III. ALTERNATIVES

I wish to conclude this testimony by pointing out the alternatives for public policy. If you pass the bill in essentially its present form, you will provide a standard of disclosure that will be universal throughout the common market of these United States. It will expedite the excellent work of the Committee preparing the Uniform Consumer Credit Code by relieving them of what is, for them, a most difficult decision. Consumer education can become much more effective once the terms of credit are defined and made meaningful. The rates will stimulate a more price competitive market. And as the market comes to recognize the legitimacy of rates up to 36% and 42% there will be greater opportunity for differentiation by loan customers. The administering agency can proceed directly in accordance with Section 5(c) to establish an advisory committee. With their advice and counsel it can exercise its powers to prescribe reasonable tolerances of accuracy, and to make rules and regulations consistent with the bill. I feel certain that with the bill passed the experts of the finance industry will be extremely helpful in developing workable procedures.

The alternative is to maintain the status quo. I hope this will not prevail. I can best tell you why if you allow me to share some of my experiences. As a conscientious consumer, student, and teacher, I have taken time whenever I could to learn about credit. This has taken much time. Unlike many of my consumer friends I can justify the investment cost that persistent inquiry involves because I need to know about such matters to keep informed as a teacher. Nevertheless I wish to emphasize that there is a tremendous cost in being a responsible consumer, and I feel this bill would reduce that cost.

1. In my 1960 testimony I told of my efforts to help my secretary understand her car refinancing terms. She was dealing with a large reputable national car financing firm. This resulted in 15 letters, long distance calls, and a 100 mile trip. Had S. 5 been in effect at that time, none of this expense would have been necessary. Incidentally, as the facts were made known, an error in arithmetic was discovered.

My second experience was in regard to revolving credit. I wanted to learn how it worked, so I sent students to find out. We developed a billing sequence so we would have comparable data. One large chain refused to work out the problem, and their literature was not clear with respect to such words as "small service charge" or the "unpaid balance". I had a credit card with this company and knew the credit manager, so I made inquiry and was also told it was policy not to supply such information. So I brought some shirts, charged them on my revolving credit account, allowed my bill to accumulate, and sent the problem along with my payment. The letter ended up not at the regional office, but was answered by the national office. Had S. 5 been in effect then, I would not have been such a nuisance. The information they would supply as a standard procedure would have enabled me to get the information *as a RIGHT* and not a courtesy.

My last example is less pleasant. Dr. Johnson writing in a journal article had raised a question concerning the legality of a situation Miss Courter and I hypothesized in our artice, "Are Credit Terms Quoted Accurately?":

> And, often this dollar add-on is not advertised in dollars, but deceptively as a percentage. Only the very sophisticated consumer can recognize an advertised 5% car loan to be the equivalent of 9.5% simple interest.

I referred the matter to the Attorney General of Kansas who in 1964 advised that the advertisement of a dollar add-on-rate as a percentage or percentage discount is clearly misleading within the meaning of Kansas statute. Furthermore, he invited me to advise him if I knew of any such instance.

A month later I noticed a billboard advertisement of a bank 5% car loan. I sent him a picture of it. Last August, over two years later, I noticed this same bank was advertising an offer to borrow at 5% and lend at 5%. I took a picture of this situation and used it for the cover of Pamphlet #17.

Now, it is not my proper role as a professor to engage in policing the market, so it seemed inappropriate for me to institute legal action. However, this is not an isolated case. In the June 29, 1964 issue of *U.S. News and World Report* page 85–6 there was a feature article on a report of the Consumer Advisory Council. In the course of this interview I struck boldly at the bank advertisements of 3% car financing then current.

Although this bill makes no provision for the regulation of advertising, it does establish a standard appropriate factual disclosure. As such it will create an attitude of expectation that will make such advertising less likely.