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which the company adds to the many lures of living in New Hampshire.

Sanders' growth has been dependent upon attracting highly skilled and talented people at a time when other progressive companies throughout the Nation are competing for them.

Mr. Royden C. Sanders, Jr., the president and founder of Sanders Associates, is keenly aware of the importance of people in the success story of his company. He put it this way last December:

The success we have shown . . . would be impossible without the special kind of people we have at Sanders Associates.

Our type of company needs people who demand challenges and opportunities; people who are stirred by the need of our world today and tomorrow for new systems concepts; production people who want to manufacture equipment never produced before, and administrative people who understand this kind of working climate.

Mr. President, both the military and commercial phases of American life have been the beneficiaries of Sanders' ability to generate an idea, explore it, determine its practicality, and translate the idea into systems and products.

Day in and day out, the many divisions of Sanders Associates prove again the appropriateness of their corporate theme: "Creating New Directions in Electronics."

#### TRUTH IN LENDING

Mr. MONDALE. Mr. President, recently the truth-in-lending bill, which was so ably piloted through the Senate by the distinguished senior Senator from Wisconsin [Mr. PROXMIRE], passed the House of Representatives. The House bill is an even more effective bill. It builds upon the constructive achievements of the Senate bill. I am hopeful that the conference committee can recommend sound legislation in this area which will adequately protect consumers and which is workable to the credit industry.

The Virginia Law Weekly of February 15 contains an excellent article written by Senator PROXMIRE. The article analyzes the background of the truth-in-lending bill and the number of approaches to protecting consumer interests. I ask unanimous consent that this article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

DICTIONARY: LAW FOR THE POOR—PROXMIRE ANALYZES LAWS GOVERNING CREDIT TERMS

(By Senator WILLIAM PROXMIRE)

(WILLIAM PROXMIRE received his B.A. from Yale University in 1938. He also earned an M.B.A. and an M.P.A. from Harvard University. Before entering the United States Senate, he worked for J. P. Morgan & Co., taught government at Harvard and served in the Wisconsin legislature.

Senator PROXMIRE has served in the Senate since 1958. He is chairman of the Congressional Joint Economic Committee and introduced the Truth-in-Lending bill in the Senate in 1966.)

Consumer credit is one of the fastest growing industries in our economy. At the end of 1966, American consumers owed more than \$96 billion in short term debt. For this debt, consumers paid over \$13 billion a year in interest. Since 1945 consumer credit has grown four and one-half times as fast as our economy as a whole. The rapid rise of

the consumer credit industry over the last 50 years has brought with it a variety of responses taken by public policy in safeguarding consumer interest. This article outlines three basic ways in which government has sought to protect the consumer.

In a free enterprise economy, government has generally been content to permit the forces of competition to establish the appropriate price between the buyer and seller. However, throughout history, consumer credit has been a notable exception. Governments have consistently intervened to establish maximum charges for credit. Even in ancient Babylonia, over thirty-seven centuries ago, lenders had to conform to specific statutory ceilings. If the ceiling were exceeded, the entire principal and interest could be forfeited.

The idea that usury is a serious moral crime is deeply imbedded in the teachings of the early Catholic church. During the Middle Ages, the six per cent "just price doctrine" gradually evolved to protect borrowers from sophisticated money lenders. Much of this thinking found its way into usury statutes of our states. For example, forty-six states have established a six per cent usury ceiling when the rate is not specified in the contract. Somewhat higher rates are permitted when the rate is specified.

#### REGULATION CORRECTS MARKET IMBALANCE

The basic premise behind the establishment of rate ceilings seems to be that an imbalance exists in the market place. On the one hand, the lender is extremely knowledgeable about money and finance and is in a strong position to enforce his legal rights. On the other hand, the borrower is frequently poor, uninformed and desperate. To charge "all that the market will bear" has been regarded as an unconscionable exploitation of the defenseless. Hence, rate ceilings have been established.

These same concepts, although somewhat stretched, were applied during the growth of the American consumer credit industry. It soon became evident that the six per cent usury laws were too low to permit the development of a responsible consumer credit industry. As a result, the usury laws were amended, but often in a backhanded way. For example, the model small loan legislation recommended by the Russell Sage Foundation in 1916 authorized consumer finance companies to charge rates as high as three per cent per month. Those who sponsored the model legislation feared state legislatures would never enact it if the monthly rate ceiling were stated as an annual rate of thirty-six per cent per year.

