

creation within the District of Columbia Government of a Department of Consumer Protection, including a Consumer Information Service, to be under the general supervision of the Commissioner.

The bill, in my view, if enacted, would offer the consumers of the District of Columbia a wide measure of protection and would eliminate to a far-reaching extent the exploitative practices now being employed by those relatively few business concerns which use deceptive, unfair, and unconscionable business practices.

The reservations that I have with respect to the bill relate to the provisions affecting the holder in due course doctrine and the establishment in the District Government of a department-level agency for consumer protection. With respect to the provisions affecting the holder in due course concept, I am uncertain at this time whether these provisions of the bill, which may seriously affect the negotiability of commercial instruments, present the best approach to meeting the problems faced by consumers and yet at the same time allowing for the normal conduct of business and financial affairs. In this regard, I would be pleased to supplement this report to deal more specifically with my position respecting the holder in due course provisions, particularly since I expect to benefit from the views and testimony of some of the witnesses who are expected to appear before the Subcommittee on Business and Commerce in the course of scheduled hearings on the bill. With regard to the provision establishing a new department for consumer protection, I recommend that a general authorization for such a department be provided with the broad authority now granted under the terms of the bill. This would allow flexibility in organizing such agency as experience may indicate is needed.

I strongly recommend that effective consumer protection legislation covering retail installment contracts and revolving charge accounts be enacted for the benefit of the people of this city.

Sincerely yours,

WALTER E. WASHINGTON,
Commissioner of the District of Columbia.

DECEMBER 4, 1967.

Hon. ALAN BIBLE,
*Chairman, Committee on the District of Columbia,
U.S. Senate, Washington, D.C.*

DEAR SENATOR BIBLE: I have for report S. 2590, 90th Congress, a bill "To provide maximum finance and other charges in connection with retail installment credit sales in the District of Columbia."

The purpose of the bill generally is to establish maximum limitations on the amount of credit charges that may be made in retail installment sales and revolving charge accounts.

The first section provides that the Act may be cited as the "District of Columbia Retail Installment Sales Finance Charges Act." Section 2 of the bill contains definitions. Inclusive charges permitted in retail installment transactions regarding consumer goods are detailed in section 3. These include, beside the permissible maximum finance charges provided under the bill, charges for delivery, installation, repair or other services which are not connected to any credit charge; charges for official fees, taxes, and insurance specifically excluded as a finance charge under the provisions of the bill; and certain other charges relating to premiums, extension, and delinquency fees, attorney's fees, court costs, and expenses incurred to realize a security interest following a default.

Maximum finance charges permitted under the bill are specified in section 4, and the section provides that "No finance charge shall be taken, received, reserved, agreed upon, or contracted for in excess of the maximum rates set forth in this section." The District of Columbia Council is given the authority to make rules, regulations, and instructions for the computation of such rates, in addition to other provisions contained in the bill regarding the calculation of rates.

With respect to the maximum amounts allowed in retail installment transactions, the finance charge may not exceed the following: (a) for financing a total amount not exceeding \$500, 20 percent annually; (b) for financing an amount exceeding \$500, 16 percent annually.

With respect to revolving charge accounts, referred to in the bill as "open end credit plans", section 4 provides the following maximums: (a) in the case of plans in which the service charge is made on the opening balance less payments and returns credited during the period, 1½ percent per month on amounts unpaid up to