

Take the person who has only salary to offer as collateral. They qualify for credit only through that medium. Then someone tells them by declaring bankruptcy they will be exempt from all their prior bills. That is not fair. They increase the number of delinquencies.

I think the remedy for that is to amend the bankruptcy laws, that the wages after bankruptcy shall become the property of the lender, then we won't have these situations where people run into the Bankruptcy Court, cut off the creditors, and so forth.

I see it from the other standpoint. The Referee sees just the statistics of who comes in and who files.

There was one Referee, according to newspaper accounts, who testified that merchants and banks don't use wage garnishments, it is only the collection agency. The collection agency can only represent the loan company.

The CHAIRMAN. I don't recall that.

Mr. Noz. It was in the newspaper.

They represent those people and, of course, many, many attorneys specializing in this field represent the stores and so forth directly. We don't represent collection agencies, we represent the merchants themselves.

Moreover, in many jurisdictions the banks and finance companies are permitted to file wage assignments directly.

Congressman HALPERN. First I want to compliment Mr. Noz for his articulate, informative presentation. It typifies the talent that emanates from my district.

Mr. Noz, what do we do to safeguard the public from predatory credit practices involving the sale of shoddy merchandise to unsuspecting people at high prices and high credit charges, followed by the immediate assignment of a debt to another creditor?

Mr. Noz. Congress, of course, is working at the time on your Truth in Lending Bill.

Whatever you feel is improper should be handled through that legislation, through the Truth in Lending Bill. That would disclose in advance the interest rates being charged, to make it fair.

Either the customer is willing to pay that price or is not.

Congressman HALPERN. Doesn't this have a direct bearing on the garnishment by the third party?

Mr. Noz. No. It doesn't have anything to do with it. The price being charged to the customer has nothing to do with the wage garnishment.

The customer agrees to pay a certain price, and your concern is the price be disclosed in advance, including the amount of interest included in the price.

Having fair disclosure, the customer then agrees to buy the item and pay installment terms. This then makes everything fair, the consumer knows exactly what he is buying.

Regarding inherent defects in merchandise, we are at a different field again. We have the problem of the automobile industry constantly being attacked for certain defects in merchandise, and they will also be with us, the automobile industry.

It does not have anything to do then with the execution, the execution merely requires that a person pay. It is an action involving commercial paper and accounts, then it is a situation where the financing must be paid and it must be paid, and it may be a bank or a loan company which, unfortunately, will go out of business if they couldn't collect.

The customer has a legitimate course of action for defects in merchandise. That is a very clearcut legal right and I don't see how the consumer suffers.

Congressman HALPERN. What chance of recourse does the customer have with another creditor who has taken the debt by assignment and shares no responsibility?

Mr. Noz. First of all, the law in New York provides that a ten day notice must be served by the finance institution upon the consumer.

If the consumer notifies the financial institution within the ten days there is no problem.

Assuming that the ten day problem for some reason is to be disregarded, let's say, then we have a situation where, as I explained a moment ago, the consumer pays the financial institution but sues the merchant and/or factory for reimbursement.

There is no loss for legal remedy there.