

O'Connor. He was unable to be with us personally today, but we are very happy to have this statement and it will be in the record at this point.

Our final witness before the luncheon break—and we are sorry to have kept him waiting—is Morris D. Crawford, Junior Chairman of the Board of the Bowery Savings Bank.

We are happy to have you here today and we are sorry to have kept you waiting. I understand you have a plane to catch.

Mr. CRAWFORD. Thank you very much, Mr. Chairman.

STATEMENT OF MORRIS D. CRAWFORD, JR., CHAIRMAN OF THE BOARD OF THE BOWERY SAVINGS BANK

Mr. CRAWFORD. Mr. Chairman and members of the Subcommittee, my name is Morris D. Crawford, Jr., and I am Chairman of the Board of The Bowery Savings Bank. I am very pleased to have this opportunity to appear before you to testify on H.R. 11601, the "Consumer Credit Protection Act."

As former Senator Douglas has previously stated in his testimony before this Committee, the mutual savings bank industry has been an early and consistent supporter of Truth in Lending. On three occasions in the past, I have been privileged to testify before the Subcommittees of the Senate Banking and Currency Committee on versions of Truth in Lending legislation. On two of these occasions—July of 1961 and August of 1963—I testified (on behalf of our New York State and National Associations) in support of Truth in Lending with reference to the extension of real estate mortgage credit, since that form of lending has been the primary investment activity of New York savings banks over the past 20 years. More recently, savings banks in this State have sought legislation similar to that now on the books in other leading savings bank states which would permit them to make unsecured consumer loans in addition to those they now make for home improvements. My most recent testimony, presenting our National Association's support of the Senate Truth in Lending bill (S. 5), therefore, supported Truth in Lending as it would apply to both real estate mortgage lending and unsecured consumer lending. The savings bank industry has no position as to the provisions of the bill covering open-end type credit arrangements, since they are not relevant to the lending operations of mutual savings banks generally.

My long-standing support of Truth in Lending legislation is based upon the conviction that the nation's consumers should have an opportunity to make an informed choice between borrowing and saving to acquire what they want; and when they choose to borrow, they should be in a position to make a meaningful comparison between the various lenders which compete for their loans. It is fundamental to this decision that the American consumers have the whole truth about the price they will be required to pay for credit.

Unlike the Senate-passed Truth in Lending bill (S. 5), the bill before this Committee would extend the disclosure requirement to cover advertising of credit. I support this extension since it would more effectively permit the purchaser to determine the comparative costs of goods and services, including any cost differences due to financing arrangements, before he makes his purchasing decision.

H.R. 11601 also includes a number of other proposals relevant to the credit activities of a savings bank which were not included in the Senate-passed bill. These include an 18% limitation on credit charges; a prohibition against "confession of judgment" notes; authority to restrict consumer credit during national emergencies; a prohibition against garnishment of wages; and provisions which would establish a National Commission on Consumer Finance. Unlike the provisions on the disclosure of interest rates, I have not had the opportunity to consider in any detail the many complex issues raised by these newly proposed provisions. I have noted, however, that Treasury Undersecretary Barr believes that they would require a good deal of exploration before any action is taken. I am in agreement with this viewpoint. It is my hope, however, as one who has supported Truth in Lending legislation for many years, that the Committee's consideration of these new rules will not delay enactment of these portions of H.R. 11601 dealing with the disclosure of the cost of credit.

There are a few comments I would like to make about the technical provisions of the disclosure rules as they apply to the lending activities of a New York savings bank. I was very gratified to see that Section 202(d)(2) of the Committee's bill excludes certain enumerated mortgage closing costs from the definition of "finance charge." I would suggest the addition of the following

generic phrase to the listing: "and other customary closing costs." This generic language is derived from the Massachusetts law on Truth in Lending. Of course, the costs coming within the generic exceptions would be a matter of rule making by the Federal Reserve Board.

There is one class of loans made primarily by thrift institutions which I feel is not the type of transaction which requires the disclosure protection of the bill. I refer to "dividend anticipation" loans. These loans are only made for the monetary gain of the borrower who needs to withdraw his money between dividend crediting dates. In effect, the cost of the loan merely reduces the amount of interest the depositor receives and represents an adjustment in the interest earned because of an early withdrawal.

I wish to thank the Committee for the opportunity to present my views on this important legislation.

Mr. Chairman, if I may depart from the statement for a moment, I would like to take slight issue with a statement made by Senator Kennedy earlier this morning.

I believe I am correct that he made the statement that banks in New York and elsewhere advertised, for example, a discount rate of 25 percent and failed to tell the public in the advertising what the true annual interest rate was, or that indeed, it normally is equivalent to about twice the discount rate.

I just happen to have with me some samples of the Bowery Savings Bank advertising, which I would not have submitted, except that this question arose and I would like to submit them for the record, if I may.

We have been in this discount lending money field for six or seven years. When we first came into it, we put out a very long ad, describing the nature of this type of rate and how it does, indeed, mount up to about two times the stated discount rate.

We also put out a little quick credit cost computer, which would allow people to roughly approximate the true annual interest rate. If they knew what they were borrowing and what the total charge was, they could compute it.

So I would like to submit these for the record, if I may. I am not criticizing, but I want to make sure that it is known that we are not failing to disclose these rates, even before the bill is hopefully passed.

The CHAIRMAN. Thank you very much.

Indeed, Mr. Crawford, I do want to say that we are well aware of the record of the Bowery Savings Bank in support of legislation of this type. We think it's been really statesmanlike and we welcome your statement here today.

I am particularly interested in one question that you touched upon, but didn't pursue, and that is the coverage of the first mortgages. You are probably aware that the Senate bill as passed by the Senate eliminated first mortgages and you have indicated here that you would support the inclusion of first mortgages in such legislation. I wonder if you would develop that point for us.

Mr. CRAWFORD. Yes. I think that, obviously, it would be less work for us if they were not included. I think there is less reason for including first mortgages than other types of transactions, because the bulk of it is pure simple interest and those financial charges that are added as presented under the bill really are very nominal. They don't affect the annual percentage rate to any great extent.

I always felt if you wanted to make this thing complete, no mortgage should fail to disclose all of the facts, because all others will also be disclosing them.

I think that possibly the Senate Committee was persuaded that most of the mortgage lending is done by highly regulated institutions, such as savings banks, savings and loan associations and this kind of protection was probably not needed. But I repeat, that when we testified, we did not ask the Senate to remove or except them from the bill and I think our industry would support the provision of this bill.

The CHAIRMAN. Thank you very much.

Congressman HALPERN. I wish to commend our very distinguished witness. He has been an outstanding citizen and a credit to the banking community.

Mr. Crawford's enlightened views have been reflected in his practices and not just in mere words, and he has been a progressive, enlightened representative of the banking industry and we welcome him here today.

This testimony is most valuable to us and now I would like to clear up one area of confusion that has repeatedly come up in these hearings. It is revolving credit.

People suggest that if all of them are required to state the same annual rate, they will be encouraged to dispense with various differences in their credit arrangements, some of which result in lower effective charges to the consumer.

However, savings banks generally disclose identical rates, yet have not been stopped from offering different additional benefits. For instance, different compounding periods, grace periods for receipt of interest, and so forth.

Do you feel that analogous fringe benefits will necessarily disappear from revolving credit accounts if they must all disclose an 18 percent annual rate?

Mr. CRAWFORD. Congressman, as I said in my statement, this revolving credit is something that is completely alien to me and to the savings bank business. Therefore, I have very few views on it that I think are worthy of your attention. It has been a matter of puzzlement to me, I must say, as to why they would object to using the 18 percent rather than the 1½ percent.

I realize that there are problems about early payments and a free period at the beginning, but, nevertheless, when you pay 1½ percent a month, you are paying 18 percent per annum, so why not state it? If everybody stated it, it wouldn't seem to me to have any competitive advantage for them.

The CHAIRMAN. Thank you very much, Mr. Crawford.

We are going to have one more witness before luncheon. Again, I am very sorry that we have had to keep you waiting.

We are very happy to have Miss Mary Tarcher here, the Director of the Legal Aid Society. We are very happy to hear from you, Miss Tarcher. I know your work involves many of the problems that we are considering here.

STATEMENT OF MISS MARY TARCHER, DIRECTOR, LEGAL AID SOCIETY

MISS MARY TARCHER. Thank you for delaying your lunch so that I can say my piece. Monday is a very busy day and I want to return without delay.

The CHAIRMAN. Thank you very much, Miss Tarcher. I wonder if you would have time for a few questions. I note that you favor H.R. 11602 over H.R. 11601. I wonder whether you have considered the desirability, for example, of including advertising in the bill, which is something covered in 11601 and not in 11602.

MISS TARCHER. I may be a little too disillusioned to reply to that question, but people don't read.

Now, certainly, I think that I wouldn't be opposed to including it, but I'm not very hopeful that including it with a lot of other material and probably in fine print is going to really make a substantial difference.

The CHAIRMAN. Wouldn't it be helpful if it might at least have the effect of reducing the number of shorthand references that are made in advertising, for example, the expression, bank rates, which you hear so often on the radio? That is a misleading expression and if the effects of the legislation were to eliminate such references, wouldn't that be helpful?

MISS TARCHER. I think it would be helpful and I think actually there, too, the different media have different effects on the people. I think what they hear on television is more powerful, and I think it would be effective. I would include it. It's just that sometimes the more type the eye is exposed to, the less reading is done.

The CHAIRMAN. How do you feel about the exclusion of the minimum of \$10 finance charge? Isn't this an area of considerable abuse, the purchase of a watch, say, on which the finance charge is under \$10, but may still be—

MISS TARCHER. I have never seen a contract in our office under \$10, except a magazine subscription, and there is no finance charge on that.

The CHAIRMAN. The exclusion in the Senate bill, or 11602, is anything where the finance charge is less than \$10. And in our bill, in 11601, we have included such transactions and the disclosure of the requirements.

MISS TARCHER. There, too, I don't think I have any hard and fast rules.

Some of these details I consider less important. They are what I call the psychological details. I didn't dwell on them too much. I didn't think they would have the impact that the big disclosure will have. Most of the people who come to us have a much larger finance charge than \$10.

The CHAIRMAN. On the question of garnishment, do you feel that the New York restrictions, regulations are too strict today, the New York State regulations?

MISS TARCHER. Well, the \$30 is completely out of date. I like the fact that you can't be discharged for one garnishment. We might up that, although, garnishment restrictions are very difficult to assess.

For instance, if we were to have a total exemption of the minimum wage and only garnish above it, garnishment would go on for years and the fees for the collection of that garnishment would be borne by the debtor. Therefore, it might well serve his interests to pay off a garnishment faster rather than slower, once you are certain that he's making enough money to be able to pay it.

The CHAIRMAN. I was under the impression that in New York State there was a limitation of 10 percent of wages.

Miss TARCHER. There is, 10 percent of the total salary if it's above \$30.

The CHAIRMAN. Well, Senator Kennedy suggested that we might consider modifying the provision in the bill so as to provide for a reasonable limitation on the amount that might be garnisheed in a Federal law and also protect the employee against discharge.

I take it from what you have said this would be in accordance—

Miss TARCHER. We have in New York State no discharge for one garnishment. I think, perhaps, you better turn to the Federal government itself which levels against the total wages for the collection of taxes.

We had a case where a person left her employment when her employer told her that for the next two weeks she wasn't going to collect her \$50 a week salary, and we won the case. She had a good reason for leaving that job.

I don't know that the Federal government has necessarily changed its practice. It will always be limited, and I indicate here a fair percentage of the earnings, there have been different approaches to it. One would say that the percentage should be above the minimum wage and the other would say that once a person makes, say, \$60 or \$75 a week, that 10 percent would be against the total salary.

I'm afraid that the very delayed garnishment collection might again not prove as beneficial as it might seem at first glance, because it would go on forever.

Now, the creditor has lawyers who have no problem in going after the debtor. He really will be in bondage forever.

The CHAIRMAN. What about the question of revolving credit? 11601 includes the disclosure of annual interest rates on revolving credit. 11602 does not.

How do you feel about that?

Miss TARCHER. A very different type of person uses revolving credit and I think the 1½ percent per month probably translates itself into 18 percent a year to them. But there, too, there are so many intricacies. The time when the purchase is made, during the month, the time when it's paid for, and there are different practices unless you can insure uniform practices.

I always think the first bill should be fairly simple and it's just a personal preference for what seems to me a practical and basic bill with the other things that can be added on as improvements as time goes on.

It's not one of the things I would take to the barricades for, although I think I have indicated I would have as many ingenious ways of expressing the full disclosure as possible. I think that should be the goal.

The CHAIRMAN. Thank you, Miss Tarcher.

Congressman HALPERN. First I would like to thank the witness for taking the time from her busy schedule to give us the benefit of her views. Your dedication to the fine work of the Legal Aid Society is to be highly commended and I for one wish to extend my compliments.

You mentioned that you prefer 11602 over 11601. If we concentrate for the moment only on the disclosure aspects of the bill, don't you believe that 11601, which includes revolving credit, small transactions and first mortgages, as well as the whole area of advertising, affords the consumer greater protection than 11602?

Miss TARCHER. Let me say this: If you passed 11601, it would contain features that I am opposed to. If you pass 11602—

Congressman HALPERN. I'm talking at this moment merely about the full disclosure aspects and all its implications.

Miss TARCHER. It may well be the full disclosure aspects of 11602 can be amplified. I was expressing a preference, if given a choice, between the two bills, one of which has several features I am critical of, and the other which seems to be a good basic bill on which improvements can be made in the debate between the House of Representatives and the Senate.

Congressman HALPERN. You said you were not in agreement with the provisions of 11601 that would include all purchases, rather than in 11602 where

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.)

CONSUMER CREDIT PROTECTION ACT

AFTERNOON SESSION

The CHAIRMAN. The hearing will resume.

As our first witness this afternoon we have Mr. William Taylor, Local 1199, Drug and Hospital Employees Union, of which he is Vice President.

Mr. Taylor has brought with him a group from the union, employees who have had problems in the area of consumer credit and its abuses, and I would like to have you proceed, Mr. Taylor.

Mr. Halpern will be back with us in a moment.

If you will take the stand there, and perhaps then if you will introduce the group that you have with you.

We are very grateful to you for coming down and bringing this group of experts in the real thing.

