

look out for. In almost every field we have surveyed, whether it is food, furniture, sales in the home, the problems of credit, its uses and abuses figure most prominently and that is why I consider the legislation you have proposed of vital importance to this city. Indeed, the protection of the consumer is of such direct interest to the city that we have been strongly considering the introduction of local legislation along the very lines that you are now proposing nationally. I am pleased that we are now, in a sense, able to join forces.

I have seen the list of witnesses who have testified before your committee in Washington, and I will not repeat the evidence presented on the national need for this legislation. I will cite rather the special problems of New York City, the nation's largest city, the city with the largest numbers of poor people, the city with the largest number of non-English speaking consumers who need special protection in seeking goods and credit.

We live in an ever expanding credit economy. The rich and powerful buy, sell, and control vast corporate enterprises on credit. The middle class buy homes, autos, major appliances—on credit. The poor live on credit, often meeting their daily needs on the basis of money to come, to be earned, or to be hoped for.

We are discovering in New York City, as we survey every field of consumer activity that, with some exceptions, the poor generally pay more. They pay more for food at a local grocer because they can't afford to shop for cash at the supermarket. They pay more for household furnishings because they don't have the cash with which to shop for true bargains. They pay more for money as well, because bank credit is not often available to them, few belong to credit unions, and fewer still have developed the basic economic and social institutions through which the lending and borrowing of money becomes a routine and available service rather than a profitable, or in some instances, as your bill states it, a predatory enterprise.

The poor not only pay more but in a real dollar sense, they often pay more for the privilege of paying more. Here's how it works: The local merchant in a poor neighborhood needs a higher profit margin than the big department store. His volume is less, his risks are greater. Above all his cash flow is much narrower, for his chief attraction to the neighborhood customer is credit. Now, in order to meet the price, the customer enters into a credit transaction. He often doesn't realize that his signature at the store or in his home means more cash out of his pocket, from his family income or even his future earnings. Our Consumer Council and our Markets Department, every week receive scores of complaints from such consumers who realize that their \$300 bedroom set comes to \$1000 when they are through paying; and, indeed, that they might even be forced to continue to pay even though the furniture already has been repossessed. Many of these operations are within the present law—for sharp practice is not always illegal or fraudulent. I am, therefore, most gratified that the bill you have proposed, different from the Senate version, would require full, true meaningful disclosure of interest rates in every credit transaction, including the revolving credit system practiced by retailers in the ghetto market.

Under this system, the unwary consumer can pay interest-on-interest for a succession of goods, with a retailer almost absolved of responsibility because the contracts of sale have in turn been sold to a finance company. This is how the customer who suddenly cannot pay any more, or realizes that he has been bilked and refuses to pay more, can suddenly find himself with goods repossessed by the store and his wages garnisheed by the finance company.

Full disclosure, while by no means a bar to such transactions or a cure for their tragic consequences, sets up an important warning system for the consumer. But the disclosure must be not only in dollars, but as an annual rate of interest by percentage. I therefore regard Title II of your Bill, Sec. 202, paragraphs i and j, which would require disclosure of interest by annual percentage rates as a key provision for consumer protection. If a customer knows that he is required to pay 30, 50, or even above 100 percent of his purchase price in interest over a period, he is far more likely to think twice before giving his signature so freely.

The provision of paragraph K of the same section limits the credit rate to 18 percent a year (which is the common bank rate for personal loans or credit cards such as the new "Everything Card" put out by a major bank in New York) would have some interesting effects. Eighteen percent is below the maximum rate allowed by the New York State Banking Department, which regulates the credit industry here. The small personal loan or finance companies who operate at high risks, generally demand and receive higher interest rates. Would imposing a