

The bill would require broad and detailed disclosure of terms of consumer credit contracts, including the amount of interest charged, the percentage rates of interest, and payment schedules.

S. 2589 would also provide for elimination of the holder in due course doctrine in retail installment sales transactions. This doctrine permits retail sellers to assign their rights to payment under sales contracts to finance companies, with the result that retail purchasers must pay the full price to the finance company even if the seller fails to perform his part of the contract. Under the terms of S. 2589, the buyer could assert his defense against payment to the original seller also against the finance company to which the contract was assigned.

S. 2589 also prohibits several specific provisions in installment sales contracts that have been used by some sellers to take advantage of unwary buyers:

- (1) Acceleration clauses, by which the indebtedness becomes payable other than for a substantial default;
- (2) Balloon payments, by which an installment, other than the down payment, is not substantially equal to other payments;
- (3) Confession of judgment clauses;
- (4) Agreement not to assert a claim arising out of the sales against the seller or an assignee;
- (5) Clauses which relieve the seller from liability for legal remedies under the contract or related instrument;
- (6) Provisions giving the seller or assignee authority to enter the buyer's premises to repossess the collateral;
- (7) Waivers of rights of action for illegal acts in collecting payments or repossessing goods;
- (8) Provisions altering terms of express or implied warranties;
- (9) Granting power of attorney to anyone acting for the seller to act as agent of the buyer.

Another provision of S. 2589 would permit the buyer to pay the last person known to be entitled to payment, unless he receives written notice of actual or intended assignment of his contract.

Title VI deals with repossession, redemption, and resale of the goods subject to installment sale contracts. This title permits the seller to sue for deficiency or repossess the goods. This title provides that a secured party may, after repossessing the goods, dispose of them "in a commercially reasonable manner", and that, if proceeds of such sale do not cover expenses of repossession, resale, and the balance due, the secured party may not recover a deficiency from the buyer.

HOWARD A. ABRAHAMS,
Professional Staff Member.

U.S. SENATE,
COMMITTEE ON THE DISTRICT OF COLUMBIA,
Washington, D.C., December 2, 1967.

MEMORANDUM FOR MEMBERS OF THE BUSINESS AND COMMERCE SUBCOMMITTEE

In re S. 2590, to provide maximum finance and other charges in connection with retail installment credit sales in the District of Columbia.

Dates of hearings: Tuesday, December 5, 1967, 9 a.m.; Tuesday, December 12, 1967, 10 a.m.; Wednesday, December 13, 1967, 10 a.m.

The purpose of S. 2590 is to provide for regulation of finance charges and other charges imposed in connection with retail installment sales contracts.

Presently, District of Columbia law regulates maximum interest rates for loans and automobile credit sales, but there is no regulation of maximum interest rates for consumer credit sales generally.

S. 2590 would adopt the same maximum interest rates now imposed by New York and California, and require that interest charges not exceed 20 percent per annum for the first \$500 and 16 percent per annum for all debt above that amount.

Revolving charge account agreements are limited in that service charges cannot exceed 1½ percent per month on unpaid balances not exceeding \$500, nor 1 percent per month on unpaid balances exceeding \$500.

Also, S. 2590 provides for regulation of credit insurance charges and other charges which are often imposed as disguised forms of interest to avoid maximum statutory interest rates.

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