STATEMENT BY WILLIAM J. TAYLOR, FIRST VICE-PRESIDENT, LOCAL 1199, DRUG AND HOSPITAL EMPLOYEES UNION, RWDSU, AFL-CIO ACCOMPANIED BY OTHER WITNESSES

Mr. WILLIAM J. TAYLOR. Thank you very much, Mr. Chairman.

My name is William J. Taylor, I am the First Vice President of Local 1199, Drug and Hospital Employees Union.

Our union represents 28,000 hospital workers and 6,000 retail drug employees in the New York area. Approximately 70 percent of our total membership are Negro and Puerto Rican workers and the overwhelming majority of them are compelled to live in the ghettos of Harlem, Bedford-Stuyvesant and the East Bronx.

Our day to day experiences with our Members in trying to assist them with their various problems has convinced us that one factor which contributed to this summer's ghetto uprising is the exploitation of the minority groups by unscrupulous merchants. Our experience shows that the typical ghetto dweller pays more for rent, services and goods than any other group in our city. What compounds this evil is the fact that in exchange for the excessive prices which he is compelled to pay, he is obliged to live in a slum dwelling, receives inferior services and the quality of merchandise available to him is usually second rate. One of the greatest evils practiced by the unscrupulous merchants who exploit the minority groups is the "legalized credit racket". Under this system workers are encouraged to purchase shoddy and inferior merchandise at excessive prices. They are persuaded by the fast talking pitchmen to assume obligations far beyond their capacity. The over-riding sales pitch is always "buy now and pay later". They are then saddled with excessive interest charges, insurance premiums, a variety of so-called service charges and other legalized gimmicks which further inflates the cost of their purchases.

Since the sales contracts are usually held by a credit company which is a separate legal entity from the company that sold the merchandise, they seldom have recourse when a mechanical appliance breaks down or a television set stops functioning. In the event they default on a payment they then become victims of the widespread practice of "sewer service" and unknown to them a judgment is then entered and their wages are garnished. At this point the Marshall levies another 6% in interest, the credit company adds another 15% or 20% for legal fees and the original purchase price, which was excessive to begin with, has now usually tripled.

An example of this will be testified to by Mr. Anderson, a member of our Union. He purchased a freezer and food plan for some \$950.00 which Attorney-General Louis Lefkowitz's Staff appraised at \$400.00. After paying \$501.00 he found it necessary to refinance his contract and he is now defending himself against a judgment of over \$1,000.

Several other members of our Union are also present and prepared to testify to similar experiences in connection with purchases of furniture, appliances and burglar alarms.

On behalf of the members of our Union, we welcome this hearing and the opportunity to testify. We would urge the Congress and the State Legislature to correct these vicious practices by enacting the Bill now under consideration. We also believe that legislation should be enacted to eliminate wage garnishes; that the maximum interest rate should be limited by law to a reasonable amount; that the legal procedure to set aside a judgment obtained after "sewer service" should be simplified and that use of the entire legal apparatus i.e., the Courts and the Marshalls, should be denied to these unscrupulous operators who victimize those members of our society who are least able to defend themselves.

Mr. Chairman, with your permission, I have several members of our union here who have actual experiences, and I would like to call upon them to tell you their experiences with the credit companies and with these unscrupulous merchants and with the Courts and the "sewer services" and the wage garnishees. And I think if you get it firsthand from the victims, it will be much more meaningful.

With your permission, Mr. Virgil Anderson will come up and testify. Just tell the Committee in your own words what happened, Mr. Anderson. You have your documents here to substantiate it and try to be as brief as possible.

The CHAIRMAN. Thank you very much, Mr. Taylor.

Mr. Anderson, we are glad to hear from you.

Mr. VIRGIL ANDERSON. First I would like to say to the Committee that I have a case that is pending about a freezer, and I want to be as brief as I can about this.

At the first point I want to stress to the Committee that when I purchased this freezer I was unaware of the additional charges that I was confronted with, also with the financing of this freezer.

I was unaware of the additional charges that they confronted me with. The bill of sale of this freezer I didn't understand. The food in this freezer,

I understood, when it was sold to me, is the food alone and not the freezer. I went along with this until late April, March to April, and then I began to get pressure.

At the same time I was making payments on this freezer, and at the same time I was unaware of things that happened to me.

Finally, I got a notice from the company's lawyer that I was being sued. I went to my union to find out what I could do. They were willing to help me and told me they would help me and back me in any way they could.

They advised me to go to the consumer frauds office. They introduced me to Mr. Michaels. They looked over the case and told me it was a good case, but they could not help me until I got the right and appropriate representation.

I went back to my union. They told me to go to Legal Aid. So I went to the Legal Aid Society and I engaged a lawyer.

Up until this present time I have a case pending sometime in the near future. I have papers and different documents that the Committee is welcome to look over. Here I have a contract of—

The CHAIRMAN. Mr. Anderson, might I suggest that you show those papers to Mr. Holstein here of the Committee staff, and if he feels there are any that should be incorporated in the record, they will be incorporated.

In the interest of time, we will hear from the other employees with you. We are grateful to you for this, and we hope that there is legislation that will make this thing impossible.

Miss Senior?

MISS SENIOR. My complaint is I purchased from the New York Warehouse, and I ordered it on July 11th, so it didn't come, and I asked him what was the trouble, so they said to me I had a garnishee. I wasn't aware of it, nobody told me. I co-signed for my son-in-law. That was a co-sign, and that was the problem.

I had to get my money back through the union. So the union sent me to the Consumer Frauds.

The man said I couldn't get back my purchase, the matter had to be cleared up, but I got it back with the union's help.

The CHAIRMAN. Thank you very much, Miss Senior. We hope that kind of thing won't be allowed in the future.

Mr. Brown?

MR. BROWN. I have here a case where sometime ago I purchased some merchandise from a store and in keeping with the contract I continued to pay right up to date, until suddenly one day my boss called me to tell me that a garnishee had been issued on my salary.

The CHAIRMAN. What was the purchase?

MR. BROWN. Merchandise; furniture and things like that.

I went to the Consumer Frauds. Nobody told me anything about the garnishee. I was up to date in payment.

I went to the Consumer Frauds and they took it from there. I paid approximately \$500. This garnishee calls for approximately \$900-odd dollars.

When the Consumer Frauds saw it they got it back to \$605.

The CHAIRMAN. We will try to correct that type of situation. Thank you very much, Mr. Brown.

Next is Mrs. Howard.

Mrs. HOWARD. My husband first came to this country in January. In March I came from work, there was a gentleman in my apartment selling my husband a burglar alarm.

Well, the burglar alarm cost \$165 without the fire alarm.

When I came from work I hear him talking to my husband and I said I don't want none of that. He said with the fire alarm it is \$365, and the burglar alarm cost \$165.

I didn't agree with it, but my husband signed, and being that I was in the country five years I had to co-sign with him.

A few months ago they called and said if I don't pay him I am going to get a garnishee. He said I have to pay \$365, and it cost \$165.

The CHAIRMAN. Thank you very much, Mrs. Howard.

Mr. Rodriguez?

Mr. RODRIGUEZ. I have a payment of \$800, so my brother is already paying more than \$648, which makes the balance of \$132.

So now, without warning, they took the case to court because for one reason or another my brother is stuck to pay, and they garnishee my check for \$15.25 a week.

So I call my brother, we go to the corporation, we are willing to pay the balance, but people there say they refuse the money because the case is already taken to the courts.

They never serve me with a summons, so I can't go to the courthouse and defend myself.

The CHAIRMAN. Thank you very much, Mr. Rodriguez.

Mrs. Duncan?

Mrs. DUNCAN. My case is about a freezer.

Sometime ago, I wasn't long in this country, when a salesman presented himself to my house selling one of these freezers, you know. He didn't tell me the price, he didn't make me know percentages. He just makes things so easy. I pay \$50 a month, and that would include food and freezer and everything.

Anyway, not knowing better, I signed, and about three days after they sent me a bill for \$1,146.00 for that freezer. When I called the office I told them that I couldn't afford to pay this, that is too much money for me.

At that time I was only making \$55 a week. So they told me the contract is signed already and I had to pay it, and all other threatening things.

Well, being new in the country, not accustomed to the language and everything, I was taken. I didn't know where to go or nothing, until after I found that I could go to the union.

In about one year the freezer went bad. I called them and told them the freezer is bad, if they could send someone to figure it out. They told me I will have to sign over a new contract.

So I didn't sign the contract. I got someone to fix it. It cost me \$110 to fix it and, anyway, I still continued paying, and I made my last payment last month, and they are still sending me notes that I am owing them money, and I have all my receipts and everything that I paid up. So I took it to the union.

That is all.

The CHAIRMAN. Thank you very much, Miss Duncan.

Mr. JACOBS. I borrowed some money from Household Finance and then about January I got a garnishee on my job, and they told me I was two months behind.

I paid them the money; it took care of that. I made an agreement to pay them as much as I can a week. They charged me \$45 a month, and I couldn't afford that. So I got a garnishee for \$500-something dollars, and my mother-in-law got one too, which makes it \$1,100, and I only owed them \$500.

So they are getting twice that.

The CHAIRMAN. Is your mother-in-law here?

Mr. JACOBS. Yes, Mrs. Senior.

The CHAIRMAN. I see. Thank you very much.

Mr. Taylor, I am very much grateful to you and the members of your union for coming down and giving us the first-hand look at the trouble involved.

I think this very much shows the problem, particularly where the purchaser has no idea what the charges are.

I think also mentioned here was sewer services, and unfortunately we can't do anything about that in the Federal bill, but we recognize it as a problem.

Our next witness is the distinguished Assemblyman from the Bronx, one of the most admirable and imaginative and hardworking public servants in our City. He is here because he introduced a tightening of the Truth In Lending Laws in the State Legislature, and we are very glad to have him comment on the bill before us or any other aspect of the problem.

STATEMENT BY ASSEMBLYMAN ROBERT ABRAMS OF THE 81ST DISTRICT

Assemblyman ABRAMS. Before I begin my formal testimony, I would like to applaud Congressman Jonathan Bingham for his consistent effort for affording the consumer of the nation the chance to know what he is getting and how much he is paying.

I, my first year in the New York State Legislature, introduced the Truth in Lending bill which he sponsored upon his election to Congress.

It is now an honor for me to appear before him to urge enactment of this legislation which you and Congressman Halpern are sponsoring.

The CHAIRMAN. Thank you very much, Mr. Abrams. We are delighted to have you, and I want to thank you for the kind words you gave me.

I know that you have been leading the fight for consumers in the Assembly for the past two and a half years.

Congressman HALPERN. I want to commend the distinguished Assemblyman and I want to thank him for the honorable mention he gave to my name here today.

I can see why you enjoy the fine reputation you have. You contribute greatly to the consumer legislation and the interests of the consumer, and I want to extend my most hearty welcome to you.

The CHAIRMAN. Our next witness is Miss Leona Finestone, Director of the Chelsea Conservation Project of the Hudson Guild.

We are happy to have you, Miss Finestone.

STATEMENT OF MISS LEONA FINESTONE

Miss FINESTONE. I planned to bring other witnesses, who could not come because of illness but I want to speak on the experience that they had.

I would like to tell you what we have found in our community, which covers 14th to 34th Streets, from Sixth Avenue to the Hudson River.

We provide many services for these families and the problems they have among them.

One of the most important problems is the problem of buying on installment plans. They not only buy from local stores, they buy from door-to-door salesmen, who really are a blight. They sell household goods that could easily be bought for a fraction of the cost of what the purchase price is in the contract.

We had an occasion where a woman came in here and she told us that the company which had sold her a sewing machine wanted an additional payment, which she said she had already made. Fortunately she had all of her receipts. This doesn't always happen, because people lose weekly receipts.

In adding them up, I found she had paid \$219 for a sewing machine which, if it works, could cost probably \$45. In one year it was more than, well, five times the amount of the actual upkeep value of such a machine.

First of all, it didn't work, and secondly she couldn't get them to repair it. Thirdly, they were dunning her for monies she did not owe.

Assuming she didn't know the language, we needed an interpreter, and we have interpreters in our office.

I called up and read off the receipts, and they withdrew the complaint.

We have a very large Puerto Rican population in Chelsea, and this population is the most picked upon, naturally, because of the language problem and the unfamiliarity.

They buy from local stores, and they buy furniture, and the furniture costs them \$2,000, and if you look at this furniture you know it is not worth more than \$200. \$2,000 is ten times the amount of the furniture.

They are shy about calling the stores. It is impossible for them, after they sign the contract, to withdraw, as you have heard these people testify.

I think that prevention is the most important measure that we can take. These people go in blindly and they are blind because there is no way that they can get help without adequate Federal legislation.

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.

The American Bankers Association urged the Senate Committee to come out for a single uniform method of disclosure applicable to all classes of lenders and sellers. It prefers, as does the New York State Bankers Association, monthly disclosure in the case of revolving credit. The Senate Committee itself, in its report on S.5 recommended uniformity of rate disclosure. Despite these commendable statements of principle, the Senate Committee voted to retain the controversial and discriminatory provision in S.5.

It is our Association's feeling, though we are firmly in favor of "truth-in-lending," in principle, there is entirely too much haste in implementing it under H.R. 11601. The original S.5 provided a three-year lead time to permit necessary changes in state statutes or constitutions so that compliance could be made with Federal legislation without conflict. The final version cut this lead time down to less than two years. H.R. 11601 would make the effective date July 1, 1968 which is less than a year away.

Another factor being ignored is the proposed Uniform Consumer Credit Code which has been under study by the National Conference of Commissioners on Uniform State Laws. It would seem that sober reflection would dictate that legislation such as we are discussing here, should be held up until the Commissioner's report is available in 1969.

Briefly, then the position of the New York State Bankers Association can be summarized as follows:

1. A single uniform method of time disclosure should be applied without discrimination to all creditors and all types of credit.
2. Creditors should be permitted to state finance charges in terms of dollars per hundred until January 1, 1972 with the effective date of the act no earlier than 1970.
3. Insurance charges should not be considered part of the rate.
4. Real estate mortgages should be excluded.
5. Wage and salary garnishment should not be prohibited.

Again, gentlemen, may I repeat, we strongly support the principle of full disclosure and we will work hard to implement a fair and realistic bill. Thank you for this privilege of appearing before you.

Perhaps selective legislation will protect the unsuspecting against the shyster and unscrupulous lender in some other legislation, but not in this particular bill. Again, gentlemen, may I repeat we strongly support the principles of full disclosure and will work hard for a fair bill.

The CHAIRMAN. Thank you, Mr. Watts.

