credit arrangements. In some small transactions, finance charges that are low in dollar amount but exceed 18 per cent when converted to an annual percentage rate may be justified to compensate the creditor for relatively high out-of-pocket handling costs. Under those circumstances, an 18 per cent ceiling could cut off extensions of credit. For other kinds of credit needs that can be met at lower rates, an 18 per cent ceiling might tend to become a floor as well as a ceiling, resulting in higher costs to the borrower. We agree with the principle expressed in the Senate Banking and Currency Committee's report on S. 5, that "full disclosure of credit charges (should) be made so that the consumer can decide for himself whether the charge is reasonable (S. Report 392, p. 1)."

Another provision of H.R. 11601 would grant to the Board authority to impose broad controls over the use of consumer credit upon a determination by the President that a national emergency exists which necessitates such action. The Board believes that standby authority of this kind could prove useful under certain conditions, although it clearly is not needed at present. We do not regard this authority. However, as a method of protecting consumers. Rather, it is a means of curbing consumer demands at times of unusual stress when the economy could not satisfy those demands and at the same time meet higher-priority needs such as the defense of the nation. As was demonstrated only last year, authority for consumer credit controls is also a controversial matter. We hope, therefore, that your Committee will act favorably on disclosure legislation without jeopardizing its enactment by inclusion of this additional authority.

Sincerely yours,

WM. McC. MARTIN, Jr.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., August 3, 1967.

Hon. WRIGHT PATMAN,
Chairman, Committee on Banking and Currency,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request of July 22, 1967, for a report on H.R. 11601, the "Consumer Credit Protection Act."

This Department endorses the provisions of this bill requiring disclosure of the cost of credit.

The bill provides for full disclosure of, and maximum rates for, finance charges to consumers, authorizes regulations of credit for commodity futures trading, provides machinery for controlling credit during national emergencies, prohibits garnishment of wages, and creates a commission to study the need for further regulation of the consumer finance industry.

Farmers, as well as others, are entitled to know the actual annual percentage rate for the cost of credit incurred in the purchases of goods and services. We believe the proposed legislation can combat ignorance and exploitation in the field of credit and save farmers many millions of dollars annually. This Department defers to the Department of Treasury for comment on the details of procedures for disclosure of the cost of credit.

Section 201(b) and Section 207 of H.R. 11601 are concerned with the regulation of speculation and the use of credit in trading on commodity futures contracts. In the past this Department has advocated regulation of margin requirements on commodity futures transactions when excessive speculation is causing undue price fluctuations. In line with our concern we have recently commissioned a study related to this question. Pending a careful analysis of this study we are not in a position to make a judgment with respect to these provisions of the bill. We suggest that these provisions, and others not related to the disclosure of credit charges, be considered separately following a thorough study of the problems they pose.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program, and that enactment of legislation to provide for full disclosure of credit charges would be in accord with the President's program.

Sincerely yours,

ORVILLE L. FREEMAN.