

which gives him a chance to pay off even in installments, and then that the Sheriff make service upon the employer only if the judgment debtor fails to respond within twenty days.

It is submitted that the committee might reasonably recommend to the various state the New York statute which functions well in the leading commercial state and appears to meet all of the objections most commonly heard about wage garnishments.

We wish to advise strongly that this system of the straight 10% be followed rather than a system of either exempting a certain amount of salary or setting a minimum which the judgment debtor would have to earn before his salary could be attached. Any provision for exemption or minimum will automatically disqualify a certain percentage of the electorate from any participation in our credit-oriented economy and will place those persons into a position wherein they will be required to pay cash in advance for everything which they may wish to purchase and wherein they will fail to qualify for an occasional personal loan. It is submitted that such persons will be angry with Congress for cutting them off from qualifying for any credit at all. If Congress were to set up an exemption or a minimum of as little as \$50 weekly, there would follow serious unfavorable repercussions: Firstly, persons earning \$50 weekly or less would be unable to obtain any credit, would be prevented from purchasing anything on the installment plan, and would no longer qualify for any personal loans. Secondly, assuming an exemption of \$50 weekly, those persons earning \$100 weekly, would suddenly, upon the enactment of this provision, find their credit standing reduced to the position of someone earning only \$40 weekly. The amount of credit standing of each member of the public would be sharply reduced to the discomfort of the general public. Inasmuch as it is persons in comparatively low income brackets who need most to purchase by means of the installment plan and to qualify occasionally for a personal loan, it follows that the system of the straight 10% is far superior to any system of exemptions or minimums.

Enactment of Federal exemptions or minimums would also create an extremely unfair transition period from the standpoint of merchants, banks, and finance companies which have extended credit and made loans based upon the present statutes. Upon enactment of any exemptions or minimums, certain accounts receivable and outstanding loans would be rendered uncollectible, thereby leaving the creditors unfairly "caught in the middle."

A system of exemptions or minimums replacing the system of a straight 10% would automatically drive all individuals earning the minimum amount or less weakly into the loan shark market. Such individuals would not be able to obtain any credit of any type except through dealings with loan sharks, who in turn would very much enjoy a very substantial increase in their business. Loan sharks employing goon squads as a means of enforcing collection (rather than legitimate legal process) would be in a position to extend credit to persons caught within the exemption or minimum and would be the only ones, to the exclusion of any legitimate businessman, in the position to extend credit to such persons. Since it is the persons in the lower income brackets who generally have the most frequent need to apply for credit, it would follow that the loan sharks would indeed enjoy a substantial increase in their business. The extremely high rates of interest charged by loan sharks are, of course, well known, and all of the provisions of the proposed new statute regarding a fair disclosure in advance of interest rates would be of absolutely no benefit to the numerous new customers of the loan sharks.

The committee might reasonably, as mentioned above, recommend the various provisions of the New York statute to the various other states because it is difficult to understand how the Federal Legislature has jurisdiction to make any provision with respect to the enforcement of judgments entered in state courts. It is elementary that wage garnishments are forms of executions issued to the Sheriff for the purpose of collection of judgments previously entered in the local courts of each state. Each state has its own laws regarding the entry of judgment and the issuing of execution thereon. It would seem that the states have exclusive power to legislate regarding the forms of execution which may be issued for the purpose of enforcement of judgment entered in the courts of each particular state. It is difficult to understand how Congress can claim power to legislate with respect to the types of executions which may be issued by or in the names of the state courts, and how an adverse ruling upon a test case could be avoided.