I would like to ask you a couple of questions.

It has been mentioned here earlier today that frequently one hears advertising of credit by stores and appliance dealers and so forth, cars, with the term "Low Financing, Bank Rates."

Now, this is something which we consider is often very misleading in that it suggests regular bank rates, at the implied rate of 6 percent.

Would you comment on this?

Mr. WATTS. This would be beyond us—

The CHAIRMAN. I don't suggest this is your fault.

Mr. WATTS. I think this is where the term is just tossed off by the dealer, I think this kind of advertising is improper and misleading, because what is a bank rate? Banks here in New York City charge somewhere around three-quarters of a percent less than the law would permit. You get Upstate New York, they charge the maximum rate.

The CHAIRMAN. Do you have any objection to the inclusion of advertising of this type in the legislation?

Mr. WATTS. Not at all.

The fact of the matter is, as I pointed out, we—if we were not sincere about this thing, we would be even more so, because we are tremendously conservative.

If you convert the maximum 6 percent discount, 1 percent a month discount, or, let's say, 12 percent discount, it is about 24 percent, so we come off smelling nicely of roses.

The CHAIRMAN. Mr. Crawford was here this morning from the Bowery Savings Bank, and he was in favor of the inclusion of first mortgages in legislation such as this.

Mr. WATTS. We don't feel it is necessary, because mortgages are usually termed in simple interest rates.

The CHAIRMAN. Mr. Watts, I personally, speaking for myself, am very considerably sympathetic with the problem you are confronted with respect to the State Usury Laws, and I feel there is a need for some delay in the requirement in the State in terms of percentages, where there may be a problem.

If you are truly speaking of dollars per hundred, that is not necessarily misleading. If you are talking in terms of dollars discount rate per one hundred percent, that may be something else again.

Mr. WATTS. Dollars per hundred per annum. Frankly, I think that the monthly approach is a very misleading approach, that is to say one or one and a half percent per month.

You have heard people here today that couldn't understand, "One and a half percent, that is a bargain," when actually it is 18 percent.

The CHAIRMAN. Right.

Mr. WATTS. We are very sincere about this thing. We realize that there are charlatans, but we don't want to be washed down the drain because there must be some way to overcome some of these dreadful things that we are confronted with.

This is out of the area of Truth in Lending, pardon the phrase.

The CHAIRMAN. I would also like to say that I think you will find among the sponsors of H.R. 11601 sympathy with your position, that there should be one rule for all and not a discriminatory arrangement.

Mr. WATTS. One way or the other, we think that our revolving credit should be treated the same way.

The CHAIRMAN. Congressman Halpern?

Congressman HALPERN. Thank you.

First I want to welcome our witness and thank him for his very helpful testimony.

You do a most credible job in representing New York State's bankers and your comments are well taken, and I am sure they will be very helpful in our deliberation.

I gather from your answer to Congressman Bingham's question that you favor the advertising coverage in H.R. 11601?

Mr. WATTS. Yes. That is, I would have to see the legislation first.

Congressman HALPERN. But in principle?

Mr. WATTS. Yes.

Congressman HALPERN. Do you think it is objectionable to represent all transactions where charges are \$10 or less?

The Senate bill excepts such charges.

Mr. WATTS. I think it will make it simpler in New York State where there is a \$10 minimum charge today.

This might present some difficulties. I am not a lawyer.

Congressman HALPERN. Isn't it possible if there is such an exception that it could be taken advantage of?

For example, a person could make several different credit purchases at one source. Isn't it possible that each purchase could be considered a separate transaction and hence the finance charges could then be many times the \$10, and yet they are exempt from the law?

Wouldn't it be simpler to have all credit transactions included?

Mr. WATTS. Here is where you are dealing with the unscrupulous and it is a tough job to beat them at their own game.

Perhaps if the bill provided all extensions of credit through some persons to differentiate between one as against another one and tomorrow another one and the next day another one all consolidated.

Of course this is a little out of my field.

Congressman HALPERN. As far as you are concerned, you would like to see as much protection as possible for all credit, and if we can find the machinery to do it, by excluding that provision, we would like to do that.

Mr. WATTS. Well, from a technical standpoint this would provide a problem and abuses.

Congressman HALPERN. Why do you prefer a statement of dollars per hundred per annum, since from an annual rate, since the percentage rate—

Mr. WATTS. \$6.00 per hundred per annum is on a simple interest rate, it is closer to 12 percent.

You see, the trouble is even our good Assemblyman who gave the example on the push button figuring, actually what he was doing was demonstrating the difficulty in converting this into simple man's interest rates.

In an ordinary transaction there is no problem, but you have all kinds of combinations; skip payments and balloon notes and so on, and to me it just adds unnecessary difficulty.

If I note that it is going to cost me \$6.00 per contract here, and I can go across the street to XYZ Bank and get it for \$5.00 per hundred, it is as simple as that.

These people are taken advantage of and they don't know. In fact, I was amazed this morning when one witness said they didn't care what the rate was. If they don't care what the rate is, this legislation is for naught. I say that facetiously.

It is a heck of a lot easier to come up with a discount rate than a simple interest rate.

Congressman HALPERN. Considering merely the disclosure provisions of the bill, based upon your observation, do you not feel this bill is preferable in including revolving credit rather than excluding this one credit process, as does S. 5?

Mr. WATTS. We don't object to including the revolving credit.

Congressman HALPERN. Thank you very much.

The CHAIRMAN. Mr. Watts, would you mind answering one more question. When you speak of dollars per one hundred—

Mr. WATTS. Per annum.

The CHAIRMAN. I did not realize you were referring to a discount.

Mr. WATTS. \$6.00 per annum is 6 percent discount.

The CHAIRMAN. It is almost, did you say, 12 percent simple annual interest?

Mr. WATTS. Yes. The point is that in our opinion this gives the public an opportunity to compare costs.

If you standardize that we find it is a great deal easier to quote dollars per hundred per annum than try to convert that into a simple annual rate.

We can leave—this isn't any matter of life and death. It would be a great deal easier. This makes it a little more difficult to comply with.

The CHAIRMAN. At that point you do run counter to one of the basic ideas in Senator Douglas' mind all along, as he presented it to us the other day; that it isn't sufficient to give the discount rate, that it is necessary to have the simple annual rate in order to have a true picture.

Mr. WATTS. That has been his contention for years, and the fact of the matter is that the New York State Bankers Association has pretty much taken a lead in accepting and embracing the full disclosure as opposed to many other associations throughout the country.

If what we suggest accomplishes the purpose, then let's do it the easier way than to make it very difficult.

The CHAIRMAN. I don't want to pursue the matter any longer, but it is possible I am mistaken, but I think you will find that the intention in S. 5, where they used the term dollars per annum interest rate would be to include the simple interest rate.

Mr. WATTS. We made the suggestion that if the banks, for instance, incorporate a bracket in the note and say that the charges on this note do not exceed 12 percent.

Now, as long as you are sure it is not over 12 percent, you are within the law, but as it is now you have got to—it is a very nebulous phrase, within reason or something of that sort, from S. 5.

Lawyers, I don't think, are very happy with that kind of phrasing.

Even that would be a mechanism to protect the lender from violation in all instances.

The CHAIRMAN. Well, thank you very much, Mr. Watts.

I do appreciate your testimony and your appearance here.

Congressman HALPERN. I have one question that I think is pertinent on this question of dollars per hundred per annum.

Would you not state the dollars per hundred on the declining balance so that people would realize that as they repay over the year, that they have an average of \$50 to spend over the year, rather than \$100.

Mr. WATTS. Well, frankly, I am not an active banker, I am on the staff. I suspect this would make it rather awkward and complicated.

This brings up the question of refunds. I don't know if you are familiar with the method of refunds which follows this theory of declining balances, so that if you lent \$100 over a period of a year with monthly payments, actually you would only have \$50 outstanding.

Here is where the borrower can't understand why if he pays it off halfway down, he doesn't get half of his interest back, because it has already earned—I will be very glad to send you copies of a very clear explanation of this.

Congressman HALPERN. I think that would be very helpful to us and we will appreciate it if you could make that available for the record.

Mr. WATTS. It is a very plausible and understandable explanation for the layman.

Congressman HALPERN. Fine. Thank you very much.

The CHAIRMAN. Our next witness is Mr. Michael Sampson, Vice President of the New York City Central Labor Trades Council, Vice President of the New York State AFL-CIO, and Business Manager of the Utilities Workers.

We are very glad to have you, Mr. Sampson, and glad you could be with us.

STATEMENT OF MICHAEL SAMPSON, VICE PRESIDENT, NEW YORK AFL-CIO

Mr. SAMPSON. Thank you. My name is Michael Sampson. I believe the Chairman has stated the organizations I am affiliated with.

Most important of all is the fact I am Chairman of the Community Services Committee for New York City services.

As Chairman of this group, we deal in several areas of community activities and one in particular are consumer problems.

For the last twelve years we have run educational courses in consumer problems where we have classes both in English and in Spanish, to make our members, and non-members as well, in the community aware of the pitfalls in the purchases of furniture, appliances, items of daily necessity as well, and the pitfalls in borrowing that many of the lower-paid people in our community are confronted with.

A great deal of testimony has been heard by this Committee in connection with proposed legislation before you.

Let me say at the outset that we in the labor movement, both in New York State Central Labor Council and the New York State AFL-CIO, are very pleased that at long last some legislation appears on the horizon to meet the problems of some of our exploited people in an area where they can least afford to be exploited.

One of the most glaring of consumer interest issues arising in recent years is the need for further remedial legislation in the installment lending field. Public controls over the vending of installment credit are still highly inadequate in our State. Debt-poolers flourish. Legal protections for buyers and borrowers are inadequate and harsh garnishment and wage assignment laws still remain the rule instead of the exception.

Confusion reigns as to what credit actually costs the borrower or buyer on the installment plan and as to what sources offer credit on the most reasonable terms.

A survey of the consumer problems of 500 low-income families in New York City, conducted a few years ago by Columbia University Professor David Caplowitz, clearly shows the magnitude of this problem as related to the war on poverty.

It shows that in spite of their poor economic positions and poor credit status, most of these families owned many expensive appliances. 95 percent owned at least one TV set; almost two-thirds owned a phonograph; almost half owned a sewing machine; and almost half owned an automatic washing machine.

Most of these families had spent considerable money furnishing their apartments.

The typical family bought sets of furniture for at least two rooms when it moved into public housing and had spent approximately \$500 for furniture. Some 16 percent had paid more than \$1,000 for furniture, bought at the time of the move.

The prices paid for appliances were quite high. 40 percent paid more than \$300 for their TV set and 13 percent had paid more than \$400. A number of families owned expensive combination television and phonograph sets, and one family reported paying \$900 for such an appliance.

Partly because they are so dependent upon credit, says Professor Caplowitz in his remarkable study, and partly because they are intimidated by the large downtown store, most of the families buy their major durables from neighborhood merchants or from door-to-door peddlers rather than going to the large department stores and discount houses.

Symbolic of the narrow shopping scope of the poor is the practice of buying from door-to-door salesmen, the men with the traditional slogan of "A dollar down, a dollar a week."

Fully half of the families surveyed had made at least one credit purchase from these door-to-door salesmen, and more than a third had made repeated purchases.

Because they are poor and have such low ratings as credit risks and because they lack the training to be sophisticated shoppers, people of low incomes are the natural prey of unscrupulous, exploitative merchants. As a rule, they do not know how much interest and other financing costs they are paying in fact for the loans and installment purchases.

One of the abuses is the discount arrangements they make when a purchaser goes in and buys an appliance, and the next thing you know he is making his name into a second party, and when he seeks any kind of relief he has to go to someone who has nothing to do with the sale.

A good example is the television set. You have some poor families who want to get their children off the streets. He knows he can't afford to buy it, but figures by paying \$2.00 a week he can at least have some entertainment in his home to keep his children off the street.

He buys a television set and is told it is guaranteed. The set doesn't work, the man waits, ten days, twenty days, and they delay in sending the man over until his so-called guarantee is used up, and the only place he can go is where he has to make his payments.

In many instances he still makes his payments where he bought the appliance. In lots of instances the payment isn't made to the one who had the note. The end result is one of the most serious things we are confronted with, gentlemen. If we can eliminate that, we can eliminate a great deal of abuses that exist in the lending and time purchase plan, and that is garnishees.

You will be amazed, and I will be glad to show you facts that some of your lending institutions in this City and all of us are aware of, the fact that they all have clearing houses on credit, whether it is borrowing money, buying clothes, furniture and appliances, they all have clearing houses. Yet, despite that, they will take some individual and loan him money or sell him some merchandise on time, knowing full well they have two, three and four garnishees pending.

I can show you cases where there are six and seven garnishees pending. It is like a chain reaction, and yet the result is an employer has to set up expensive accounting procedures, he has to make the payroll deductions, and he has to forward the check, and he says, "I am not going to pay these expenses, you are fired."

It took us a great many years, until the last session of the Legislature, to get a State bill passed saying you can't fire anyone until they have two garnishees.

We still have the loophole that when a responsible lending agency stands before you and says you should not fire garnishees, he is talking out of both sides of his mouth.

If only credit houses would once and for all know they cannot have a man fired—this is a sword that hangs over a person's head. He has to make up or loses his job. He loses his job, he becomes another relief client, depending upon the City to support him.

There is the danger, and I think one of the finest things in this bill is the elimination of people being fired because of garnishees and the elimination of garnishees, because we are back in the days where you become a debtor and slave for your life.

As far as the labor movement here in New York, we wholeheartedly support the bill and will cooperate wholeheartedly with the gentlemen who support the bill.

Thank you.

The CHAIRMAN. Thank you very much Mr. Sampson. We are very grateful for that expression of support.

Congressman HALPERN. I, too, want to commend our witness.

Unions are naturally concerned about the effect of garnishment on the security of their members' jobs as is cited here and the ability of their members to subsist on a given wage. I would like to ask two questions pertinent to this.

Does the issuance of a garnishment arise in union negotiations with management and have any settlements of the issue resulted?

Mr. SAMPSON. Let me give you my own personal experience. I represent a union of 25,000 members, naturally a large volume, and I would be confronted with the problem of garnishments more than an office with 4,000 or 5,000, and repeatedly in our negotiations the cost of effectuating reductions of payments, forwarding these payments to the various credit agencies or banks is a chargeable item, is a fringe benefit in our negotiations and we, in a sense, are losing X cents per hour in benefits, so that unscrupulous lenders can have a field day. That's how it affects us, but beyond that even more important is our concern over the exploitation of the workers.

