

Interestingly enough, this joint action was stimulated by a veiled threat from the Securities and Exchange Commission to apply the anti-fraud provisions of the securities acts to advertising by financial institutions.

C. Supply Side of the Consumer-Credit Market

To appraise the adequacy of a legislative program which controls market practices of sellers and lenders, several factors must be considered. An effective program must be of sufficient scope to encompass within its provisions all types of credit transactions and institutions, covering all consumer goods and services. The effective program must provide for the licensing and supervision of lenders, and must include appropriate sanctions for abusive activity. Further, the legislation, if it is going to accomplish its objectives, must indicate what contract provisions are to be required, permitted, or prohibited; it must also specify the requirements for inclusion of provisions covering insurance, extensions, and refinancing, as well as the procedures as to collections, defaults, and repossessions. Lastly, the legislation must establish the rate-determination process.

Many of the above factors exist, in varying degrees, in legislation which often takes the shape of small loan laws. The included types of transactions and institutions, the licensing and related items, and rates are reasonably well covered. In addition, state requirements relative to contract terms generally present no great economic issue beyond the elimination of coercion, fraud, or deceit. Several practices, however, still remain in the category of unfinished consumer-protection business.

Credit-Rating Bureaus. For their own protection, lenders have set up a system of credit-rating bureaus. While this system is now mainly local, it is in the process of being developed into a national network. In an age in which access to credit can be a very important aspect of a consumer's economic welfare, a close examination of the operation of such credit-rating bureaus is necessary, and public control of them may be required. In too many instances, consumers have been forced into paying debts by a form of blackmail which insinuates that the credit-rating-bureau files will forever bar that delinquent customer from access to credit anywhere in the world. In some of these cases, payments were made on demands that never should have been honored. In other cases, reputations of debtors and consumers have been blackened and credit denied on the basis of completely unjustified allegations conveyed to the credit-rating bureau. In a recent newspaper article, Vance Packard wrote:

An acquaintance discovered quite by accident that his local credit bureau, in a litigation report on him, said he had been the target of three law suits for failure to meet commit-