

In addition to that, if they do sign a contract unknowingly, at least there is recourse.

We do send them down to the Criminal Fraud Bureau, but for the most part all they can do is see that the contract is enforced, that is all, see that they get the merchandise, which has no value, but they can't protect them against overcharges as long as there is no legislation.

Many of these families that buy on the installment plan are working—let's say the head of the family doesn't make more than \$65 a week, and this is a family with at least two adults and three children, if not more. If that salary is garnished, if there is any attachment to it, it is very unlikely that this man can keep up paying his rent.

This is just what happened. People come in and dispossess them, because they haven't paid their rent in two months and it is because they are being held up by the companies they have bought the merchandise from on the installment plan.

So they are caught on all sides; by low wages, by overcharges, by fraudulent practices, and then being threatened with eviction, and these problems multiply just as the evil of installment buying.

We have case after case in our office of buying a used car, furniture, household appliances, refrigerators that don't work, sewing machines that don't work. All of these things from people who know that they can get away with it, and there should be a time when these people know, those who sell should know, that there is some protection for the consumer, and if they do not live up to the law, and there should be a law protecting the consumer, then they would be subject to some kind of prosecution.

I should very much like to see this bill enacted so the people can be protected.

The CHAIRMAN. Thank you very much, Miss Finestone.

Congressman HALPERN. I would like to compliment Miss Finestone.

The CHAIRMAN. Our next witness is Mr. Robert Watts, Executive Manager of the New York State Bankers Association.

Mr. ROBERT WATTS. Let me say at the outset I have been very impressed with the testimony I have heard here and I hope that banking is not associated with these kinds of practices.

STATEMENT OF ROBERT E. WATTS, EXECUTIVE MANAGER, INSTALLMENT CREDIT DIVISION, NEW YORK STATE BANKERS ASSOCIATION

Mr. WATTS. My name is Robert E. Watts. I am Executive Manager of the Installment Credit Division of the New York State Bankers Association. In that capacity I speak for the more than 300 commercial banks in our state.

In the first place I think your committee is to be complimented in selecting "Consumer Credit Protection Act" as the name of your bill H.R. 11601. "Truth-in-Lending" has rankled bankers over the years. The latter title had a connotation similar to the "have you quit beating your wife" pitch. It was just taken for granted that we were cheats. Naturally banking could not have achieved its stature of public service and achievement based on a philosophy of deception.

Quite the contrary, we of the New York State Bankers Association have always favored full disclosure of rate and in fact, at the last session of the state Legislature we had such a bill introduced and in all likelihood we will do so again at the coming legislative session.

With respect to the two so-called "truth-in-lending" bills currently under consideration our preference is for S.5. The House version is unduly severe, unnecessarily rigid, covers areas which far transcend the avowed purposes of the bill and in parts are grossly discriminatory. If we are to be asked—"which gallows do we wish to be hung on"—our answer is S.5—we can live with it although it has certain defects in our opinion.

We prefer to state the finance charge in terms of dollars per hundred per annum. This method is realistic. It is easier and more easily understood. It permits a purchaser or borrower to readily compare costs at one institution as against another. S.5 requires the charge to be shown as a simple annual interest rate. We disagree with this approach, at the same time recognizing that low bank rates put us in a highly favorable competitive position compared with department stores, finance companies and small loan companies.

Probably the most offensive features of S.5 is that it discriminates between banks and their competitors in the field of revolving credit. Banks, generally speaking, will be required to show their charge as a simple annual interest rate while department stores are permitted to show the rate as a monthly charge.