Let me give you two cases. Only in the last week, I had a man with six children who bought a used car. He was one day late in his payments. The very next day a garnishee was gotten against him, the very next day.

I had another case where a man bought a used car. He made his payment but somewhere between the agency and the discount house there was a delay and seven days after he made his payment the garnishee was gotten against this man. We were called in on this matter and this man happened to have four garnishees and they were all waiting in line as one is paid up to collect another one.

We knew why the man wanted the car. He had six children. He had a brother who was dying and the only way to get down there was to have a car. So, it's more than just what the cost is to us in negotiations and fringe benefits. We want to see the end of the exploitation of people who are so easy with credit who will get themselves in debt over their heads, which they shouldn't, and become a problem to themselves, a problem to the family, where they are making this exorbitant payment, something has to give, either in food or clothing or education, and the family in the end suffers.

It's better if they didn't have it than to find themselves in debt and lose their job as a result of this debt.

Congressman HALPERN. My question was more aimed as to whether or not the issue of garnishment arises in negotiations with management and have any settlements of the issue resulted.

In other words, when you do negotiate with management, does this question come up?

Mr. SAMPSON. I can say this, speaking for myself, I wouldn't want to speak generally—

Congressman HALPERN. Well, you represent the unions in the Trades Council.

Mr. SAMPSON. In some instances where you make an appeal to management, they will be generous and go along with you. In some instances they won't. They take a hard line and say, "No, we are not going to stand this cost. He has one, two and three more. We are not going to pay the bookkeeping expenses, no."

Congressman HALPERN. It is a subject of concern?

Mr. SAMPSON. It is very, very much.

Congressman HALPERN. What attempts have your unions within the Trades Council made, based on the lines of communication open to them, to educate their members in the area of consumer finance?

Mr. SAMPSON. We have been conducting consumer classes and graduating counselors for fifteen years now in both Spanish and English.

Congressman HALPERN. That's very good to hear.

Mr. SAMPSON. But, of course, every time you find a solution or a possible answer to alert the people to something, they come out with a new gimmick.

The latest one now—if you saw the advertisement—is that they show you a card, "Have A Checking Account. You can overdraw on your checking account. All you have to be is a resident for a short period of time and be employed for a short period of time, and you can overdraw."

But they don't tell you what you are going to pay. This is what encourages people to get themselves in debt. They don't realize the price in the end. They don't realize what the price or what the cost is, and this is the answer to the whole thing.

Congressman HALPERN. This would help the unions in their own educational programs?

Mr. SAMPSON. It would help the unions, but more important it would eliminate the exploitation of the people that unions are interested in.

Congressman HALPERN. Thank you very much.
The CHAIRMAN. Thank you very much, Mr. Sampson. That is most impressive testimony.

Our next witness is a member of the bar and has particular expertise in the field of compensation, a former President of the New York Compensation Board, Miss Jeannette Harris.

STATEMENT OF JEANNETTE H. HARRIS

Miss HARRIS. Thank you very much, Mr. Chairman.

My name is Jeannette H. Harris and I am an attorney, having practiced in the City of New York for more than twenty years. I have specialized mainly in claims under the Workmen's Compensation Law and claims involving employees of the City and of the State of New York who become disabled and are entitled to benefits under Pension and Retirement laws. I am Past President of the New York Workmen's Compensation Bar Association. I am now Chairman of the Committee on Workmen's Compensation Law of the New York County Lawyer's Association.

My work brings me into contact with thousands of low-income workers at a time when they are disabled from working and dependent upon the pitifully low benefits paid under the Workmen's Compensation Law of this state. (While maximum payment is \$60.00 a week, many disabled workers receive much less, as little as \$20.00 a week, and often they receive nothing while the claim is in litigation.) Faced with a stoppage of income, it is then for the first time that an instalment contract is examined. How many times have I heard one of my clients say:

"I thought the price of the TV set (or the sofa, or some other article) was \$300. I have been paying \$5.00 a week for a whole year; I still have to pay \$5 for another year; that makes \$500, not \$300. Now they tell me if I don't pay, they will take away the set and sue for the balance just the same."

Many times the client does not even know the actual price; only that he was supposed to pay \$3 or \$5 every week for a certain number of weeks. Shall the answer always be as it was in Ancient Rome, Let the Buyer Beware? We think we have advanced far beyond that civilization in ethics, morality and honesty. At least let the buyer know the price he is paying for the article and the price he must pay for credit, leaving it up to him to decide if it is worth the extra charge.

I believe that no responsible business man is averse to giving the facts, indeed good business men would rather make a cash transaction and be willing to give a discount for cash, thus making the gap between cash purchase and credit purchase even wider.

But it is in the realm of finance companies that one sees the worst aspect of these instalment payments. Take my disabled worker, pressed for payment and in fear of losing his whole investment. He goes to one of those loan companies who advertise that it is better to "consolidate all your little debts into one big one." The company is happy to oblige and take over the payment of the instalment contract and even give an extra \$25.00. Payment, he is told will be suspended for two months, which he believes will be long enough for him to get back his job and collect the compensation he hasn't received. Later, when for some reason he is still unable to work, he learns to his dismay that the paper he signed is a chattel mortgage covering not only the items of the instalment contract, but in addition every stick of furniture and clothing he possesses.

It follows that for the greatest good, a statement should be required in simple English of the actual terms.

In addition I suggest that the law make provision whereby when for good reason (illness, disability, accident) and the buyer is unable to complete payment within the time required but has paid at least 50% of the actual purchase price, exclusive of finance charges and interest, an extension of time to pay is automatic, with even a reduction of the amount of credit charges.

The members of my profession, practicing in my specialty, would also approve, as I do, the prohibition of garnishment of wages. The Workmen's Compensation Law prohibits assignment, attachment or garnishment of compensation payments (Sec. 33, WCL) and this provision has worked well, despite the great outcry as time of original enactment that the businessman would be defrauded, that it would be a means of taking money from the creditor without due process of

law; that business would flee the state, etc., etc. But the fact is that over the years the economy of this state has prospered and increased.

The growth of the finance industry into the retail business has been so great and many of its methods so unfair that there is a need for federal regulations and supervision. These companies as well as the retail industry are not simple individual entities, but are the creatures of large holding companies, having national and even international significance, and thus controllable only by the federal government.

The CHAIRMAN. Thank you very much, Miss Harris. We are grateful for that statement and I think you bring to this problem a point of view that we haven't had presented here today.

I think your reference to the prohibition of garnishment in the case of compensation payments is very apt and most useful to us.

Congressman HALPERN. I have no questions, but I would like to commend Miss Harris for her most perceptive and very enlightening testimony. It is based on many years of experience with the public and in particular with the consumer, and I wish to commend her and compliment her for her help to this Committee.

Miss HARRIS. Thank you very much. I'm very glad to see both of you gentlemen on this Committee, since I know Congressman Halpern, being from Queens, and also Congressman Bingham.

The CHAIRMAN. I think we discussed compensation matters.

Miss HARRIS. That's right.

The CHAIRMAN. Our next witness is Mr. Edward Panarello, Representative of District 20 of the Retail Clerks Union.

We are very happy to have you with us, Mr. Panarello.

STATEMENT OF EDWARD PANARELLO, RETAIL CLERKS UNION

Mr. EDWARD PANARELLO. I am very happy to be here, Representatives Bingham and Halpern.

We know your reputations and we echo what Miss Harris said. I am sure some results will come out of this hearing.

My colleague, Mike Sampson, gave some good testimony with regard to our community service programs, as far as the New York Central Labor Council is concerned. There is no question about it, that under his direct supervision that these classes are held regularly for a number of years, but our sort of work becomes tied up in a sense that all that we try to expound about helping people, we have certain things that we are confronted with and that is the operation of retailing or the operation of lending money and what the consumer is subjected to.

Despite all the efforts that we put into trying to educate our members, we find that we are up against a wall. There is no question about it. I think this is the American way, because when I was given a synopsis of the law, I see the title here, "Consumer Credit Protection Acts," and I think that the good Representatives here realize that fully knowing their record, that we want to protect the consumer.

I originally came out of retail and I know some of the cases of exorbitant credit charges and the revolving way of charging credit charges to the extent where a consumer might reduce a bill down to a \$10 balance and buy some additional merchandise and find that when he or she becomes delinquent in payments, not only is the last purchase repossessed, but the first purchase with a \$10 balance.

After a recovery we find that a deficiency judgment is obtained and they are not only paying some more interest charges, but they have no merchandise in their home and they are paying on what they call a deficiency balance.

I had the sad experience of working in the credit department and witnessing all these charges that were put on to customers' bills. I think there should be exposure as to how much is charged through interest within the area of limitations, within the State or Federal regulations.

There is also something related that I would like to call your attention to. We have a situation whereby a person—and we had one specific case where a member who subscribed to magazines, five or six magazines, with payments of \$11 a month, decided after the subscription application was signed not to continue to receive the magazines. This man was told by the agent, "You cannot cancel. You are just stuck with the bill." No payments were made.

Subsequently, a garnishee order was placed on his wages. He owes approximately \$200, paying \$8.00 a week. He makes \$80 a week, has a wife and several children. He has no magazines, and he owes close to \$200 with the charges, Sheriff's fees, judgment fees, and I say this respectfully, attorney's fees.

We are trying to help him. How do we try to help him? We seek some help from Mr. Lefkowitz' office and we use him plenty, because, to be brief, we had another case of getting tools from some outfit. The member never received the tools. It was the same procedure. We found a garnishee on his wages for something like \$300.

After enlisting Mr. Lefkowitz' office, I recall that a settlement was made where this member paid approximately \$125 to sort of get this garnishee off his back.

I think something should be done about what we call the service of summons, where suddenly you have a judgment against a person who never has an appearance in court or due notice. We find exorbitant charges, refinance charges. Then it's handed over to a collection agency and from there it goes into the Sheriff's office who has to be paid a certain fee.

A case in illustration was made by my colleague, Mike Sampson, about garnishees, and the question was asked if we had trouble and the answer is: Yes, we have a rough time with employers because most of the time when a garnishee is placed on someone's wages, they take a hard attitude and they want to discharge him.

It just so happens we have a union that intervenes, but people who don't have a union representing their rights are at the mercy of some managements who feel they shouldn't have a garnishee. That is one of the reasons we tried and we were successful in having this law enacted, this past January.

Now, we feel in the labor movement and in the interest of all workers and consumers, that there should be definite protection as to stipulated amounts. It should be an open book. A person should know when they buy an article whether it be furniture or a car or borrowing money, they should know exactly how much they are paying in interest, and I think somebody should know when they become delinquent.

I'm not talking about the person who buys on time and says "I'm not going to pay," and unfortunately they, too, are victims of some high-pressure merchants, by salesmen who think they do have credit bureaus where they could investigate this as a chronic delinquent. They should not be extended credit, and a legitimate case where an illness strikes at home and they cannot pay their \$25 payment, I think there should be a provision as to what happens after they become delinquent and a court case follows as to the charges in relation to, again, increased credit charges, attorney fees, and then the Sheriff's fee.

So that the organization in line with the New York City Central Labor Council and the State AFL-CIO and our council definitely urges that this law be enacted. And I want to thank you very much for your patience.

The CHAIRMAN. Thank you very much, Mr. Panarello. We are grateful to you for that statement. You obviously have substantial contact with these problems and it's very helpful to have your support.

Congressman HALPERN. I, too, want to thank the witness, and I associate myself with the remarks of Mr. Bingham in telling you how pleased we are to have you here and to have the benefit of your views.

Now, various retail witnesses have contended that disclosure of credit terms would create intolerable burdens for commercial and other store employees who would have to figure them out.

Do you feel that, with the various tables and charts that would be provided, store employees would be unable to provide the information required by this legislation?

Mr. PANARELLO. No. We happen to represent retail workers in some very, very large concerns right here in the City of New York and they have a credit department and they have a staff of young ladies or young gentlemen who are trained by charts where within a two-week period, they are skilled enough to work the operation in figuring out what the credit charge is going to be. So I see no question or no burden whatsoever on the operation of a business.

Congressman HALPERN. There is no problem that you think cannot be resolved?

Mr. PANARELLO. Right.

The CHAIRMAN. Thank you, Mr. Panarello.

Our next witness is Mr. Frank Rubel, Executive Secretary and General Counsel of the New York State Credit Union.

STATEMENT OF FRANK RUBEL, EXECUTIVE SECRETARY, NEW YORK STATE CREDIT UNION LEAGUE

Mr. RUBEL. Gentlemen, I have been in the credit union movement for 51 years, and practicing law for a longer period than that.

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.

ments. They may not be connected with a note. A person may not sign a confession for more than the amount loaned. The law prescribes the method and manner of entering your judgment.

Take for instance, a man who borrows a thousand dollars from the credit union. When he pays \$500 back, on the back of their judgment it shows the amount of the loan, the amount paid, the balance, the interest, and you may only charge half a bill of cost. If you have to serve a summons and complaint, you have to first locate the person who owes the money and serve him.

This credit union alone lends a million dollars a month to low and middle income people, and I can tell you now, gentlemen, if this bill passes with that elimination of garnishment, you can kiss over \$11 billion dollars loaned to middle and low income people goodbye, that is, you can kiss the credit unions goodbye, because even though they may not use them to a great extent, it is something that you have got over their heads if they don't pay, and all you can get is 10 percent of the man's wages if he doesn't pay.

Now, in the credit union, you don't file the judgment until a man is at least three months' delinquent. If you are willing, as we did in the case I spoke of, Mr. Bingham, that you will possibly remember, the Attorney General said to me when I drew that bill—and I have been going to Albany for 50 years as a volunteer—if you will limit this strictly to supervised agencies, like banks, trust companies, we will go for the bill and ask the Governor to sign it.

Do you recall anything about that?

The CHAIRMAN. I suspect that this conversation may have been with my colleague, Judge Gutman, who is counsel to the Governor.

Mr. RUBEL. Were you Secretary to the Governor?

The CHAIRMAN. I was Secretary to the Governor, yes.

Mr. RUBEL. You are the gentleman, because you are the one who called me.

Getting back—my memory is very, very good and I thought possibly you would remember this, and I would be very happy to let you know that only two have been filed in respect to confessions of judgment in New York State. They are so strictly controlled that it may not be connected with the note. It must be a separate instrument.

