

The New York State Credit Union League, Inc., is in full opposition to two provisions in this bill, H.R. 11601, one being the prohibition against the use of Confessions of Judgments and, secondly, the prohibition of garnishment of wages and salaries.

Confessions of Judgments are statutory in New York State and are completely regulated by the Civil Practice Laws and Rules. The main reason why a Confession of Judgment should be permitted is that the person confesses judgment in a sum not in excess of the amount borrowed at the time the loan is made. Secondly, it eliminates the preparation of lengthy legal papers, in the form of summonses and complaints, and also the location of the borrower or co-maker, in the event the loan becomes delinquent. The New York Law so provides that the judgment-creditor may only collect costs of one half the sum that would be awarded in the event a summons and complaint were served. The judgment-debtor, of course, is credited with all payments made to the judgment-creditor before the entry of judgment.

Respecting the prohibition of garnishments, we can only state that credit unions exist for two reasons—one is to encourage thrift by the education of its membership (which usually consists of low and middle-income people) to save monies and, secondly, to lend money to the members at a reasonable rate of interest for useful and productive purposes. The loans are generally made with the character of the member as security; in other cases, co-makers are required by law.

In the event garnishments are prohibited, credit unions will not be able to function and, eventually, will dry up and pass away.

We are unalterably opposed to this portion of the H.R. 11601.

The New York State Credit Union League, Inc., had a membership of 1,151 credit unions at the end of 1966 with shares of \$445,000,000, loans of \$391,000,000, reserves of \$35,576,000 and assets in excess of \$464,000,000, with over 800,000 members.

The state chartered credit unions are permitted to charge interest on loans at a maximum rate of 6% per annum, discounted, or 1% per month on unpaid balances.

The credit unions chartered by the federal government are permitted to charge interest at a maximum rate of 1% per month on unpaid balances, which must include all charges to the borrower.

Credit unions are non-profit organizations and its memberships consist of employees or associations with a common bond of interest. Each member must be elected by the directors.

Respecting Senate Bill #5 credit unions see no reason why lending agencies, including credit unions, should not divulge the interest rate charged on loans and also the dollar cost on loans made to its members.

The rest of the bill S.5, in the opinion of credit union leadership, will protect the borrowers of any type of institution.

Back in 1916 we started a Credit Union in the Municipal Building in Manhattan for municipal employees and State employees who were born in the City of New York.

We started with \$570 and our membership consisted of more than 50, and our assets more than \$21,000,000. In this State alone, we have now 1,151 credit unions with a membership of over 900,000, with assets greatly in excess of \$200,000,000 and we are unalterably opposed to the elimination of garnishments.

You will recall, Mr. Bingham, in 1956, you gave me a telephone call from Albany when you were counsel to Governor Harriman in respect to a bill that the Governor had signed, permitting State employees and political subdivisions to assign unearned wages to banks, trust companies, and credit unions. A Mr. Lewman was fearful of the fact that banks and credit unions would take the checks and salaries of State employees and City employees. And you asked me if I would draw a contract so that no credit union or bank would take more than two wages in a month, even though it be a hundred percent wage assignment.

Do you recall that I said to you we would be satisfied with one payment a month. Would you believe it, that there has only been two of those papers filed with the State Comptroller since 1956, and there hasn't been one filed in ten years.

Now, to get back to the garnishment and confession judgment, the CPLR in New York State controls very strictly the entering of confessions of judgment.