

\$500, and 1 percent per month on amounts unpaid above \$500; and (b) in the case of all other plans, $1\frac{1}{4}$ percent per month on accounts unpaid up to \$500, and $\frac{3}{4}$ percent per month on accounts unpaid above \$500.

Section 5 permits retail installment contracts to provide for the payment by the buyer of charge or premiums for credit insurance, delinquency charges, extension charges, reasonable attorney's fees, court costs, and actual and reasonable expenses incurred in realizing on a security interest following default of the buyer. This section, among other things, permits a retail installment contract to provide for the payment by the buyer of charges or premiums for credit insurance of such types, maximum coverage amounts, and rates as the District of Columbia Council may by regulation prescribe. This section does not, however, specifically state in clear terms the authority of the Council to establish *maximum* rates for premiums or charges for such insurance. It is my view that such clear authority should be included in the bill, by inserting before "rates" in line 19 on page 9 the word "maximum".

Section 6 prohibits splitting or dividing retail installment transactions for the purpose of circumventing the limitations on finance charges, and section 7 contains remedies for buyers in the case of failure of the seller to comply with the provisions of the bill.

An important feature of the bill is that it would impose maximum finance charges on those persons who engage in such business practices as inflating the cash price of items to absorb hidden finance charges in the so-called "easy credit" arrangements. Under the terms of the bill, the finance charge means the amount by which the price exceeds the cash price offered retail cash buyers in the ordinary course of business. The inflated price would then be governed by the maximum finance charges allowed under the bill.

Maximum finance charges are needed where exploitation of retail installment buyers is most gross. I am of the view that in general the business community in this city is charging reasonable fees for the extension of credit.

I do not believe, however, that at present a valid judgment can be made by me with respect to the reasonableness of the limitations imposed by the bill. There is need for further study with respect to profit and cost factors relating to credit charges in retail installment transactions and revolving charge accounts in the District of Columbia. Accordingly, I request the indulgence of the Committee to permit me to supplement this report at a later date.

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. 2592, 90th Congress, a bill "To amend section 521 of the Act approved March 3, 1901, so as to prohibit the enforcement of a security interest in real property in the District of Columbia except pursuant to court order."

The purpose of the bill is to add a new subsection to section 521 of the Act approved March 3, 1901 (31 Stat. 1271), as amended (D. C. Code, sec. 45-601), to read as follows:

"(b) Notwithstanding any other provision of law and notwithstanding any provision in a mortgage, deed of trust, or other instrument to the contrary, no action to enforce a security interest in any real property in the District of Columbia, including but not limited to mortgages and deeds of trust, shall be effective except pursuant to an order issued by the United States District Court of the District of Columbia."

The general intent of this amendment is to require court action before any foreclosure can be made with respect to a mortgage or deed of trust securing an interest in real property.

The need for this legislation has been shown to arise in cases in which unwary homeowners are induced to enter into agreements for installment or credit purchases or services and then sign deeds of trust to secure the transaction.

Subsequently, upon default, foreclosure is instituted under the deed of trust.