Now, if we eliminate garnishee, that would also eliminate the wage assignment, which must be approved in each individual case by the head of the department, board, or commission by the persons employed.

I won't take but two minutes more.

In the first place, when unions are strictly limited as to the amount of money they may receive on a loan, the New York State Law provides that you make discount at a figure of 6 percent per annum maximum, or a charge of not more than 1 percent a month on an unpaid balance.

The Federal law provides that a payment may not exceed 1 percent a month on the unpaid balance, but that must include all charges, insurance, investigation, death insurance on the loan, insurance on the shares that he's got in the credit union.

In other words, in the Federal law if you have up to \$2,000 in shares and you die, your estate gets the benefit of the \$2,000 and you don't pay for it. That's paid by the credit union.

I see no reason in the world why any lender could not tell any person that borrows from him the rate in interest in dollars. Many people don't feel that way, but credit unions certainly have no objection. I'm sure every credit union in the United States with over \$11 billion dollars represented in over 22,000 credit unions in the country, are in a great position to help little people. In fact, the Federal government is spending money organizing credit unions in the low-income localities so they may progress and help each other.

Now, if you wanted to pass these bills and eliminate credit unions, I see no objection, and I don't even object to banks and trust companies, because they are supervised and if they do anything wrong, you can rest assured that the supervisor's agency will certainly get on their neck.

I thank you very much.

The CHAIRMAN. Thank you very much, Mr. Rubel.

I would like to clarify one point. I take it that credit unions in New York State could get along with the kind of restrictions on garnishments that are imposed in New York State?

Mr. RUBEL. Positively. I like that law. In fact, it was my suggestion to the Attorney General that employers who dismissed employees because of a gar-

nishment should be strung up, and they passed a law according to that suggestion, saying he could get his job back.

There is no doubt about it. The laws in this state are very strict in respect to garnishments. You may not have more than one garnishee at a time.

The CHAIRMAN. Do you happen to know anything about the operation of the credit unions in the States of Texas and Florida?

Mr. RUBEL. I do know they don't allow them, but the credit unions don't get along as well as we do.

I'll tell you why. Federal employees are not garnishable. I'll give you an answer to something that will give you a shock.

If a credit union or bank gets hold of an employee of an employee who has failed to make his just and honest payment, out he goes. He's fired, and I'm going to let you in on a little secret. Back in 1959, we had a Police Commission in the City by the name of Valentine. He dismissed two or three policemen a day for non-payment of just and honest debts, and this is the reason why I set up this procedure which originally, 86 (a) of General Municipal Law applied. And in 1956 that was repealed and we made it all-inclusive, so it would treat State employees the same as Municipal employees.

The CHAIRMAN. I'm sorry that my memory is not as good as yours in that regard. I am sure you are right.

Mr. RUBEL. I have some correspondence with you. In fact, I sent you the contract and you turned it over to Mr. Lefkowitz for his approval and it was signed by the then State Comptroller and it's been functioning beautifully. In fact, 99 percent of the loans that the Municipal Credit Union makes are based upon the wage assignment with no co-makers, no security, and the employee, that is the commission, city and state, individually, approve the copy, the original and the employee gets—as the law provides—a copy of what he signs.

In other words, it states on it in big letters "This is a wage assignment," and I believe in it thoroughly, but I don't think that you should destroy something that has taken us over 50 years in this State to accomplish.

In fact, Governor Roosevelt was State Senator in 1913 and introduced the State law. He was the President that fathered the Federal law, and in this State we have 124 state-chartered credit unions and 750-some-odd Federal chartered unions.

The CHAIRMAN. I would like to say that the Committee on Banking and Currency, of which we are members, is very much interested in credit unions and we certainly don't want to do anything to harm them. We think this a fine type of organization and we want to thank you for your testimony.

Congressman HALPERN. Yes, I, too, want to commend the witness and I'm glad our distinguished Chairman here today pointed out that the Banking and Currency Committee not only believes in credit unions, but supports them, and I would like to add that the Banking and Currency Committee has handled all of the legislation passed by the Congress to encourage and promote credit unions. We handled all bills affecting credit unions, so you can be assured we don't intend to hurt the credit unions in any way whatsoever.

In looking over your memo, your testimony, I note that it is headed Memo in Opposition to HR 11601. Shouldn't that really read opposition to two provisions in 11601?

Mr. RUBEL. You are absolutely correct.

Congressman HALPERN. Do you agree with the general disclosure provisions in the bill?

Mr. RUBEL. Absolutely.

Congressman HALPERN. Do you believe in the revolving credit requirements?

Mr. RUBEL. I absolutely do.

Congressman HALPERN. Do you agree with the advertising in the bill?

Mr. RUBEL. Absolutely.

Congressman HALPERN. I am very, very pleased to hear that. Now you suggested that garnishments are so essential to the operation of the credit unions. Doesn't this indicate that, perhaps, they extend credit to borrowers who can't afford the credit and should not receive it in the first place?

Mr. RUBEL. When a person comes to the Municipal Credit Union, the one I managed for 20 years—you know, Sidney Wexler is the Treasurer.

The CHAIRMAN. And I have the utmost regard for him.

Mr. RUBEL. Sidney would have been here himself if he wasn't sick. I will give you the answer to that.

When a person comes to a credit union, they are required to make a budget. They set up what their income is, what their rent is, what their food is, their laundry, their insurance, and if the wife or anyone else in the family has a job, that also goes there, too.

Now, if the credit committee, and they are the sole judges of whether a person should have a loan—And I want to say this to you, gentlemen, in this union over here with over 52,000 members, a great deal more than 50 percent of them are colored, and I'll say one thing right now, they make their payments just the same as the others, and many of them have the maximum shares.

You see, when you get people and encourage them to save money, even if it's only \$5.00 a month, if you can get them to do it, you have got a marvelous credit union.

The two purposes of the credit union is to create that thrift. That's primary and you mustn't forget the membership is limited strictly to a common relationship with the employer or association or a parish or a lodge or a city or county.

For instance, over in Queens you've got some beautiful credit unions over there, and one of the greatest friends we ever had in Albany is the fellow who is now the District Attorney.

Now, getting back to the question as to not permitting over-borrowing, this is the problem. Nobody, I don't care who it is, can borrow a nickel from this credit union or others unless we can clear off all of their debts. I didn't get back to tell you the story about at the time in 1939 there was 75,000 garnishees on file in the Comptroller's office in the State of New York.

Congressman HALPERN. How many?

Mr. RUBEL. 75,000.

Congressman HALPERN. How many employees?

Mr. RUBEL. 200,000. That didn't mean individuals. Some had ten, fifteen, twenty garnishees, so when Mr. Valentine, the Commissioner of Police, fired these policemen, I went to Bill Reardon and I said, "Bill, this won't do. We have got a good credit union here. We have got a law, Section 86(a) of the General Municipal Law, which permits the assignment of unearned wages if approved by the head of the Department, Board, Commission where he is employed."

He said, "Why don't you go over and see Commissioner Valentine?"

I went over to see him and took with me a statutory procedure for carrying out this and he designated the First Deputy to approve of all this. So we put an advertisement in the Leader and the Chief that we would consolidate all of the debts of Municipal employees if they came in with a complete story.

So, when we got finished with it, there were 30,000 garnishees on file and none by the Municipal Credit Union. Yes, we filed them, but not too many, but we are very happy with the fact that our credit committee, if they find that a person wants to borrow more than they can afford to pay back—and under our employee laws we have no limitation. We are not limited to 36 months. We make a loan big enough, say, \$3,500, and allow them 50 months to pay it back, or 60 months, because they only paid interest on the unpaid balance. If they die before they are 70, the loan is completely cancelled. If they become disabled before they are 60, the loan is completely cancelled.

Now, does that answer you in respect to how we can keep them from over-extending themselves?

Many times we will consolidate all their debts and pay them and the credit committee will have them sign an affidavit. The affidavit says, "John Smith being duly sworn, deposes and says that in further consideration for the giving of a loan to myself in the sum of \$3,500, I will not create any other debt by loan, charge account or otherwise, except in a serious emergency, in which event I will come back to the Credit Union and have them try to solve my problem."

Now, if a person got a loan of a thousand dollars and he ran into a serious emergency tomorrow, he is taught, we educated, to come back tomorrow. Usually a man must pay up half his loan before he can come back to borrow more, but he had tuition or things like that that people have to pay.

Congressman HALPERN. Would you oppose or favor a Federal garnishment provision in this bill which was limited, as the New York State law is, to only 10 percent?

Mr. RUBEL. Limited to what?

Congressman HALPERN. I ask if you would favor a Federal garnishment provision such as, say, in this bill, which was limited as the New York State is to 10 percent?

Mr. RUBEL. I don't think any state permits more than 10 percent.

Congressman HALPERN. Would you favor a Federal law to this extent?

Mr. RUBEL. I don't see how you can operate too well under a Federal law when you have got the Courts here set up to do a job like this in New York State.

Congressman HALPERN. Do you believe the other states should have similar provisions which a Federal law would require?

Mr. RUBEL. I don't see how you can eliminate one state and take all the rest of them in.

Congressman HALPERN. You would not eliminate New York. I merely said to provide the same provisions New York State has in a Federal law.

Mr. RUBEL. Are you familiar with what a person has to go through to get a garnishment under the New York State law?

Congressman HALPERN. You said you weren't opposed to the New York State law.

Mr. RUBEL. I am not opposed. I am telling you the involvement you would get into with a Federal law. First, you have got to get an execution, then it has to be sent on the judgment day, then the Marshal must wait 20 days before he files it. You get terribly involved. You would get terribly involved if you tried to involve all this, because in this State, the Marshal is operating in the City and they may not operate out of it, and the Sheriff is operating all over, and I don't want to say anything about changing the law, but they have been trying to get rid of Marshals and I am in favor of them.

Congressman HALPERN. Didn't you say you favored New York State law with limitation of 10 percent?

Mr. RUBEL. Positively.

Congressman HALPERN. You would not object if this is employed in the law we are now advocating?

Mr. RUBEL. I would not object. I have no objection to a 10 percent limitation.

I will get back to that because under the Personal Property Law, Section 45 (a) is the one that forbids State employees to sign on wages; 46 through 49 of the Personal Property law relegates that wage assignments up to a thousand dollars should be restricted to 10 percent.

Do you follow me?

Congressman HALPERN. Yes, I follow you.

Mr. RUBEL. Now, there is no limitation on a loan made by a bank or trust company; if the loan is over a thousand dollars. So, you may take an assignment in excess, but any bank or credit union would never take more than one payment a month out of an employee's check. He wouldn't have a job, because he would quit. That may be the end of that. The law is so strict in protecting the consumer and I like the strictness. Don't think that I don't because I have introduced 98 percent of the law affecting credit in this State, drafting them. I'm in favor of the consumer law on the books. I'm against 18 percent interest. I think it's outrageous. In fact, most credit unions charge a lot less than the legal limitation. In fact, the Municipal Credit Union charges somewhere, perhaps, between 7 or 8 percent and it's not discounted and we don't have any problems and we don't pay rent tax to the State, don't pay to the Federal government, and we don't pay for collections, and it does a job. And I can tell you now, if that bill passes in the form it's in with respect to garnishments, you can forget credit unions, because they won't exist.

I'm being very frank with you.

Congressman HALPERN. I think I differ with you on that score. As a matter of fact, if a borrower can be made to pay only through garnishments, does this not indicate that the lender should have a more careful examination of the borrower's background?

Mr. RUBEL. 98 percent of the people pay, but you don't know they exist, because that other 2 percent can ruin you.

Do you follow me?

Congressman HALPERN. I follow you, but I don't necessarily agree.

Mr. RUBEL. My experience tells me that over 50 years of dealing with people, all kinds of people, that all the investigation you want to do won't do any good if they lie to you, and this is all under oath.

When they get a loan, they swear to the facts being true. If they were not true, we wouldn't make a loan.

Fine men sit on that credit committee four times a week and they pass on the laws. And I say that 98 percent, close to 99 percent, you don't even know they have a loan, but that other 1 or 2 percent, brother.

Suppose you lend a million dollars a month. Do you know what you are losing if you didn't have the right to garnishee and if you went back to giving notice to the employer, the head of the department that a bum in his offices doesn't pay his debts to the credit union, what do you think would happen?

Now, I read something about Bankruptcy. You know, I have been going to Bankruptcy Courts for many years. I can tell you now, gentlemen, that 99 percent of the people that borrow money from the Municipal Credit Union and go into bankruptcy, we don't have to look for them. They come to us and say, "I want to pay my just and honest debts and I am making a payment and signing a waiver," and that's the answer to that.

Many are not profit organizations, they are not charitable organizations, they are there to give service to the members. You know that as well as I do. You gentlemen have had a lot of experience in Washington.

I see no reason in the world why concessions of judgment as controlled by the law in New York State should not be usable and also the garnishment laws, because they are extremely strict and I believe in strictness.

Congressman HALPERN. You would not object if New York State law or comparable language to the New York State law was part of this legislation?

Mr. RUBEL. I do not.

Congressman HALPERN. That is my point.

Mr. RUBEL. As long as you can't make us repeal our law.

Congressman HALPERN. No question.

So I conclude that you agree with all of the provisions of this bill, except the provision of garnishments, and you say you would like this law if that was not a part of this bill?

Mr. RUBEL. Yes.

Congressman BINGHAM. Thank you very much.

You might be interested to know, Mr. Rubel, that Senator Kennedy earlier today suggested something somewhat similar to what you said.

Our next witness is Mr. Fred Noz. Is he here?

STATEMENT OF FRED NOZ, ASSOCIATION OF COMMERCIAL AND PROFESSIONAL ATTORNEYS

Mr. FRED NOZ. Yes. I am Fred Noz of the Association of Commercial and Professional Attorneys.

The CHAIRMAN. I am very happy to have you here, Mr. Noz.

Mr. Noz. I have two letters which I have addressed to the Committee and sent to Washington.

I would consider it a personal favor if you read them personally, so you will be familiar with what is in my letters.

In my testimony I shall attempt to, with your permission, to highlight some of the more salient features of the problem which is pretty much summarized in my two letters.

The reason why there are two different letters is that the first letter addresses itself to the problem of the proposal to abolish wage garnishment altogether, and the second letter addresses itself to the problem by the testimony of Representative Rosenthal, to the effect there is some limitation to be placed upon wage garnishments.

