

We have also heard financial interests express concern that abolishing holder-in-due-course relationships would diminish the availability of consumer credit.

Frankly, we believe that the holder-in-due-course principle is based on the concept: "I will extend you credit only if I maintain my right to gyp you."

Through holder-in-due-course, the consumer assumes all the risk of dealing with unscrupulous or insolvent sellers.

On the other hand, what is the posture of the finance company or commercial bank, who use the public's funds to lubricate this system?

They cannot lose. They retain full rights as creditors with none of the obligations of the sellers.

Whatever the history of holder-in-due-course, it is time for common law to give way to moral law.

Who can better judge the reputable nature of a business—and untutored householders, harried by high-pressure salesmanship, or an experienced, sophisticated, financial institution?

Who can better absorb the risk of a business default or fraud—a low-income consumer or a multimillion-dollar corporation?

It is not sufficient protection to require a certification procedure, as proposed by S. 316.

High-pressure tactics can as easily extort an unwary customer's signature on such certificates as on fraudulent contracts and usurious notes.

We believe that the financial community itself must shoulder an active responsibility to rid our city of fraudulent credit houses and home improvement companies.

It is little enough to ask one's business leaders to put their own house in order.

Thus, the Washington Urban League supports fully the holder-in-due-course provisions of S. 2589.

We should like to add one more comment.

This legislation is concerned primarily with credit problems which most effect poor people—a so-called high-risk population.

We submit that poor families are not high-credit risks by nature. They are created. High exploitation breeds high risk.

Denied credit in reputable firms, the poor person must often deal with a special seller's market, ruled by a sort of jungle law. Sunk into debt by high-pressure salesmanship, saddled with shoddy goods under exploitative credit terms, the low-income consumer is often driven to delinquency or default on debts.

Thus, by definition, the poor person has been converted into a high-risk credit.

What makes a good credit risk?

A good credit risk is a person sufficiently free of sales pressure and deceptive propaganda to incur debts only for genuinely felt needs.

A good credit risk is a person who understands fully the terms of credit arrangements and believes them to be just.

A good credit risk is a person who has a relationship of mutual respect and confidence with his creditor.

Throughout Washington, there are a dozen examples of this type of credit system: the neighborhood Federal credit unions, as one example.