

In the interest of preventing abuses in closing cost charges, the Consumer Advisory Council recommends that the Special Assistant for Consumer Affairs request reports from the Federal Agencies concerned, particularly the Housing and Home Finance Agency, the Home Loan Bank Board, the Veterans Administration, the Board of Governors of the Federal Reserve System, and the Comptroller of the Currency which will:

- (1) appraise present practices, and
- (2) formulate those policy recommendations which can be implemented under present legislative authority, and other recommendations which would require specific legislation.

6. BANKRUPTCY AND INSOLVENCY

The Consumer Advisory Council has noted with alarm the rise in consumer bankruptcies, the lack of uniformity in use of chapter XIII throughout the Nation, the abuse of wage assignments and garnishments and the failure of contracts to convey meaningfully to credit users essential facts in the credit contract and their rights and responsibilities as creditors.

At its March 1963 meeting, the Consumer Advisory Council recommended research into the manner in which families use credit, and into the causes for misuse of credit leading to bankruptcy and debt adjustment. And, in December 1963, the Consumer Advisory Council included in its stated scope of activity for the coming year, study of "the social pathology of consumer credit addicts."

There is growing interest in and concern about consumer credit. Suggestions have been received by Mrs. Peterson indicating that those directly concerned with bankruptcy, namely, the referees and trustees in bankruptcy could contribute greatly to and would participate in a conference concerned with the debtor.

The Consumer Advisory Council recommends, therefore, that a Committee of the Federal referees in bankruptcy, trustees in bankruptcy for wage earners plans, representatives of the Department of Labor concerned with garnishment and wage assignment, representatives of the Housing and Home Financing Agency, the Veterans Administration and from the Bureau of Federal Credit Unions be formed and that a conference be called to:

1. formulate recommendations regarding revision of the Bankruptcy Act
2. review wage assignment and garnishment practices and recommend model legislation
3. develop a uniform credit contract form
4. appraise the variety of methods by which the credit eligibility of a consumer is assessed, and recommend improvements
5. suggest improved methods for meeting the credit needs of low income families.

7. PESTICIDES

(Not relevant to credit.)

AUGUST 5, 1967.

From : Richard L. D. Morse

Subject : Suggested amendments to Title II of H.R. 11601.

H.R. 11601 presents a significant improvement over S. 5 as passed by the Senate. The purpose of this memorandum is to call attention to specific portions of H.R. 11601 which do not fully meet the declared purpose of the bill. It is recommended, therefore, to:

1. Delete on page 5 sec. 202(d) (1) (A)

Reasons

(1) "fees and charges . . . for determining . . . perfecting . . . or releasing or satisfying any security related to a credit transaction" are clearly an incident to the extension of credit.

(2) The purpose of H.R. 11601 is not to reveal creditor's profit margins, but to enable consumers to comparison shop. Lower rates could be quoted by creditors who reduce the risk of inferior collateral by so perfecting the security at the expense of the consumer. This extra cost complicates comparison shopping and shifts to the consumer the cost of perfecting the security.

(3) If creditors bear the cost, they will be less inclined to burden public officials with unnecessary paper work; they will incur this cost only for doubtful cases, that is, for risks higher than those normal to the creditor's type of operations.

2. Change on page 5 subsection (B) to read subsection (A) of sec. 202 (d) (1).