Taking the first problem first, that is the proposal to ban the wage garnishment altogether, I wish to emphasize that this is a credit-oriented economy and the wage garnishment is the most widely used commercial tool in the United States today.

Since the economy is—I don't think you will have any disagreement on this—is completely credit oriented, we are concerned with what is a natural part of the economy of this time, namely a collection tool corresponding to the nature of the economy.

I am sure you have statistics already available on the volume of installment selling, statistics on the volume of personal loans being made.

Of course it doesn't stop there. Any time any small company delivers something in advance and expects to render an invoice at the end of the month, that is a credit transaction.

We are reaching a point where even to pay for a thing that costs as little as \$30, a sale is made on the basis of \$2.00 a week, so this is completely a credit-oriented economy.

I can go on to mention the credit cards which are so widely used today. Even the airlines are now starting to sell their tickets through the use of credit cards.

Any change in wage garnishments, which are a part of this, will do harm to our economy as it is today. If wage garnishments are abolished altogether—80 percent of all debts are collectable through garnishments. If they are not collectable, this will deal a severe blow to our economy.

Gentlemen, kindly accept this letter as an objection to any proposals for any ban upon wage garnishments. The undersigned is an attorney who has been specializing in collection law and specifically in wage garnishments for approximately fifteen years and, for this reason, claims to possess familiarity with the actual workings of day-to-day problems in the field of credit and salary attachment.

The device of wage garnishment is the most important and widely used collection tool in the United States today. In various localities various names are used, such as Income Executions, Wage Executions, Garnishee Executions, Wage Attachments, Wage Assignments, and so forth. This device of wage garnishment is a natural part of our credit-oriented economy as it exists today, and any interference with so important an aspect of our present economy will do violent harm to that economy.

The economy of the United States today depends upon credit, and this is true in spite of the fact that some of us may wish that the facts were otherwise. It is submitted that nothing can be done at the present time to change the economy of the United States from a credit-oriented economy back to a cash-in-advance-oriented economy. We are confident that the Committee already possesses statistics on the volume of installment sales and is aware of the staggering volume. The percentage of automobiles subject to mortgages as contrasted to automobiles owned free and clear is perhaps one good example, but there are innumerable other examples. All personal loans made by banks and finance companies fall into this category, since these personal loans are in effect sales of money repayable in installments. Under our present economic system, items which cost as little as \$30 are purchased under the installment plan and paid off at the rate of \$2 weekly. Many tire stores can be seen around the country advertising in their windows "Tires on time, no money down." It seems reasonable to assume that the Committee is already familiar with the tremendous volume of business done through credit cards and through charge plans at department stores. The airlines are now selling tickets on the installment plan. The use of credit, however, goes beyond installment sales and personal loans in the sense that everything which is not paid for by actual cash or certified check in advance is in actual fact sold on credit. All merchandise which is delivered and which is to be paid for only at the end of the month is sold on credit. A credit transaction also takes place when an uncertified check is used for payment in advance; there is always the possibility that the uncertified check will fail to clear the bank, whereupon a collection problem will arise.

The device of wage garnishment is a natural and absolutely necessary part of this credit-oriented economy, as described above. It should be obvious that there is needed a device for guaranteeing, at least to some extent, that the credit extended will be paid. Wage earners participate in our credit economy by virtue of the fact that they have their salaries to offer as collateral for their participation and that they are thereby eligible for credit. Persons possessing substantial assets such as real property and so forth still participate most directly through their weekly earnings, since various large assets usually are not liquid, and the weekly salary is generally considered to be superior collateral.

If this drastic and extremely ill-advised step of abolishing wage garnishment were taken by Congress, the situation would immediately arise in which as much as 80% of all delinquent bills across the country which are presently collectible would thereupon become uncollectible. At the very least this would force a substantial increase in prices and even triple prices in many areas where credit is exclusively used. This problem of substantial increase in prices, which will follow as an automatic result of the enactment of the abolition, is one of the most important items which we are seeking to stress in this letter. We are confident that Congress wishes to avoid anything which might even tend to bring upward pressure on prices, and this proposal, upon enactment, would certainly

raise prices more than slightly. At the very least, the various business firms would need to raise their prices in order to compensate for the accounts which go delinquent and which would under the new situation no longer be collectible even through the hiring of attorneys, and so forth. The problem is compounded by the fact that many consumers who presently pay their bills, upon learning of the new law, would take the occasion to join the ranks of the delinquents. All payments would be voluntary, and no one would be required to pay, which is the reason why we maintain that prices in some areas could as much as triple. The net effect of the higher prices forced by this change in the law would be the penalizing of the honest consumers who pay promptly and the forcing of these consumers to pay on behalf of their fellow consumers who would not choose to pay. It seems reasonable to suppose that the general run of consumers who do make it a practice to pay promptly would be irritated at Congress for forcing them to pay on behalf of the delinquent consumers. Banks and loan companies would be prevented by the usury laws from increasing their prices and would be prevented from continuing business.

We wish to stress also that the abolition of wage garnishment, if enacted, would bankrupt all loan companies and finance companies and all stores and merchants either specializing in installment selling or devoting a substantial percentage of their business to installment selling and also all other businesses which depend upon legal enforcement of their accounts receivable. What may seem most spectacular is the fact that many banks would be caused to fail or would at least be seriously damaged; their entire personal loan departments would be prevented from functioning. Without the device of wage garnishment, the various businesses mentioned in this paragraph would have no means of enforcing collection of their accounts receivable and would no longer possess any basis for extending credit to anyone. The consequences would even prevent retail fuel oil dealers from continuing with their present system of delivering oil as needed and billing their customers at the end of each month, secure in the knowledge that if any customer does not send his payment, a wage garnishment will be available. The same principle applies to charge accounts at stores which are payable in full at the end of each month rather than in installments; it remains necessary for the stores to have available to them the device of wage garnishment in the event that the particular customer does not make his payment at the end of the month. We could go on to cite the example of newspapers which accept advertisements from individuals and then forward bills only after the advertising has been run, and we could go on to cite innumerable examples.

We cannot stress too strongly the fact, as described in the foregoing paragraph, that an overwhelming number of business failures will result from the abolition of wage garnishment, including many loan companies and finance companies which are publicly held. A checking of the roster of the New York Stock Exchange shows the presence of various companies of this type. The going out of business of just one large finance company would cause to be unemployed all of its own present employees as well as those of smaller firms which are dependent upon the financing. Numerous business failures among companies in the general category of finance companies and retail businesses specializing in credit selling, together with severe damage to the banks and possible bank failures, will create a substantial unemployment problem, especially considering the chain reaction and harm to dependent businesses.

It is submitted that from the standpoint of the consumer the abolition of the wage garnishment will also turn out to be a severe blow. That portion of the consumer public which utilizes any form of credit, and almost all consumers now fit into this category, will upon abolition find itself almost without credit and required to pay cash in advance. Specifically, those wage earners who now have no collateral to offer except their weekly salary in future weeks will be cut off from all credit, since there will be no basis for extending credit to them. It is striking that these are the persons who have the greatest need for installment buying and who are not capable of making other than small purchases except through installment plans. It is persons in this category also who have the greatest need to acquire personal loans upon occasion from the banks and finance companies. Upon abolition there will not even be a basis for permitting such persons to receive delivery in advance plus an invoice at the end of the month, since there will be no means at all to compel payment, assuming that such consumers do not deign to forward the payment at the end of the month. A substantial example to be cited is the automobile financing industry and its customers. Upon

abolition the entire present system of financing automobiles will be violently disrupted, and automobiles are now such a large part of our economy that any substantial harm to the automobile industry would result in a depression. It is submitted that the electorate will be angry, rather than pleased, with Congress for bringing an end to the credit now possessed by the various members of the public. The American public today expects to possess credit standing, and a change in the law, which would eliminate the credit standing of many of the members of the public and force them to pay cash in advance, would be resented.

It might be observed in passing that an extremely unfair transition period would follow abolition, since accounts receivable acquired under present law would not be enforceable upon abolition. Loans issued and sales made under the present law would upon abolition be placed into a completely different collection (actually uncollectible) situation.

We understand that one witness before the Committee made a statement (erroneously) to the effect that it is not bankers and merchants who utilize wage garnishment but rather collection agencies. We submit that this statement is erroneous to the extent of being preposterous, as can be checked by glancing at the names of the creditors appearing upon the various garnishment instruments. On the face of the proposition it should be obvious that the collection agencies represent finance companies and merchants; there is no one else they can represent except an occasional individual who might lend money to a friend. Many business retain their own attorneys without going through the medium of a collection agency. The law practice of the undersigned, a just one example, consists of the representation of many retail stores directly and having no connection with any collection agency. Attorneys like ourselves who specialize in collection law and who accomplish collection by means of legitimate process would be forced to discontinue our law practices immediately upon abolition. In many jurisdictions banks and finance companies are empowered to forward wage assignments directly to the employers without the use of any outside agent or attorney; banks and finance companies are presently following this practice in substantial volume.

It might be observed that the various Sheriffs of the various counties across the United States would be among the casualties of abolition. Most of the Sheriffs in most of the counties perform some criminal function, and substantially all perform the civil function of levying Executions. In almost all counties the function of levying Executions is a very substantial portion of the total business handled by the Sheriff. If wage garnishment is abolished or substantially reduced, it will mean the end of the office of the Sheriff as we presently know it; Sheriffs, or at least the civil divisions of their offices, will function after abolition with very small offices and with radically reduced staffs of deputies and secretaries. Upon the discontinuing of the present system of collecting by means of legitimate legal process, illegal loan sharks would enjoy a substantial increase in business.

It is submitted that the statutes relevant to wage garnishment in the State of New York are humane, fair, and practical, and may be cited as a good example of a well-functioning system of wage garnishment within our present credit-oriented economy. The New York statutes provide that exactly 10% of the salary of the judgment debtor shall be deducted by his employer. This is, of course, a very small percentage, leaving the other 90% of the weekly salary exempt from Execution. It possesses the feature of treating all judgment debtors in all income brackets the same because a percentage rather than a fixed amount is deducted. A judgment debtor earning a very small weekly wage needs to pay only a few dollars weekly, and it might be observed that at least his creditors are not cut off without any repayment. A judgment debtor earning a fairly substantial weekly salary experiences the same 10% deduction which in his case is a larger monetary amount. The New York statutes also provide that the various wage garnishments shall wait in line one behind the other, assuming that any one individual has been garnished by more than one creditor. It follows that 10% of the weekly pay is the most that can be deducted under any circumstances. An individual earning \$125 a week, upon deductions of 10%, is left with \$112.50 per week; it is submitted that anyone capable of living on \$125 weekly could, if necessary, live on \$112.50, and of course, the payment of just debts is a proportionate reason for bringing some pressure upon the judgment debtor.

A very important provision of the New York statutes, which happens to be new, and which happens to have taken effect in January, 1967, prohibits any employer from discharging any employee because of a wage garnishment. Ex-

perience during the seven months or so during which this new statute has been operative has been extremely favorable. Although some people originally had doubts about its practical operation, experience has been demonstrating a generally and substantially good result and very swift accomplishment of the actual aim of this statutory provision. For example, several of the large hotels in New York City formerly refused to accept wage garnishments and insisted that the creditors issue abeyance permission; upon enactment of the new statutory provision, these hotels have changed their policy and now as a matter of regular routine make the 10% weekly deduction, the same as all of the other employers. This statutory provision against discharge would seem to meet and cancel out the most frequently heard criticism of the device of wage garnishment.

We wish to stress very strongly, however, the fact that in New York before the present year and in the various other states which have no such statutory provision as described above, no more than one employer out of ten has been participating in a practice of discharging upon receipt of wage garnishment. The vast majority of all employers simply accept the wage garnishment as one additional deduction alongside of Federal income tax, Social Security, State income tax, City income tax, Blue Cross, and so forth. Most employers are not bothered by one additional deduction, inasmuch as their bookkeeping is already geared to a substantial number of deductions. Attorneys specializing in collection law will be able to explain to the Committee that the one employer in ten who insisted upon terminating the employee is regularly handled by the issuing of what is known as a "letter of abeyance." This is a letter sent by the attorney, who represents either the creditor directly or the collection agency, to both the employer and the Sheriff, granting permission to the employer to ignore the wage garnishment and to refrain from making deductions until further notice. The judgment debtor is then given an opportunity to submit weekly installments himself under the threat that the wage garnishment could be reinstated, and of course, the judgment debtor invariably complies with the making of payments. This, as a practical matter, prevents job holders from being discharged because of wage garnishments. Actual discharges which are not intercepted by letters of abeyance are very rare in the industry.

It might also be noted that the New York statute requires that a copy of the wage garnishment instrument be forwarded by the Sheriff to the home address of the judgment debtor, which gives him a chance to pay off even in installments, and then for delivery to 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 states the New York statute which functions well in the leading commercial state and seems to meet all of the objections.

As a legal point, it is difficult to see how the Federal Legislature has jurisdiction to make any provisions with respect to the enforcement of Judgments entered in state courts. It is elementary that Income Executions, Wage Garnishments, Wage Executions, and so forth, are forms of Executions issued to the Sheriff for the purpose of collection of Judgments previously entered in the various local courts of each state. Each state has its own laws regarding the entry of judgment and the issuing of execution thereon. The Judgments are all entered in the state courts, and the Executions are issued by and with the authorization of these courts. The Federal Legislature would seem to be without power to legislate with respect to the types of Executions which might be issued, and so forth.

There is in New York City a specialized bar association known as the Association of Commercial and Collection Lawyers, the membership of which specializes in collection law and is extremely familiar with wage garnishment and related items. The members of this bar association will be happy, the undersigned is confident, to discuss this matter further with the Committee at any length desired. For convenience this bar association can be contacted through the office of the undersigned, who happens to be one of the incumbent officers.

This is in juxtaposition with our prior letter dated August 14, 1967, which was written as an objection to any proposals for abolishing wage garnishments. We are sending this additional letter for the purpose of stressing the need for caution in enacting any limitation in the amount of wages subject to wage garnishment. We propose as ideal, as explained in a reasonable amount of

detail in our said prior letter, the present New York statute which provides for a percentage, specifically, 10%, rather than a fixed amount.

The undersigned is an attorney who has been specializing in collection law, and particularly wage garnishments, for approximately fifteen years and for this reason claims to possess familiarity with the actual workings of various day-to-day problems in the field of credit and salary attachment.

