

finance charges amounting to \$10 or less would be exempt, or purchases involving such charges would be exempt.

Now, if the \$10 or less finance charges are eliminated, doesn't this leave the way open for the seller in the instances of purchasing several pieces of furniture, for example, to handle each transaction separately, hence getting around the exemption even through the amount of the purchases involve much more than the \$10 finance charge?

Miss TARCHER. I think you are right. I think it does lend itself to that abuse. I want to make my point clear. I want to make an amendment to my statement.

Congressman HALPERN. Surely.

Miss TARCHER. I think that looking at this possible misuse of the exemption, I would be in favor of including it.

Congressman HALPERN. We have discussed at length the correlation that must exist between the rapid expansion of consumer debt, the employment of the garnishment procedures, and the rising tide of consumer bankruptcies.

On the basis of your experience, how important a factor in these increasing bankruptcies is consumer ignorance or credit? Do you believe that better knowledge of credit costs will prevent the consumer from over-extending themselves and ending in a bankruptcy court?

Miss TARCHER. I'm afraid I don't think so. I think that the emotional reasons that compel people to get in over their heads will still operate and at the time of enchantment or infatuation with a particular car or particular color television set, the penalties that may come later are not too operative.

We put people through bankruptcy and generally our bankrupts have heavy medical bills, loans from private individuals that they want to be discharged of, the borrowing of money, as well as the credit that they have gotten on consumer goods. But the consumer goods, in and of themselves, I don't think—at least that's our experience, the only one I can talk about—I don't think that they, themselves, drive people into bankruptcy.

Congressman HALPERN. Do you think the New York State Truth in Lending Law has had any significant effect on the number of consumers involved in bankruptcy suits?

Miss TARCHER. We don't have much bankruptcy in New York. At least, judging by the people who come to us, it doesn't begin to compare with what I have heard about the South and Southwest. What social factors contribute to it, I don't know.

I think there might be more bankruptcy where there is no garnishment of wages.

Congressman HALPERN. That is all.

The CHAIRMAN. Just to comment on that last point, Miss Tarcher. So far with one day with four Referees in Bankruptcy, the hearings indicate just the contrary. Where there is no garnishment, there is much less bankruptcy. The comparison we saw dealt with states in the middle South where adjoining states with presumably similar conditions had very difficult garnishment laws, and that seemed to translate itself into the garnishment. But it's of interest to say that in New York, relatively speaking, there are not many bankruptcies. New York had, relatively speaking, a fairly strong protection for the wage earner as far as garnishment is concerned.

Congressman HALPERN. That's why I asked your feelings for the New York law. The New York law is limited to 10 percent of one's wages.

Miss TARCHER. In the homeownership communities where one constantly makes improvements and buys new furniture, I think people just get into heavier debt, possibly than in New York.

I'm not enough of a sociologist to give the reason, but the phenomena is apparent in Legal Aid conferences.

When we talk about bankruptcy, New York is relatively bankruptcy free. Now, whether this will change, I don't know.

The CHAIRMAN. Well, we certainly want to thank you very much, indeed, Miss Tarcher, and we are sorry we had to keep you waiting.

Miss TARCHER. I am delighted to be here.

The CHAIRMAN. Thank you for your contribution.

We will take a recess now for fifteen or twenty minutes. We do have a full schedule, so we will try to resume at a quarter to 2:00.

(Whereupon, a twenty minute luncheon recess was taken.)