

form of credit installment contracts and revolving charge accounts to assure the fullest disclosure of credit charges to the consumer. It also contains provisions that specifically prohibit certain types of contract clauses that exploit the unprotected consumer.

There are contained in S. 2589 certain features that I believe are most beneficial. For example, extremely important is the provision regarding clarity of contract terms. Another significant feature is the requirement that in the case of repossession of goods which in retail installment sales depreciate so rapidly as to lose quickly any equitable interest the consumer may have in the goods—that the seller who repossesses must choose either to take back the goods and forgo any deficiency judgment or sue the buyer on the unpaid balance and not repossess the item for which the consumer is in default. The bill allows for private remedies that would discourage attempts by sellers to circumvent the protective features provided for the consumer. In addition, it would enable the District government to seek court action on behalf of exploited consumers.

And as I have hereinbefore indicated, we certainly support this bill, and I certainly commend the chairman on these outstanding provisions in S. 2589.

Although S. 2589 provides what is in my view excellent guidelines for protection of consumers, I believe that the rule of the District of Columbia Council should be given more consideration. I suggest that the bill be amended in such manner as to provide the Council with broad enabling authority to promulgate regulations needed to provide such protection. This would also allow the Council the flexibility that is usually found necessary to meet new conditions and new problems, without the need to seek further congressional action.

Another reservation that I have regarding S. 2589 deals with the provision affecting the doctrine of holder in due course. This provision of the bill would seriously modify this long-established commercial principle insofar as retail installment transactions are concerned. Under the bill, the holder in due course—frequently the finance company in a retail installment transaction—would remain subject to the defenses that the consumer can bring against the retailer. Thus, if the retailer fails to live up to his part of the bargain, the finance company would have to face the fact when it attempted to collect on a note from the consumer who stopped making payments on a bad bargain. I can heartily approve of a change in a legal concept that would result to the advantage of the consumer. But I cannot fully endorse this provision at this time without further study as to the implications it may have regarding normal commercial and financial affairs. I therefore ask the subcommittee's indulgence, Mr. Chairman, to permit me to supplement my report on this bill after making additional study regarding the provision on holder in due course. It is a very significant provision, and I have had limited opportunity to study it. I would want to prepare a special report on this particular aspect.

Maximum finance charges is the subject matter covered by S. 2590. The bill contains provisions establishing the ceiling on credit charges that could be imposed by retailers under installment contracts and