The following table will give some idea of the present status of rate ceilings throughout the United States on various types of credit transactions.

Type of credit transaction or creditor	Number of States in which credit transaction is permitted <sup>1</sup>	Number of States with ceiling	Percent of population covered <sup>2</sup>
Small loan companies, State-chartered	50	50	100
credit unions	45	40	90
Commercial bank			
installment loans	51	33	56
Industrial banks	25	24	98
Retail installment contracts (nonauto)	51	25	57
Retail installment contracts (auto)	51	38	73
Revolving charge accounts	51	17	50

<sup>1</sup> Includes District of Columbia.

<sup>2</sup> Percent of coverage refers to the population of those States with the ceiling provision as a percent of the total population of those States in which the type of credit transaction is permitted. (Information compiled by Legislative Reference Service of the Library of Congress.)

#### REGULATIONS ALSO GOVERN REMEDIES

As the table shows, a majority of people enjoy the protection of rate ceilings on all

major forms of consumer credit. Interestingly enough, the evidence presented to the Senate Banking Committee indicates that non-auto retail installment contracts is the type of credit most often associated with excessive credit charges. For example, figures compiled by a bankrupt court reveal annual rates as high as 235 per cent for TV and hi-fi sets, 200 per cent for clothing, and 105 per cent for furniture. As the table shows, only fifty-seven per cent of the United States population is protected by a rate ceiling on non-auto installment credit.

In addition to rate ceilings, the regulatory approach has taken other forms. Most states have detailed legislation setting forth the rights of the consumer on credit transactions. These provisions cover rebate procedure, the remedies of the consumer in the event of seller default, repossession practices, garnishment, etc. However, the main effort to control the cost of consumer credit has been through the rate ceiling provision.

A completely different approach has been to emphasize disclosure rather than regulation. This approach is based upon a fundamentally different premise. It assumes that most consumers are able to make intelligent decisions if they know the facts. It tends to be less moralistic than the regulatory approach. Some who argue this view see nothing wrong with a consumer paying thirty or forty or fifty per cent interest provided he fully realizes what he is paying and still believes the benefit is worth the cost. Those who argue the regulatory approach tend to regard interest this high as immoral, even if it may be agreed to by the consumer. Actually, most who favor disclosure do so on the assumption that the free and open competition provided by full disclosure will serve to lower the cost of credit. For example, if competition were to lower the rate on consumer credit by only one percentage point, American consumers would save nearly one billion dollars a year in credit charges.

The promotion of price competition has always been a central aim of the Federal Truth in Lending bill which I introduced in the Senate in January of 1966. This bill passed the Senate in July by a vote of 92 to 0 and recently passed the House Banking Committee by a vote of 30 to 1. With this support, the final passage is expected some time in February.

#### FAMILIES ARE UNINFORMED

Many people have argued that the Truth in Lending bill is aimed particularly at the poor who can least afford exorbitant credit charges. While the poor will no doubt benefit from fuller disclosure of credit charges, I believe it is more accurate to expect that the benefits will cut across all income groups. The facts show that all consumers, regardless of income, have only the vaguest idea of what they are paying for credit. A recent survey asked a representative sample of families to estimate the rate of interest they were paying on their debt. The average estimate was eight per cent. The actual figure turned out to be twenty-five per cent, or nearly three times higher!

A better idea of the distribution of consumer credit can be obtained from a 1962 survey conducted by the Federal Reserve Board:

Family income	Percent of families with some debt	Distribution of all consumer debt (percent)
Less than \$3,000	35	7
\$3,000 to \$5,000	62	16
\$5,000 to \$7,500	66	25
\$7,500 to \$10,000	72	28
\$10,000 to \$15,000	62	17
\$15,000 to \$25,000	55	5
\$25,000 to \$50,000	36	1
\$50,000 to \$100,000	14	(1)
Over \$100,000	7	(1)

<sup>1</sup> Less than 1/2 of 1 percent.

