Time Price: The total amount payable by a debtor under a deferred payment contract in purchase of goods or services.

Time Price Differential: Difference between time payment price and cash price when goods are sold on credit.

Total Amount to be Financed: The total credit extended, excluding the finance charge (S. 5).

True Rate: The rate as computed by the actuarial method.

United States Rule: A ruling by the United States Supreme Court that in partial payments, interests computed on the unpaid balance for the elapsed time at the stated rate, is first deducted and any remainder applied to reduce the principal. Unpaid interest cannot be added to the principal or compounded.

Unpaid Balance: The principal.

Wage Assignment: A transfer of the right to receive wages by the debtor to the creditor: from the assignor to the assignee.

Waive: A release from some performance or duty that could be legally or morally enforced.

Yield: The amount of interest or finance charge a credit instrument generates as it is paid out.

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KANSAS STATE UNIVERSITY,
DEPARTMENT OF FAMILY ECONOMICS,
*Manhattan, Kans., August 16, 1967.*

MRS. LEONOR K. SULLIVAN,
*Chairman, Consumer Affairs Subcommittee, Committee on Banking and Currency, House of Representatives, Washington, D.C.*

DEAR MRS. SULLIVAN: I am pleased to answer Mr. Annunzio's request for certain information concerning Miss Leonard's study of the impact of the DoD Directive on creditors. The first seven pages of the full study summarize findings and give recommendations and observations. These are attached. Copies of the full study are available from this department.

Mr. Annunzio asked specifically about the "loophole" in the Directive that permits creditors to circumvent the intent of the Directive which is to require full disclosure to the serviceman before he is obligated. Actually, the "loophole" allows the disclosure to be made after the credit is granted, so that the filing of the Certificate of Compliance becomes an approved method for burdening the DoD with the collection of debts. This "loophole" can be corrected with the amendment suggested.

Two other observations are noted which would require DoD attention:

(1) Creditors generally fail to include insurance premiums in the total finance charges; although, the Directive is explicit in this regard.

(2) Retailers have not been advised by the DoD as to the full meaning of that portion of the Section X, E which exempts revolving or open end credit ". . . if the account shows the periodic rate and its annual rate equivalent and the balance to which it is applied to compute the charge."

The Directive is an excellent document. If properly executed, it can make a significant contribution to the welfare of servicemen and greatly reduce involvement of the armed services in consumer credit abuses.

Respectfully submitted.

RICHARD L. D. MORSE, *Professor and Head.*

## EFFECT OF DEPARTMENT OF DEFENSE DIRECTIVE NO. 1344.7 ON CREDITORS BORDERING FORT RILEY

(By Louise Leonard, Assistant Instructor)

### RECOMMENDATION

It is recommended that the "loophole" provided by Section X, B, 2 be closed for it enables credit grantors to obtain the assistance of the military in the collection of debts from servicemen who were not given the full facts about the credit at the time the debt was contracted. Only credit contracted prior to July 1966 or the serviceman's induction into the military should be eligible for assistance of the Department of Defense (DoD) in debt collection without the credit grantor, supplying evidence of having fully met the borrower's right to be informed at the time the credit was contracted.

The Directive was written with the expectation that all who sell or loan to military personnel would subscribe with the Standards of Fairness and make Full Disclosure (Section IX, B). The Full Disclosure Form was designed to