

The definitions of Section 202 follow generally the definitions of S. 5, 90th Congress, dated July 12, 1967, except for the following additional beneficial changes for the consumer.

The definition of "finance charge" (Sec. 202(d)) includes, among other important items, the cost of any guarantee or insurance protecting the obligor's default or other credit loss. Current news reports, testimony in the Congress, as well as hearings held in several of the States, report excessive premiums charged consumers for credit insurance and illustrate the opportunity to increase the yield to the creditor at the expense of the debtor by saddling him with such high cost additions. Credit insurance amounts frequently to a substantial additional cost to the debtor when obtaining credit. Therefore, to provide true comparability as between creditors' rates, credit insurance should be itemized and included as a line item cost factor in determining the total finance charge. H.R. 11601 provides an adequate standard of full disclosure that will be of material assistance to the prospective debtor in his quest for the most desirable or economical source of credit.

The definition section of H.R. 11601 has also strengthened the full disclosure principle by permitting no exceptions to stating finance charges on annual percentage rate basis on the grounds that some credit accounts are "installment open-end plans" as now permitted in the Senate bill. We think it important to prohibit such exceptions. While revolving credit now represents a relatively small proportion of the total consumer debt, it is growing and with such a loophole, it may burgeon even more rapidly by businesses seeing the advantage of avoiding full disclosure by converting to this form of credit plan. Treasury Department officials and others, including Massachusetts businessmen, have shown that revolving charge accounts can be accommodated to the system.

Section 203 requires the disclosure of finance charges as defined in Section 202 and parallels the excellent disclosure provisions of S. 5, 90th Congress, dated July 12, 1967, but with some added improvements.

First, credit charges under \$10 are not excluded from the coverage of the bill. We think it important to have no exceptions by degree of the amount involved, for it is in this area that the poor and disadvantaged are subject to abuse. Their small purchases can, in the aggregate, be burdened with excessive credit charges. They are citizens to whom the cost of \$5 worth of credit is just as important, if not more so, than a \$50 credit charge to a more affluent member of society. If sales taxes can be readily computed on small amounts, so can the annual percentage rate.

Of great significance to consumers is the language of subsections 202(i), 203(j), and 203(k), which provide that creditors advertising and consumer credit sale in interstate commerce, extension of credit or open-end credit plan, must clearly set out the details of the offer to include the cost of the finance charge expressed as an annual rate. This requirement of H.R. 11601 allows the consumer to begin his shopping for credit at home rather than at the store. Full disclosure of terms when the family is discussing the advisability of using credit in the privacy of the home is surely more conducive to the wise use and selection of credit sources. Full disclosure in advertising should increase competition with resulting benefits to both the creditor and the borrower. Hopefully, with respect to the latter, the credit charges of the high rate lenders will tend to lower.

Section 204 provides guidelines for the issuance of regulations by the Board and includes provisions for coordination with other Federal agencies and the establishment of an Advisory Committee. We think these features of the bill will aid in providing improvements in the administration of the Act in the years ahead.

Section 205 preserves the laws of the States to the extent they are not inconsistent with the bill and appears to take cognizance, among other things, of the concern of some to preserve the time-price doctrine.

In paragraph (3) of Section 206(a) on page 23 at line 7, the time for bringing a court action is limited to one year. It is recommended that the statute of limitations be extended to four years since the laws of several States run to four years. Moreover, a long limitation period is advisable in the interests of the consumer.

Section 209 provides for administrative enforcement of Title II. The agency responsible for enforcement of this bill should have appropriate powers in order to curb the acts of the unscrupulous few. Otherwise, the benefit of this bill might well be illusory to the consumer. The drafters of H.R. 11601 are to be especially commended for making it possible for the administering agency to bring an action on behalf of the consumer by serving a complaint, stating its