In our prior letter dated August 14, 1967, we placed some emphasis on the fact that the economy of the United States today is a credit-oriented economy and that almost the entire population, including in particular those in the lower income brackets, has a strong desire to participate in the repeated extension and obtaining of credit.

On the subject of the proposal made recently regarding the limiting of garnishment of wages to the excess over what might be considered to be a living wage and similar proposals to set some type of minimum, we wish to make a strong recommendation that no man's salary be exempted completely from wage garnishment in order to avoid cutting that particular man off from all possible procurement of credit in the future. The same goal can be reached in a much more desirable manner by limiting the amount of the weekly deduction to a very small amount, thereby at least avoiding having legitimate creditors cut off with no repayment at all and simultaneously keeping each individual including all individuals in the very low income brackets eligible for at least some credit.

We suggest as ideal the present New York statute which provides that exactly 10% of the salary of the judgment debtor shall be deducted by his employer. This is, of course, a very small percentage, leaving the other 90% of the weekly salary exempt from execution. It possesses the feature of treating all judgment debtors in all income brackets the same because a percentage rather than a fixed amount is deducted. A judgment debtor earning a very small weekly salary needs to pay only a few dollars weekly, and it might be observed that at least his creditors are not cut off without any repayment while such an individual continues to qualify for at least some credit. A judgment debtor earning a fairly substantial weekly salary experiences the same 10% deduction, which in his case is a larger monetary amount. This percentage arrangement permits all members of the public from the lowest to the highest income brackets to participate in qualifying for credit in proportion to their incomes, and even those in the lowest income brackets qualify for at least some credit. The proposed system of exempting a certain amount of salary and permitting attachment only of the excess over a certain minimum amount, would, unfortunately, disqualify all members of the public whose income would fall within the exemption, and such persons would not be able to obtain any credit. Under the system of deducting a straight 10%, an individual earning \$125 a week is left with \$112.50 per week over and above the deduction; it is submitted that anyone capable of living on \$125 weekly could, if pressed, live on \$112.50 weekly, and of course, the payment of just debts is a proportionate reason for bringing some pressure upon the judgment debtor. Members of the electorate earning as little as \$50 weekly still qualify for a proportionate amount of credit because, assuming a default on their part, the creditors are not cut off without any repayment. When a wage garnishment in New York is issued against a person earning only \$50 weekly, a mere \$5 weekly is deducted, and the individual continues to qualify for at least some credit. The New York statutes also provide that in cases of unusual circumstances, the judgment debtor may apply to the Court for a reduction of the normal 10%. A total of 10% is the most that can be deducted because the relevant statutes provide that in the event that more than one wage garnishment is levied against the salary of any one debtor, the various wage garnishments must wait on line, one behind the other.

A very important provision of the New York statute which took effect in January, 1967, prohibits any employer from discharging any employee because of a wage garnishment. Experience during the seven months or so during which this new statute has been operative has been extremely favorable. Although some people originally had doubts about its practical application, actual experience has been extremely favorable, and a few employers around New York City, who formerly made it a practice to discharge upon service of a wage garnishment, have simply reversed their policies and now accept wage garnishments as a routine matter.

The present New York statute also requires that the Sheriff forward a copy of the wage garnishment instrument to the home address of the judgment debtor,

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.

The Association of Commercial and Collection Lawyers is a bar association located in New York City consisting of members specializing in collection law, wage garnishments, and related items. The members of the bar association would, the undersigned is confident, be willing to consult with the committee further at any length desired.

Thank you.

The CHAIRMAN. I think we are running out of time, and we do have your two letters which I have looked through with interest.

Would it be all right if we address a couple of questions to you now?

Mr. Noz. Yes.

The CHAIRMAN. I assume since you are appearing here more or less on behalf of the commercial attorneys, that you would have to agree that you are an interested witness, an expert witness who is interested in the proceeding?

Mr. Noz. That is correct.

The CHAIRMAN. Have you made any study of the situation in those states where garnishment have been abolished?

Mr. Noz. Yes. There are only a small handful of states around the country where it has been done.

They are not particularly leading commercial states. In states like New York, I will—

The CHAIRMAN. Pennsylvania.

Mr. Noz. Pennsylvania they have a law where it is a quasi criminal offense to be delinquent in bills. Aside from that, the credit picture in Pennsylvania is anything from favorable.

The CHAIRMAN. Texas also.

Mr. Noz. Texas also has been infamous around the industry.

It is well known that many, many people from all states all over the country have gone to Texas to obtain an exemption from paying bills, the way they go to Nevada to get a divorce.

The credit picture there is very bad. Nobody can collect anything there, except voluntarily.

The CHAIRMAN. I am sure you are familiar with the study that shows there is just as much selling on credit in Texas as in other states?

Mr. Noz. There is bound to be an increase in prices, and the economy would be seriously disrupted if this would be practiced on a nation-wide basis.

The CHAIRMAN. You painted a very dire picture of what would happen here, but the experience in those states where it has been abolished I don't think bears that out.

I would like to make one comment about your reference to New York State laws.

I think as an expert in the field you will have to recognize the New York State law is, by comparison with most states, fairly strict as far as regulations on garnishments are concerned.

Mr. Noz. The 10 percent deduction is reasonable.

The CHAIRMAN. But many other states allow a lot more.

Mr. Noz. Texas has never had any wage garnishment whatsoever, and they function that way. They come into the credit field in that state more slowly than the other states. It is just during the last few years they have been trying to increase credit selling, and I think they are eventually going to have a bad experience there.

They haven't developed their credit selling until fairly recently.

I know from some experience that there are some loan companies which make it a practice to loan to employees in Texas only if they work for a larger corporation who has a branch in New York or some other state, and they can attach the salaries in the other state, and they attach salaries that way.

The fact is that some loan companies go so far as to sue the State of New York to collect a Texas bill. I don't think the Texas situation should be recommended to other states.

The CHAIRMAN. We do have on our Subcommittee Representative Gonzalez, who is familiar with the situation in Texas.

We do have testimony from Referees in Bankruptcy with a corollary on the amount of bankruptcies that occur and the availability of garnishments.

Mr. Noz. The reason there are so many personal bankruptcies in the states where there are garnishees, is that the people know that by that means they can avoid paying.

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.

Congressman HALPERN. As an experienced collection attorney and representing this field of law practice today, do you feel that the full disclosure provision of HR 11601 is desirable?

Mr. Noz. Frankly, I have no study into that at all. Some may argue that some are too severe, some may not.

I am saying they are completely unrelated to wage garnishments and that Congress should forget this idea of including the wage garnishments in this bill, be they in favor or not in favor, Congress should deal with those interest questions on their own merits and decide on the merits they dictate.

I am not actually advocating the new revision. It is all beside the point. I am here to discuss wage garnishments, which are my field of speciality.

Congressman HALPERN. Did you not mention before that the disclosure provisions of this bill would protect the consumer?

Mr. Noz. I said that in response to your question, that you said how do we protect the consumer from what we call predatory merchants, and I, of course, could have taken a different tack and ask you to define a predatory merchant, but instead I suggested that the interest is to their advantage, and if the merchandise isn't the quality that is represented on its face or represented in the catalogue in which it is sold, then certainly there is advantage taken by the merchant. I said that in response to your question.

Congressman HALPERN. Other than the legal jurisdiction aspect of enacting a Federal law on garnishment similar to New York law, which you have mentioned in your testimony—You do like New York's law?

Mr. Noz. Yes. I think it contains all of these things, the limitation of 10 percent. It is a percentage rather than a fixed amount. Someone earning less than \$30 can get some credit. An exception would cause a legal problem, if we except \$50 a week, those earning \$50 a week or less get no credit. Those now earning \$100 a week get their credit reduced to \$50 a week, and they will be angry at Congress for limiting their credit standing.

The debtor has a chance to pay even installments. If there is no response after 20 days then only is it served on the employer. He can't be discharged by the employer.

The New York law seems to me to be a very, very practical and humane working collection tool.

I notice sitting in the audience there are a few more gentlemen specializing in my field, who have a few choice words to say.

Congressman HALPERN. That is all of the questions I have now.

I am sure that Congressman Bingham agrees that if there are any other thoughts you would like to convey to us, it will be appreciated if you submit it for the record.

Mr. Noz. There was a gentleman from the bank lawyers' conference here. He was supposed to be here, and I would propose to offer him a few minutes of my time.

The CHAIRMAN. I think at this point we are going to have to have statements in addition to what we have heard.

Other than two men who already asked to be heard, who were not scheduled, if each can be limited for five minutes we will be grateful.

Thank you very much, Mr. Noz.

Congressman HALPERN. Thank you, Mr. Noz.

The CHAIRMAN. Mr. Taub?

STATEMENT OF JACK TAUB

Mr. JACK TAUB. I want to thank the Committee for hearing me without a specific request beforehand.

I am a practicing attorney before the Courts in this State for seventeen years. I have practiced in practically every Court in this State.

I am also, gentlemen, a consumer. I am familiar with the legal proceedings under enforcement proceedings to enforce judgments other than garnishments.

I wish to state here now that I as an individual support the Senate bill for full disclosure. I think that this bill and any other bill that will afford protection under full disclosure is good and that we need it.

I feel and know that there is great abuse in collections under our credit system. However, this abuse is not one hundred percent, not fifty percent, it is probably under ten percent. There is abuse. However, these abuses must be in some way prevented.

No one can argue that point any differently.

How can we prevent these abuses? Can we advocate the burning of a house to rid it of roaches? Wouldn't it be a more reasonable measure to fumigate the home? Can you advocate destruction of a system to run out abuse?

Is it not better to find some other method of destroying those few who operate on the fringe of society than to hurt the society by piercing its body with an arrow?

It is under these premises that I oppose that section of your bill which would abolish garnishments. I think Mr. Noz has gone through a great part of this. However, let me say this:

There are probably three possible results from the abolishment of garnishments. One, a credit for certain salaried individuals would be greatly reduced or curtailed; how much we don't know.

We have heard about Texas, Florida and Pennsylvania. I do know this, that I sent a claim to an attorney in Texas, and the reason Mr. Noz says it is a laughable situation is that this was a just debt of a man who removed from this State to Texas.

I received a letter from a lawyer in Texas who said, "I am sorry, under the laws of this state I wrote to the debtor and he refused to pay."

Perhaps this is what is being advocated, I don't know. I believe there should be right, and anyone who is right should have justice, regardless of the individual.

The second possible result would be, as Mr. Noz says, rising prices. Well, gentlemen, somebody has to pay for this. It cannot be absorbed. If a person does not pay his bills, certain percentages, where is the money going to come from to continue the financing?

Well, those who do pay their bills, gentlemen, will bear their burden, they will have to. The money must come from somewhere.

Three. The third result concerns me more than the others, and that is worse collection practices by unscrupulous individuals might result. What type of unscrupulous individuals? Well, we know that in every field there are people operating on fringes. What type of collection activity could they use which would be worse than garnishment of wages? I will tell you.

I have seen marshals and sheriffs go into a poor man's house and carry out everything, no garnishment, and have that merchandise sold at a ridiculously low percentage.

VOICE FROM THE AUDIENCE. Let me say something —

The CHAIRMAN. Let's have some order, please.

Mr. TAUB. I think this type of practice is reprehensible.

However, I think garnishment is reasonable, gentlemen, to be taken for legitimate dollars.

They of course do not resort to this. Those who you have not rooted out will resort to these things. There are certain collection agencies, they will resort to these things.

I was pleased to hear a statement this morning by Dr. Costello, who pointed out there would be a drying up of some of this credit. The money, where is it, where will it come from?

This can be prevented. We have a good law proposed in this State, limiting the choice between seizure of this merchandise or garnishment, but not both. I suggest this legislation, gentlemen.

We had here this morning, and I listened very patiently to several representatives of labor who came here to testify in favor of this legislation.

From my reading of newspapers and periodicals it seems that the assets of some of the labor unions are greater than some of the banks in this State, are greater than some of the loan companies within this State. Why not these labor unions, who are in favor of this legislation, why could not they open up their large funds and offer credit to these people at their low rates?

They do have their credit unions, but they do not extend credit to everybody, they cannot, because it is physically impossible to do so.

The CHAIRMAN. Mr. Taub, can you limit your remarks to five minutes.

Mr. TAUB. I can say that I came from a ghetto area and that I held a union card from the age of seventeen, from the International Ladies Garment Workers Union.

I feel that justice must be served and a just debt must be paid.

Thank you very much, gentlemen.

The CHAIRMAN. Thank you, Mr. Taub.

We will now hear from Mr. George Canaris, for five minutes.

STATEMENT OF GEORGE CANARIS

Mr. GEORGE CANARIS. Mr. Chairman, I represent the Young Voters League of the Lower East Side.

I presume that Mr. Kennedy was here this morning, speaking for—I must say that I was impressed with a man of this sort who never had worked for a living at all, one of the richest men in this country, who spoke for the poor people and seems to know what he is saying.

It seems to me that he is a good politician.

On Friday I read the Times and they said that the HFC, Household Finance Corporation, is on the stock market and it jumped 10 points overnight.

I am trying to say, sir, that our organization of the poor people in New York are against garnishments because poor people, usually, are put into those general finance companies, they usually consider them poor risks as a rule and usually give them ten times as much as anybody else.

The way we see it, the unions never make sure that a man essentially needs the money and has to buy something, will get money because his kids is in the hospital. They make their funds available.

The union comes over here, but won't do anything with the monies they have. The finance companies never tell you how much profit they make on this. They come in and say somebody has to pay.

In any business—in other words, the majority of the people of the City of New York are poor people working for a salary and there is no guarantee that the salary will continue to go on year after year after year. So, therefore, if you try to sell them something, and everybody is trying to make money, and cause them to buy something, and take them to court, and then they get dispossessed. I think it is wrong.

A poor man can never hire a lawyer, because a lawyer says to him, "I want cash on the line." So a poor man gets stuck with this.

Those people, they won't tell you how much he is making. So what we are saying is this thing that is done in the local, the salary, the old people, it is bad.

Thank you very much.

THE CHAIRMAN. Thank you, Mr. Canaris. Next we have Waverly Baker, who is former Director of the Credit Union for Sperry Gyroscope.

STATEMENT OF WAVERLY BAKER

Mr. WAVERLY BAKER. Thank you very much, Mr. Chairman.

I did not anticipate speaking today, and it is only as a result of a comment made with regard to credit unions that I felt it necessary to speak at this point.

For eight and a half years I have served as the director of the largest Federal credit union in the State of New York and the seventh largest in the United States.

