

nature of the business, really, is such that if the public is to be protected it will require careful scrutiny of every transaction. This means that the regulatory personnel would have to be given access to the underlying contracts and other data supporting the claims against the debtor in order to determine if there was a valid and enforceable claim against him. The bill H.R. 8929 makes a brave show of allowing the District to have access to the books of the debt adjustment concern. But of what value is that from the standpoint of determining whether there was a valid claim against the debtor in the first instance? It is of some value, perhaps, in determining whether there were excess charges against the debtor. The maximum, incidentally, is 12 percent. In your own State it is 12 percent for the first \$3,000; 11 percent for the next \$2,000; and 10 percent for any amount thereafter. Also, I might mention California has a bond requirement of \$10,000, whereas the bill requires only \$5,000. And the conditions of the California bill regulating this business are more stringent, in my opinion, than those in H.R. 8929.

I have been furnished by Mrs. Frank Sinatra of the Department of Labor, Bureau of Labor Standards, who is in the room, a copy of a publication published by the United States Department of Labor, entitled "Summary of State Laws Prohibiting or Regulating the Business of Debt Pooling." I would like, if I may, to offer this to the Committee as a quick summary of all the State laws on the subject in question. I see Mr. Horton has a copy.

Mr. SISK. What is the date of the publication?

Mr. KNEIPP. July, 1967.

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

(The document follows:)

SUMMARY OF STATE LAWS PROHIBITING OR REGULATING THE BUSINESS OF DEBT POOLING

U.S. Department of Labor, Bureau of Labor Standards, Washington, D.C.,
July, 1967

The spiraling increase in consumer credit since World War II has resulted in problems of overindebtedness to a great many wage earners and their families. The Federal Reserve Board estimated that the personal indebtedness of American consumers at the beginning of 1967 was almost 95 billion dollars. This estimate covers installment buying of automobiles, other consumer goods, and loans to individuals for household, family, and other personal expenditures, except real estate mortgage loans. For many people the debt is manageable, but any unforeseen occurrences such as illness in the family, a job layoff, or an accident makes repayment at the proper time difficult. It may also lead to additional indebtedness. To extricate themselves from debt and the harassment of creditors, many individuals have turned for help to debt-pooling firms.¹

Debt pooling firms are not loan companies; they do not use their own funds in assisting the debtor to pay off his creditors. Rather, their purpose is to work out a plan with the debtor and his creditors for paying off the debts over a period of time. The debtor agrees to turn over to the firm a certain portion of his earnings each payday, which the firm agrees to pay to the creditors, less specified fees and expenses. Putting the plan into operation depends on the voluntary consent of the creditors. The agency's fee is usually a percentage of the indebtedness listed by the debtor.

¹ Various called "debt consolidation," "debt adjustment," "debt management," "budget planning," "financial management," "debt lumping," "prorating," and other names.