

charges, and then calling a hearing. Often today, the consumer is unable, does not know how, or cannot afford the cost of pursuing a claim against the creditor.

This Committee believes that several portions of H.R. 11601 are worthy of study although they do not specifically relate to the full disclosure provisions of that bill. This office recommends that the subjects advanced in subsection 203(1), calling for a national usury law; in subsection 203(m), which would outlaw the cognovit note; and Title II, which would prohibit the garnishment of wages, all be deferred for further study. Their individual significance for American consumers certainly merits full attention and complete analysis.

The cognovit note, or confession of judgment against the debtor is a creditor's remedy which is now prohibited in some States. This practice has often been used by creditors to the detriment of the legal position of consumers. The President's Committee strongly urges that it be the subject of further study so that its full implications can be completely evaluated.

Title II of the bill would prohibit the garnishment of wages. This office believes that at present garnishment as it affects debtors, employers, and creditors should also be the subject of intensive investigation. Therefore, we welcome the study now being conducted by the Attorney General, the Secretary of Labor, and the Director of the Office of Economic Opportunity. It is our hope and expectation that the study will point the way to a proper and equitable solution to this problem which particularly affects low-income groups.

While this office believes that the objectives of Title III to study the consumer finance industry are laudable, we also believe that such a study should be separated from H.R. 11601. It could provide valuable data and suggestions for action in such areas as deficiency judgments, unconscionable contracts, licensing requirements and debtors' remedies. However, we should first determine if the study can be better and more economically performed by an existing agency.

Therefore, since it is our desire to advance the full disclosure portions of H.R. 11601, we wish to strongly support all such provisions of the bill. The legislative philosophy of H.R. 11601, which recognizes that the consumer, to effectively fulfill his role in the marketplace, must be an informed consumer, is in full accord with the viewpoint of the President's Committee on Consumer Interests.

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

Sincerely,

HOWARD FRAZIER,

(For Betty Furness, Special Assistant to the President for Consumer Affairs).

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
August 4, 1967.

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

DEAR MR. CHAIRMAN: This letter is in response to your request of July 22, 1967, for a report on H.R. 11601, a bill "To safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes."

The bill, which is considerably more comprehensive than bill S. 5, would provide for the full disclosure of the terms and conditions of credit in connection with consumer credit transactions by requiring each creditor to furnish to each borrower information in accordance with regulations prescribed by the Board of Governors. In the case of consumer credit sales and extension of credit the