

SMALL BUSINESS ADMINISTRATION,
Washington, D.C., August 4, 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 letter of July 22, requesting the comments of this Agency on H.R. 11601, the "Consumer Credit Protection Act."

Congressman Leonor Sullivan, in her introductory remarks on the floor of the House on July 20, noted that many sections of this bill are controversial, but stated that it was being introduced with its multiplicity of titles "for the purpose of outlining and dramatizing the scope of this (consumer credit) issue, and as a vehicle for hearings."

The principal title of H.R. 11601 is its Title I, on "Credit Transactions"; and the principal provision therein, in our estimation, is that regarding credit disclosure. This Agency has gone on record as having strongly favored S. 5, the Senate-passed "truth in lending" measure. We therefore take this occasion to reiterate our support for the type of consumer protection which mandatory disclosure of finance charges will afford.

Mrs. Sullivan has likewise suggested that the additional and admittedly controversial features of her bill "will not be permitted to stymie effective 'Truth-In-Lending' legislation," now that that measure has already been passed by the Senate. The Small Business Administration would favor just such a balance of priorities, and would hope that—whatever the fate of the bill's other parts—a credit disclosure measure will be enacted.

The bill would also prohibit the garnishment of wages in any situation. Mrs. Sullivan's press release on the bill state the following rationale:

"... the garnishment of wages is frequently an element in the predatory extension of credit and ... such garnishment frequently results in the disruption of employment, production, and consumption, constituting a substantial burden on interstate commerce."

Garnishment is very often the only legitimate means in the employ of a businessman-creditor for final satisfaction of business debts due him. With regard to this section of the bill, then, as well as that proposing a National Commission on Consumer Finance, we would recommend very careful consideration before any action is taken thereon.

The Bureau of the Budget has advised that there is no objection to the submission of this report, and that enactment of legislation to provide full disclosure of credit charges would be in accord with the President's program.

Sincerely yours,

ROBERT C. MOOT, *Administrator.*

THE WHITE HOUSE,
Washington, August 4, 1967.

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

DEAR MR. CHAIRMAN: This report is in reply to your request for the comments of this office on H.R. 11601, a bill to safeguard the consumer in connection with the use of credit under prescribed conditions of disclosure and for other purposes. The bill is to be known as the "Consumer Credit Protection Act."

The bill would amend the Federal Reserve Act by adding a Title II providing for full disclosure in consumer credit transactions including advertising, a national usury law and other particulars, including the provisions of S. 5, 90th Congress, as passed by the United States Senate, but going beyond the scope of the latter bill. Among other things, H.R. 11601 also provides for the prohibition of the garnishment of wages and the establishment of a national commission on consumer finance to examine and evaluate the consumer finance industry.

Section 201 recites the need for full disclosure of consumer credit terms, a requirement to regulate the speculation and excessive use of credit in commodity futures contracts and the advisability of establishing a stand-by authority for the emergency control of consumer credit.