

banks and finance companies, appliance stores and furniture stores—all advertise the ease of buying on credit. The consumer is barraged with a spate of variations on "buy now, pay later": A used car ad invites him to buy on long, low, easy, bank terms. A TV retailer's ad entices him with "No down payment, 24 months to pay." And a bank offers "up to \$2,000 just on your signature, a year to repay." But none of the ads tell him just how much this easy credit will cost him.

These advertisements—and the retailing practices they promote—have, of course, been remarkably successful in our affluent society. As more families with more income—3 out of 10 families now earn over \$10,000 a year—see more products to choose, they buy, and buy, and buy—and they do it on the installment plan. The amount of credit buying has multiplied seventeen times since the end of World War II, four times in the last fifteen years. Short-term consumer debt is now nearly \$100 billion, and when mortgages on one-family and other homes up to 5 units are thrown in, Americans owe well over \$300 billion, almost as much as the national debt. Mortgage debts aside, about half the labor force is buying something on the installment plan. And the typical worker spends \$1 of every \$4 in his pay envelope to pay for the car or television set or refrigerator that he bought on time.

What is wrong with this picture is that the hard-pressed wage earner was never told—either in the advertisement or at the time of sale—the true cost of the credit involved. If more Americans are buying on credit, more are being deceived by misstated finance charges; more are victimized by disreputable lenders and sellers.

Reputable banks here in New York City advertise personal loans at "\$5.25 per year, discount, for every \$100 you borrow." They do not say that, even though the money is paid back a little each month, the interest charges are calculated as though all of the money is kept by the borrower for the whole year. This doubles the true interest rate from the quoted 5¼ percent, and the word "discount" means that there are added charges which bring it to over 12 percent.

Reputable department stores promote revolving credit plans at a cost of 1½ percent a month. This sounds inexpensive enough—but many do not stop to calculate that this is 18 percent a year, and most do not know that the store's accounting practices may increase the effective rate to a far higher level.

And if reputable institutions understate the cost of credit, or imply that it is less than it is, there are thousands of other stores and dealers who are far less scrupulous. This Committee's files are full of the worst reported cases—the man in Chicago who paid 283 percent interest for a car, the lady who bought a \$123.88 TV set for 24 easy payments of \$17.50—an interest rate of 229 percent. And the fact is that you and I can shop absolutely at random in any city in the United States and find interest rates—which we must calculate for ourselves, if we are able to—anywhere from 20 to 50 percent and on up for everything from cars, to furniture, to appliances, to jewelry, to small loans.

We hear much about the fact that the poor pay more—and they do. The most shocking cases of overreaching are generally of poor people, who cannot afford a down payment, are attracted by low monthly payments, and are unsophisticated about the total cost they will end up paying. They fall victim more easily to aggressive salesmanship, to contracts disguised as receipts, to unconscionable collection procedures. And I have no doubt that resentment against exploitation is one of grievances being expressed in the riots which have ripped our cities.

But the failure of banks and department stores and auto dealers to convey all the facts about their credit policies affect almost every American. The suburban housewife and her wage-earning husband must make dozens of decisions every year about how to finance family needs—a new car, a vacation, clothes for the children, a patio in the backyard. Will they take money out of the savings account or sell some stocks or obtain a small loan or obtain a loan on a life insurance policy or buy on credit? Time after time they buy on credit, not realizing that they are paying an annual interest rate of 18 percent, and that it would be much cheaper to take the money out of savings or even to borrow it at a bank. They simply do not know—are not told—enough to make an informed decision about what is, after all, a very complex matter. Indeed, the whole thing is obfuscated for them by a welter of gimmicks—"add-ons," "discounts," "service