

creditor would be required to furnish the details of the transaction including the total amount to be financed, the amount of the finance charge expressed as an annual percentage rate, the number, amount and due dates or periods of payments scheduled to repay the indebtedness and the default, delinquency or similar charges payable in the event of default. With respect to open-end credit plans, the creditor shall disclose to the person to whom credit is extended information concerning the conditions under which a finance charge may be imposed, the method of determining the balance upon which a finance charge will be imposed, the method of determining the amount of the finance charge, the annual percentage rate of the finance charge and in the case of an installment open-end credit plan, the equivalent annual percentage rate and the conditions under which any other charges may be imposed.

H.R. 11601 also provides that no creditor may state or otherwise represent in any advertisement in or affecting interstate commerce that specific terms are available with the purchase of goods or services or the obtaining of a loan or the extension of credit under an open-end credit plan unless the advertisement clearly and conspicuously sets forth details including the finance charge expressed as an annual percentage rate or in the case of open-end credit plans the percentage rate per period and the annual percentage rate of the finance charge to be imposed.

The bill provides that no creditor may demand or accept any finance charge in connection with any extension of credit which exceeds the maximum rate under applicable State law or 18% per annum, whichever is less, and that no creditor may demand or accept in connection with any extension of credit any note or other document authorizing the confession of judgment against the debtor.

Regulation of credit for commodity futures trading by the Board of Governors is authorized by this bill and the Board is further authorized to issue regulations to control the extension of consumer credit whenever the President determines that a national emergency exists which necessitates such action.

Title II of the bill would outlaw the garnishment of wages by providing that no person attach or garnish wages or salary due an employee or pursue in any court any similar legal or equitable remedy which has the effect of stopping or diverting the payment of wages or salary due an employee.

Title III provides for the establishment of a National Commission on Consumer Finance, which shall study and appraise the functioning and structure of the consumer finance industry and make recommendations to the Congress.

In regard to the Department's Federal Credit Union Program the requirements of the bill for disclosure of finance charges as an annual percentage rate would not impose a burden upon Federal credit unions. From the beginning the Federal Credit Union Act has limited interest charges to a rate not exceeding 1 percent per month inclusive of all charges incident to making the loan. The conversion to an annual percentage rate would pose no problems. The requirements concerning the advertising would likewise present no difficulty for Federal credit unions.

While some Federal credit unions in some States utilize cognovit notes the prohibition of their use as prescribed in this bill would not be a hardship. Neither would the prohibition of the use of garnishments or wage attachments seriously adversely affect the operation of Federal credit unions.

In summary, we endorse the provisions of the bill which will provide the consumer with a full disclosure of the terms and conditions of finance charges and permit him to make an informed judgment concerning the use of credit. We have no comment on the other administrative and procedural aspects of H.R. 11601.

We are advised by the Bureau of the Budget that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

WILLIAM J. COHEN,
Under Secretary.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF EMERGENCY PLANNING,
Washington, D.C., August 10, 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 for an expression of the views of this Agency concerning H.R. 11601 of the 90th Congress, entitled "Consumer Credit Protection Act."