During this period of time I acted as legislative liaison for our Board of Directors and in this conjunction I have visited Washington several times, including the period in 1959 when the Federal Credit Union Act was revised.

I feel that the comments made by the earlier witness to the effect that the credit unions would be destroyed by this legislation was contrary to my personal experience with regard to some \$10,000,000 in annual loans made by Americans.

Our Board of Directors was confronted with the question what to do about garnishments of wages, and we were also confronted with the problem of what to do with people who were no longer members of the Sperry Company, but who remained eligible for membership in our organization by virtue of the Federal law.

I am able to say that during our eight and a half years that we were successfully able to devise a method of direction, without resorting to any features that I feel will be denied under Title II, with regard to garnishment of wages.

I feel it is fair to say on the basis that credit unions would be harmed by this provision of the bill, and I wanted to make it a matter of record. As a person I feel that the Committee is correct in offering the Congress an opportunity to ban or prohibit garnishment of wages.

Thank you, very much.

THE CHAIRMAN. Thank you, Mr. Baker.

Congressman HALPERN. I want to thank you, Mr. Baker.

Mr. Baker has attended many hearings in Washington on matters pertaining to the consumer, and I am certainly glad he took the opportunity to get up and speak out at today's hearing.

The CHAIRMAN. Our last witness, again for five minutes, will be Mr. Edward Horne.

STATEMENT OF EDWARD HORNE

Mr. EDWARD HORNE. My name is Edward Horne. I represent the Insurance Premium Finance Association of the State of New York.

It is a different type of business, but it has been represented here before. This is the first time I have ever spoken to any Congressional Committee on Truth in Lending.

With respect to the House bill, I want to say a few words about the 18 percent interest limitation. In insurance premium financing we do not choose the customer, the customer chooses us and he sets the amount of his loan. For instance, we finance an automobile policy, a liability policy here in the State of New York. The policy has a premium of \$150, \$170.

Our business is received from an insurance agent or broker. We in turn advance the monies for the premium to the insurance company and the insured pays the finance company, the premium finance company, in monthly installments.

With this situation, 10 percent simple interest is absolutely impossible, insofar as impressed premium financing is concerned. Insurance premium financing is rather a large industry that has really developed on a major scale since World War II and probably necessitated by the high insurance premiums and also the desire of the public to cover themselves with insurance in various areas.

As a result of insurance premium financing—It is necessary in the State of New York. For instance, Article 12-d of the Banking Law provides for a \$12.00 minimum. That is the charge that for certain premiums over \$100 the premium finance company charges \$12.00.

Now, I am now going to talk about the \$10.00 minimum. Actually, I would much prefer to see in a bill a minimum of \$10.00 where the interest rate does not have to be disclosed, but I realize that so much water has flown under the bridge that perhaps it would be a little foolish for me to talk about the \$12.00 charge, and not expressed in simple language.

So that I would settle for a \$10.00 charge, but I do think in our business, which is a volume business, we have—I would imagine, to give some idea of the size of the business, I would imagine that there is somewhere around \$500,000,000 of insurance premiums financed during a calendar year.

The bulk of this business is in what we call the low-premium range, and these lower premiums we have to, because the bulk of our business is in the low premium range, we have to at least meet our setup costs, we have to make expenses, and this is why the \$12.00 minimum charge is here in New York and in other states.

Congress passed a similar statute regulating insurance payment financing when Senator Kennedy was on the Committee for the District of Columbia, and in that bill there was a \$10.00 additional charge.

As I say, I would be pleased to go along with a \$10.00 charge, but right now in the S. 5 you have to disclose your interest rate where the finance charge is \$10.00 or more. I think we are kind of quibbling, because \$10.00 is a round figure, it is a figure people can work with.

This would mean in order not to disclose it we would be charging a charge of \$9.99, which would lend to confusion rather than understanding of what we are doing.

In addition, I am a little bit leery of an 18 percent charge, 18 percent maximum, because I think, just as a man spoke against the garnishment provision, I do think 18 percent would have the tendency, sort of like Prohibition, might have a lot of people going into business shylocking loans in an area where legitimate business enterprise has been before but just cannot offer the service, that service at 18 percent simple interest.

Now, there is no other similarity that, as long as I am talking here—and I haven't spoken to you two gentlemen before. I would like to refer to Section 3 of S. 5, Section 31, Subsection A, having to do with the termination of the actuarial method.

Right now it substantially reads total payment for repayment or the total amount of finance, et cetera. This may give us a problem, because we are not sure just when, what date is the date of the transaction.

Our charges in the District of Columbia, the State of New York, and other states that have been active in premium finance laws, make the charges start from the inception date of the insurance policy.

When a man buys an insurance policy he may not discuss repayment immediately, but two or three weeks later—

The CHAIRMAN. Excuse me. May I interrupt you for a moment.

What type of insurance is covered by your insurance finance?

Mr. HORNE. All types of auto insurance, fire insurance, homeowners tax policies, big policies for industry, Workmen's Compensation policies, some life insurance, but very little. That is, straight life. There is no credit life picked up with our insurance premium financing, and that is what I am talking to you about today.

The CHAIRMAN. Thank you.

Mr. HORNE. If I may get back to this date of the transaction, I thought, and I am still a little worried about the date of transaction. He mentioned the Federal Reserve Board would have the authority to determine such things as to how your rates should be charged and so forth, but when I look at the scope of the Reserve Board's authority, it didn't seem broad enough to me, because we would be prepared to use the actuarial method.

We are just starting on our change from the inception date of the insurance contract, you see.

So that I would like to propose an amendment to this section, which I do not think would do any harm to the section. If I may show you this amendment—

The CHAIRMAN. I have a copy of it here, Mr. Horne. I think perhaps it might be just as well if we carried out this conversation on our own time. This is a pretty technical matter, and I am not sure it is for a hearing such as this.

Thank you very much. We do appreciate your bringing these problems to our attention: You raised a number of problems, as far as I am concerned, that are quite new.

Mr. HORNE. Thank you very much.

Congressman HALPERN. I, too, want to commend Mr. Horne for his very articulate and well prepared testimony.

The CHAIRMAN. We have a statement from the Attorney General of New York State, Hon. Louis J. Lefkowitz.

STATEMENT OF ATTORNEY GENERAL LOUIS J. LEFKOWITZ

Mr. LEFKOWITZ. Consumer credit is vitally essential to the nation's economy and its wise use is responsible for much of the comfort Americans enjoy as well as the nation's continuing industrial and commercial growth. But the flagrant abuses of the consumer through hidden charges, excessive interest, penalties and other costs demand that positive action be taken requiring that lending agencies and other extenders of credit give the consumer a better picture of the cost of such credit.

Few of the hundreds of thousands of families who make use of credit can determine exactly how much interest they are paying and tragically it is the poor and persons with language difficulties who can least afford to pay excessive charges who find themselves caught in the web of excessive credit costs.

Congresswoman Leonor K. Sullivan's bill offers, in my opinion, much needed protection to the public because it calls for full disclosure of the cost of revolving credit and full disclosure of other interest rates, such as those on first mortgages. The "truth in lending" bill, passed by the United States Senate, does not contain these vital features. I do support and urge the passage of the bill introduced by Mrs. Sullivan.

One need pay a visit to the Bureau of Consumer Frauds and Protection of my office almost any day in the week to witness the plight of New York consumers who have been caught in the web of credit costs. I have been appalled by the lack of information available and I recommended a measure to the 1967 New York State Legislature to require that greater explanation be given in all credit dealings. Unfortunately, the measure did not pass but it is my firm intention to present a similar measure to the Legislature in 1968.

Personal bankruptcies, defaults, legal judgments and garnishment of salaries and wages are all too frequently the result of high cost of borrowing by a credit conscious public. Such tragic results are destructive factors in the economy of the nation and no business man wants them to occur. We can help the consumer to wiser use of credit by passage of the "truth in lending" bill sponsored by Mrs. Sullivan and I urge its enactment.

The CHAIRMAN. That concludes our hearing for today.

I would like to express my great appreciation to my colleague and a senior member of this Committee for taking the time to be here today, and the Com-

mittee staff and others who have helped make this hearing, I think, a very meaningful exercise.

Thank you.

Congressman HALPERN. Thank you.

(Whereupon, at 5:00 o'clock p.m., the hearing was closed.)

(The following statement was received for inclusion in the record:)

HARYOU-ACT Neighborhood Boards Consumer Education Program strongly supports the passage of the Truth-In-Lending bill which is currently pending in the House of Representatives.

The consumer should be able to "shop around" for the best "buy" in credit, as well as other merchandise. With true costs of credit obscured by vague, confusing, and often *gimmicky-kind* of language, it is now impossible for the consumer to do so.

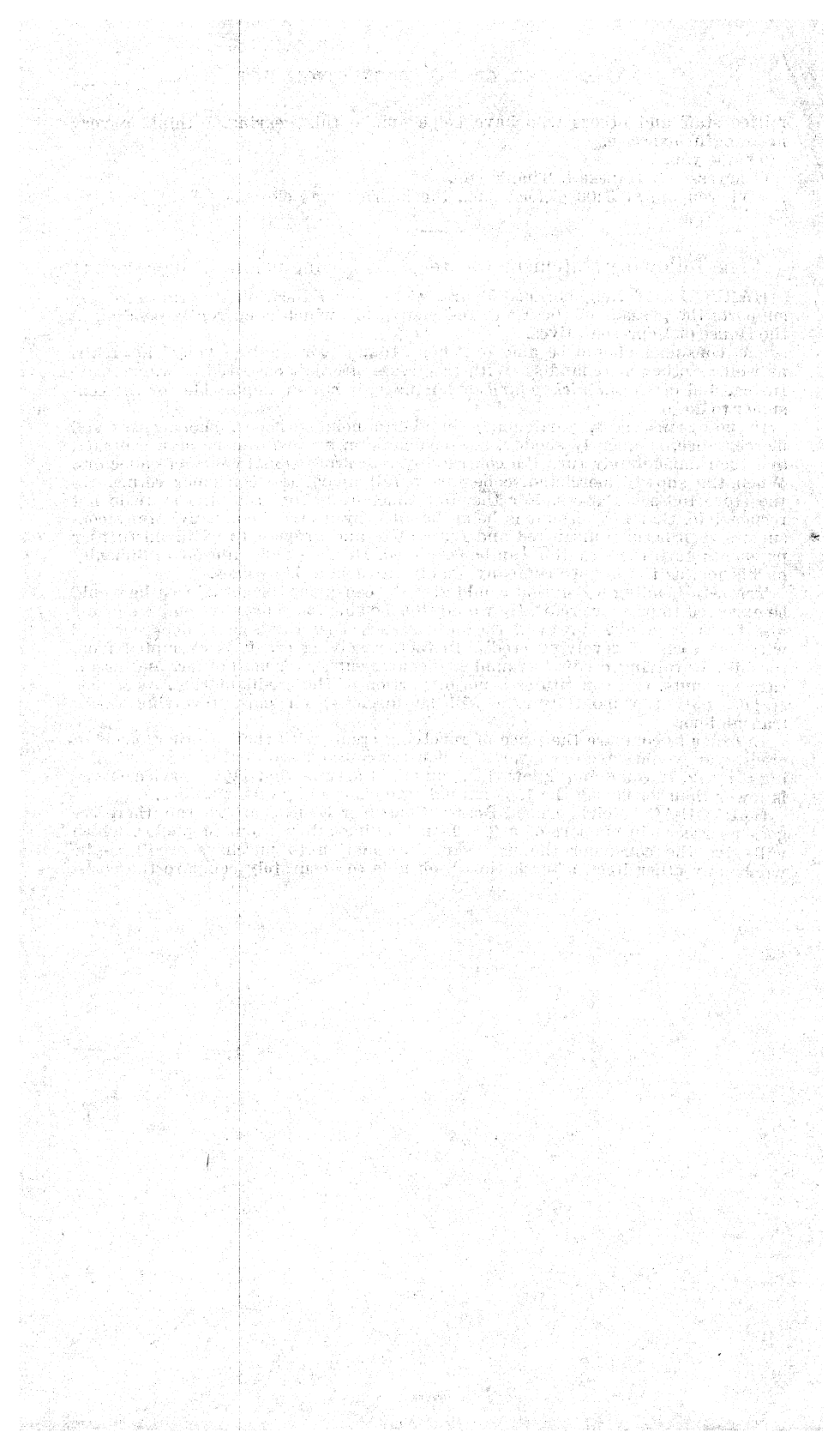
In many instances, particularly in ghetto neighborhoods, shopkeepers sell merchandise, frequently shoddy, to consumers on an installment plan contract, and then immediately turn the contract over to professional contract collectors. When the shoddy merchandise begins to fall apart, the consumer returns to the store to seek redress. For the first time, he is told that the store is not responsible, that his account is being handled by a credit company. Many consumers then become disgusted and frustrated, and attempt to withhold further payments until the situation can be corrected. He then finds himself in difficulty on his job, as the finance company simply garnishees his wages.

Truth-In-Lending legislation would give the consumer the actual cost he would be expected to pay for credit. He would thus be able to accurately compare prices and types of credit. However, the bill as passed by the Senate, does not deal with the costs of revolving credit. In fact, revolving credit is exempted from the bill. Revolving credit is found in department store, mail-order, and credit card accounts, and constitutes a major portion of the credit market. As it now stands, only the monthly rate will be disclosed on most revolving credit transactions.

In order to compare the price of revolving credit with that of other forms of credit, you would have to convert the monthly rate to an annual rate by multiplying it by 12. If you do not know this, you might assume that 1½% service charge is lower than let us say the 12% annual rate charged by credit unions.

HARYOU-ACT Neighborhood Boards Consumer Education Program therefore goes no record in support of a Truth-In-Lending bill without loopholes, which will give the consumer the necessary information to purchase credit as he would any other item, after he has been able to accurately compare the costs.

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RECEIVED
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U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C.

OFFICE OF THE SECRETARY
WASHINGTON, D.C.

MEMORANDUM FOR THE SECRETARY
SUBJECT: [Illegible]

[Illegible text follows]

[illegible]

[The page contains extremely faint, illegible markings and bleed-through from the reverse side.]

This image shows a blank, aged, cream-colored page, likely an endpaper or flyleaf of a book. The paper has a textured appearance with visible creases, discoloration, and faint, illegible markings. A dark vertical line runs down the left side, possibly indicating a binding edge or a fold. The overall tone is light beige, and the surface shows signs of wear and age.

