

Oddly enough, in the publication of which this man is an editor, an article appeared which estimated that 78.6% of the personal indebtedness in this country is made up of personal loans owed to financial institutions.

As credit counsellors, we deplore the practices of those who have abandoned all morality in regard to the consumer and who employ every possible technique available to prevent the consumer-debtor from becoming debt-free. The same individual who spoke so sharply to me is an avowed advocate of Chapter XIII proceedings for the consumer-debtor as a lowcost means of getting relief. I have figures with me, of which I have made copies available to you, to show that Chapter XIII costs—as an average—are over twice as much as would be the cost of professional counselling.

This study made of Chapter XIII proceedings in Northern California uses the actual case numbers for ready verification of the facts shown here. Exhibit "A" shows the cost of Chapter XIII to the consumer ranging from 17.6% to 35.5% of the total indebtedness, as against an absolute maximum in California of 12% for credit counselling. Exhibit "B" is a dollars and cents breakdown showing savings in actual dollars—said savings to the debtor would have ranged from \$212 to \$292, as per the exhibit. It was as a result of this survey that I wrote to President Johnson as long ago as February of 1964, protesting the exorbitant cost to the debtor of Chapter XIII.

In the matter of nonprofit counselling services, it has been wrongly asserted that our industry opposes such services, fearing competition. Actually, the reverse is true. We are well aware that credit counselling services should be available to the public from a variety of sources. As far back as 1959, through the efforts of our then president, Mr. Henry Kasson, we began a program of offering services, assistance, and printed materials to be distributed to consumer-oriented organizations.

On August 27, 1962, when I was president of the Association, replying to a letter from Paul Mendenhall, of the AFL-CIO, I extended an offer to assist them and any organization attempting to establish such services with any means at our command. This letter is submitted herewith in a collection of correspondence, articles and other documents which clearly show that our organization has been functioning in an active way to promote the entire field of credit counselling—along regulated lines.

It is not only in the matter of regulatory legislation that we have been active, incidentally. There have consistently been two opposite points of view with regard to "truth in lending," and "truth in advertising" laws. I believe you will find that the American Association of Credit Counsellors has provided the only support such legislation has received from the business and financial communities (of course, with the exception of the credit unions). We have without exception held that the consumer has the right and should have the opportunity to determine his purchases of goods and services on the basis of complete, accurate information.

We do feel that, profit or non-profit, any individual handling public funds should be bonded, licensed, have a sound background of training and experience in the extension of consumer credit, and be financially sound. Most importantly, we would insist that their purpose be sincerely and primarily to help the consumer relieve himself of debt.

In California, our personal experience with the establishing of nonprofit credit counselling has been quite beneficial to us in that, first, we are relieved of the responsibility and expense of counselling the indigent consumer, and, second, consumers are alerted to the existence and availability of our services.

You now have before you two proposed bills. One would abolish credit counselling service to the consumer unless it is dominated and controlled by creditors. The other is a regulatory bill. Returning to my contention that sound regulation eliminates malpractice, let me state unequivocally that to destroy or outlaw a sound, needed and growing service because of the dishonesty or incompetence of a few is an emotional, rather than a realistic approach. In any field, whether it be law, banking, the clergy, medicine, or philanthropy, there will be instances where isolated individuals exploit the confidence placed in them.

Over the past fifteen years a program of study has included: the testimony at various state legislative sessions; correspondence with Legal Aid Societies; correspondence of Better Business Bureaus; consultations with attorneys, credit unions and judicial offices. This has enabled us to put together a set of standards which we are convinced will eliminate any current abuses and prevent future ones. These standards have been incorporated in the proposed regulatory