

referral a \$100 discount would be offered. None was forthcoming. Of course, the particular buyer's obligation to pay for his goods exists independently of any promise by the seller to compensate the buyer for referrals, but this legal fact is unknown to most buyers. Sometimes a seller refuses to honor the referral commission scheme; more often the seller through fine print clauses is able to impose such onerous conditions on entitlement to commissions that performance by the buyer is impossible.

The prices are high, often exorbitant, in this segment of the market place. We have all recently seen evidence of unconscionably high prices in the home-improvement area. I have also seen cases where 7th Street, N.W. or H Street, N.E. or Anacostia merchants have charged buyers prices for furniture that are five times higher than their own costs. A recent survey shows that the so-called "credit houses", that is stores making a large percentage of their sales on an installment basis to low-income buyers, mark-up their prices for furniture and appliances on the average of approximately 205%. The same survey shows that buyers trading with reputable merchants can expect to pay an average mark-up on furniture of approximately 166% and on appliances, roughly 140%.

The exorbitant price problem extends to finance charges. Because of a legal quirk, District interest laws generally do not apply to retail installment sales. We have seen buyers who have been charged 35 to 50% interest on retail purchases. Compare the more normal 16 to 20% charged by reputable merchants. The highest interest rates like the most exorbitant prices are imposed on buyers who are least able to protect themselves.

Disreputable sellers take a final chunk from consumers' pockets through substantial charges for consumer insurance. Often the buyer is given no option but to purchase insurance that lowers the seller's own risk. Frequently consumer insurance policies are such that they insure exclusively to the benefit of the seller.

What I have been saying about prices equally applies to other essential contract terms. Consumers are dependent on the good faith of the seller with whom they deal. Many merchants maximize the advantageous position given them by their superior bargaining power and sophistication and induce buyers to sign contracts containing onerous conditions in fine print clauses. Such clauses disclaim oral representations made by sellers, waive legal rights of the buyers, and permit creditors to accelerate the entire sum owed on an installment contract even though the buyer has not defaulted. Through fine print clauses sellers extract the buyer's consent to the use of forcible methods in repossession, and to the entry of the buyer's home without his permission. Completely one-sided security interests in goods purchased over the entire life of single account from the same seller are set forth in fine-print clauses.

Most buyers sign a conditional sales contract and the attached promissory instrument without any realization that the note will be sold to a third party finance company to whom they will be making payments. Negotiation of the contract to a third party is contrary to the expectations of many buyers who believe they will continue to deal with the same friendly merchant who initially induced them to purchase goods. Many sellers treat the negotiation of consumer paper to a finance company as equivalent release of their own obligations imposed by law or contract. The buyer who complains to his seller that his 30-day old sofa has collapsed is frequently met with the seller's total disclaimer of any obligation to repair. The buyer who is allowed to return his merchandise ten days after purchase has his anxious inquiries for the return of his \$50 down payment totally ignored. Even worse is the situation where the seller's business folds or becomes insolvent overnight.

Under present law the negotiation of an installment contract to a finance company has due consequences to the buyer's ability to defend himself in a suit on the contracts. The buyer who, for example, stops paying because his seller refuses to honor a warranty, cannot raise his defense when he is sued by the finance company. In too many cases the buyer is called into a fight by a finance company in which he, the buyer, has to stand in the ring with both hands tied behind his back.

Let me describe for you a situation in which I was recently involved as attorney for an indigent client. He had purchased a television set from a small store in northwest Washington, D.C. He had incurred an obligation for this set of approximately \$600. The set, however, was nonconforming the contract description; and it was immediately returned to the seller. The clients, unrepresented by counsel, had to sue in small claims court for the return of the down payment. They thought this had terminated the transaction. Little did they realize they