

and other archaic legal doctrines which for the poor person symbolize the "system" which in their eyes keeps the rich, rich and the poor, poor.

Take the confession of judgment as an example. It seems clear that there is no justification for the confession of judgment other than that the creditor in the typical consumer credit situation is in such a strong position vis-a-vis the debtor that he can insist on the inclusion of any terms that he desires. Certainly no borrower would agree to the inclusion of a confession of judgment if he had the bargaining power to avoid it—and if he understood its consequences. The confession of judgment is typical of the complicated, obtuse legal doctrines which have grown up around credit transactions as a means of stimulating the use of commercial credit. Having been developed as a tool of commerce between merchants, it has been transplanted to the arena of consumer credit where it is not needed, and where it can cause real hardship. I am sure that there is not a borrower in a thousand who understands the legal consequences of his signing a note which contains a confession of judgment.

Mr. Chairman, while I am on the subject of obtuse legal doctrines, let me mention a few more about which something should be done. To the person without a job, with inadequate education, in substandard housing, to the resident of the big city ghetto, to these people the world of comfort and affluence to which they are denied entry operates with rules they do not understand, but whose goals seem to them to be to put them down and keep them down. Nowhere does this world and its rules confront them more directly—or in their eyes more unjustly—than in their dealings with the merchant and the money lender, who come armed with the weapons of the law which make it legal to collect finance charges of over 50 percent, to take away all one's household furnishings, and to deprive the buyer of any recourse where the goods are shoddy or don't live up to warranty. These legal doctrines, such as confession of judgment, time sale price, the after-acquired property clause, and the holder in due course, represent to the poor person precisely what is evil and unjust about the system, and perhaps even more important, they demonstrate to the poor man the hopelessness of ever achieving anything within the system.

We are not prepared at this time to spell out in detail the reforms which we believe are necessary. Let me just suggest a few possibilities: (1) limitation of security interest to the goods purchased in the particular transaction; (2) recourse against the assignee of loan paper as well as against the seller in case of failure of the goods sold to live up to a warranty; (3) limitation of right of acceleration to cases of actual default plus a reasonable opportunity to make payment; and (4) limitation of the amount of default judgment, after repossession and sale, to the amount of the debt outstanding at the time of the repossession. These are a few needed reforms.

In closing, Mr. Chairman, let me stress the point that as much as these legal reforms are needed, they will not solve all the consumer problems of the poor. One important problem it will not solve is the ready availability of low-cost credit. In fact enforcement of needed reforms may well tend to dry up sources of credit rather than simply reducing their cost and curbing their abuses. The low-income con-