

I think that the way the bill is set up currently is a good way to treat those problems, and that the Council would be able to take the time to study the problem, and make such fair trade standards or whatever they think is advisable.

Mrs. Jamison had a television that was repossessed. At the time that it was repossessed, shortly following the repossession, she was sued, or there was a claim made for essentially the amount of her unpaid balance. This was true even though she had already lost the television.

Senator TYDINGS. Plus the payments she had made, too.

Miss HALLORAN. Yes, sir. The problem is she did not get adequate credit for the television that had been repossessed. S. 2589 would force the seller to an election between repossessing and suit on the unpaid balance. It would have helped Mrs. Jamison, and it would have protected the equity she had, to have the seller put through this election at the time that he decided to repossess.

S. 316 does not speak to this problem, except insofar as it has a provision that says that the costs of collection cannot exceed the amount of unpaid balances at the time of default.

The final thing about Mrs. Jamison is that she was charged a finance charge of almost 30 percent. S. 2591 would have affected her problem by setting a maximum finance charge which in this situation would have been 16 percent.

Mr. Chairman, Mr. White and I are here now if you have any additional questions that you might ask. We would be happy to answer them.

Senator TYDINGS. All right.

Let me ask you one question: In Massachusetts they have a law which encompasses the same principle as does our bill, insofar as the use of the holder-in-due-course doctrine is concerned; namely, that it cannot be used as a defense against bad goods or failure to deliver consumer goods.

They find that in Massachusetts a practice has developed which would get around the impact of the statute. What happens is that the buyer borrows the money directly from the finance company at the same time that the installment sales contract is signed. In other words, he does not sign just an installment sales contract and have that assigned over, purchased by the finance company. He signs the installment sales contract, and then he signs directly a note to the finance company. Thus he is no longer—the finance company is no longer in possession of a holder-in-due-course, but is in position of a direct borrowing. And this could become fashionable practice in the District as it is in Massachusetts if our statute is adopted.

I wonder whether or not you feel that we should consider an amendment which might include any instrument the proceeds of which are known to be used for the purchase of consumer goods. In other words, to carry the rate of defense not only against an instrument purchased from a seller of the consumer goods, but any purchase which is secured by consumer goods sold under a retail contract of sales agreement.

Miss HALLORAN. Of course, that would encompass the traditional chattel mortgage thing. I know what the problem is. In fact, you have it another way, and that is encouraging availability of credit through credit unions, and through other sources—will have the effect of buyers borrowing their money from one source, and spending the