer finance companies.

In his message to the Congress on February 16, 1967, on consumer protection, the President said:

"I recommend the Truth-in-Lending Act of 1967 to assure that, when the consumer shops for credit, he will be presented with a price tag that will tell him the percentage rate per year that is being charged on his borrowing.

"We can make an important advance by incorporating the wisdom of past discussions on how the cost of credit can best be expressed. As a result of these discussions, I recommend legislation to assure—

"Full and accurate information to the borrower; and Simple and routine calculations for the lender."

The original version of S. 5 would have required all revolving credit plans to disclose the annual percentage rate at the time the account was opened and on the periodic monthly statements. In the report dated April 12, 1967, to the Senate Banking and Currency Committee on S. 5, this Department fully endorsed the principle that the total cost of obtaining credit should be clearly disclosed to a potential user, both in terms of dollars and annual rate. Also, the original S. 5 would not have provided exemptions for small credit transactions and first mortgages.

S. 5 as passed by the Senate would allow such exemptions and would allow the interest rate on most revolving accounts to be stated on a monthly rather than annual basis. Thus, for example, in most instances, a creditor could state the rate on purchases charged to a revolving account at 1.5 percent a month rather than 18 percent a year.

The Department believes that all types of creditors and all types of credit transactions should be treated equally and impartially to the greatest extent possible. Accordingly, the Department supports the proposed provisions of H.R. 11601 which would require disclosure of an annual percentage rate by all creditors without exceptions or special treatment for revolving credit, transactions involving less than \$10 in credit charges, and first mortgages. We also support the provisions which would extend the disclosure of credit costs to advertising. We believe that these provisions would more fully implement the recommendations of the President with regard to disclosure of finance charges.

In addition, the Department would have no objection to a comprehensive study of the consumer finance industry. However, it would appear that such a study could best be accomplished by an existing agency of the Federal Government or by the Congress. We believe that those other provisions of H.R. 11601 which are not related to the disclosure of the cost of credit should receive extensive study and that their consideration by your Committee at this time should not be permitted to delay action on effective truth-in-lending legislation. Those provisions, however, would appear to be proper topics for study.