

Mr. SISK. We are happy to have with us the gentleman from Virginia, the author of H.R. 9806. The Chair is happy to recognize Mr. Broyhill for any statement he would like to make as I understand his services are needed in the Committee on Ways and Means.

STATEMENT OF HON. JOEL T. BROYHILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. BROYHILL. Thank you, Mr. Chairman.

I have a prepared statement which I would like to submit for the record.

Mr. SISK. Without objection, the entire statement will be made a part of the record at this point.

(The statement follows:)

STATEMENT OF THE HONORABLE JOEL T. BROYHILL ON H.R. 9806 BEFORE SUBCOMMITTEE NO. 5 OF THE HOUSE COMMITTEE ON THE DISTRICT OF COLUMBIA, THURSDAY, SEPTEMBER 14, 1967

Mr. Chairman: You are to be commended on holding hearings on the so-called debt-adjuster operations now proliferating in the District of Columbia. They are proliferating here because the District is one of the few jurisdictions left where the debt-adjuster can operate relatively unrestrained. The practice of so-called professional debt-adjusting or debt-pooling is generally a subterfuge to bilk the unwary; the shabby record nationally and locally proves this. The victims of the debt-adjuster are almost invariably those who are most vulnerable in our society—the untutored, the gullible and the poor.

It seems to me that the Committee is confronted at this point with three options concerning debt-adjusters: (1) ignore them—which we cannot—and which they'd love; (2) regulate them—which they would accept as a poor second to our first option; or (3) outlaw them. It is my earnest hope that the Committee will take the third option and completely ban professional debt-adjusters from the District because there is absolutely no valid economic or social justification for their existence.

H.R. 9806, which I sponsored, would completely outlaw—with certain exceptions—the practice of debt-adjusting, debt-counseling, debt-pooling or whatever else it is called in the District.

This is not the first time I have sponsored legislation outlawing debt-adjusting in the District; I did so initially in the 85th Congress by introducing H.R. 573. However, the Committee at that time elected instead to regulate the practice fearing that an outright ban might be unconstitutional on the grounds that Congress could not outlaw a "legitimate" business. My feeling at that time was, and still is, that there is absolutely nothing legitimate about the practice of debt-adjusting as it is currently practiced. Stealing is not a "legitimate business". My opinion was verified on April 22, 1963, when the Supreme Court upheld the Kansas statute which outlawed the practice of debt-adjusting in that State. The Court's decision resulted from the case of *Ferguson v. Skrupa*, 372 U.S. 726. The Court found that the Kansas Legislature could, indeed, in the public interest ban such activities and that there was no constitutional bar to enacting such legislation. My bill, incidentally, is patterned after the Kansas statute.

What are debt-adjusters? Theoretically, the debt-adjuster operates by taking charge of a debtor's income and spreads it thin among his creditors charging him a small percentage of the amounts they pay on his bills, and leaving him a small living allowance.

That is the theory; but, in practice, it is just another detestable gimmick to gouge the public—especially those who in spite of their plight have every sincere intention of paying off their debts. The debt-adjuster has lured thousands of debt-ridden families into a scheme of paying off all their financial obligations. It's an incredibly vicious, parasitic racket. The adjuster takes a whopping fee and usually leaves his victim more hopelessly in debt than ever.

Who should seek the services of a debt-adjuster? The people who turn to debt-adjusters are truly desperate. In most cases they are the poor, the untutored and the gullible. Generally they owe about \$2,500 to \$3,000 to small loan com-