This study shows that the poor, that is, those with incomes under \$3,000 account for only seven per cent of total consumer credit. Moreover, the poor are not particularly heavy users of credit compared with other income groups. Only thirty-five per cent of the poor have some debt, whereas seventy-two per cent of families in the \$7,500 to \$10,000 income bracket are in debt. The bulk of outstanding consumer debt—sixty-nine per cent—is held by families in the \$3,000 to \$10,000 income bracket. In short, the heaviest users of credit are not the poor, but the average family.

The approach of the Truth in Lending bill is quite simple. It requires creditors to disclose to consumers the total cost of credit. The cost would be expressed both in dollars and as an annual percentage rate.

The most important and most controversial aspect of the bill has been the annual percentage rate. The rate is designed to serve as a universal yardstick for consumers to use in comparing the cost of credit. With knowledge of the annual rate, consumers can shop as effectively for credit as they shop for merchandise.

The annual rate functions as a price tag on the cost of credit. Other merchants compete with one another on the basis of unit prices. For gasoline, the relevant price is the cost per gallon. For meat, it is the price per pound. There is no reason why creditors should not compete on the same basis in order to offer credit to the public at the lowest possible cost.

At the present, there is a lack of effective price competition in the consumer credit industry because creditors do not adequately disclose the cost of credit. Some creditors make no disclosure of terms or rates other than the monthly payments. Others disclose monthly rates. Still others disclose "add-on" or "discount" rates measured on the original balance of the credit rather than the declining balance. The true rate measured on the declining balance is nearly double. Other creditors complicate the picture by adding all sorts of additional fees for "processing," "investigation" and the like, while not counting these in the rate.

Under current practices, the consumer is faced with a bewildering variety of disclosure practices, no two of which are directly comparable. All the Truth in Lending bill would do is to require each creditor to disclose his terms on the same basis as all other creditors. Once creditors begin to disclose the cost and to compete in terms of rate, the cost of credit should decline, not only for the poor, but for all users of credit.

#### EDUCATION IS ANOTHER APPROACH

A third major approach to consumer credit protection may be termed the educational approach. This approach has attempted to focus directly on those consumers who need specific help and attention. Various consumer groups and labor unions have been active in educating consumers on the wise use of consumer credit. Industry groups as the National Consumer Finance Association have also been active on the educational front. Non-profit credit counseling organizations have been established in a number of cities with industry and union participation. Many of our schools and universities have introduced special courses on consumer economics. The credit union movement has an extensive educational program to educate their members on the use of credit.

More recently, the Federal government has entered the picture through the poverty program. Many of the Community Action organizations include consumer credit counseling programs. The Neighborhood Legal Services program has been particularly successful in seeing that the legal rights of the poor are given adequate protection.

#### COMBINED APPROACHES MAY REDUCE RATES

I believe that consumer education will come to be increasingly important with the passage of the Truth in Lending law. Without a comprehensive disclosure law, consumer education programs have been stymied. It does little good to teach a person to shop for credit when he is required to perform complicated mathematical computations to compare one credit plan with another.

There is some reason to believe the disclosure approach combined with a stepped up program of consumer education might ultimately replace statutory rate ceilings. One problem with maximum rate ceilings is that they tend to become a legalized form of price fixing. For example, the small loan laws were originally intended to establish a *maximum* ceiling. However, the maximum rate tends to become the going rate.

In our economy, I believe the free market has proven to be the best method for regulating rates. If we can permit the market to function more efficiently through disclosure and consumer education, the need for statutory rate fixing may one day disappear.

#### ILLNESS OF ROBERT G. DUNPHY, SERGEANT AT ARMS

Mr. HOLLINGS. Mr. President, I was recently distressed by the news that my friend, Bob Dunphy, our Sergeant at Arms, is temporarily incapacitated by illness.

Prior to his election as Sergeant at Arms in January 1966, Robert G. Dunphy had served for many years as Deputy Sergeant at Arms. Since his election to his present post, I have heard him praised on every side, by Senator and staff, Democrat and Republican.

As a freshman Senator, I am particularly grateful to Bob and his fine staff for the wonderful assistance they have given me. During my first few weeks here, I called on Bob so often it was like having an extra man on my staff. Bob always responded quickly and capably and in the most courteous fashion. Other Senators, I am sure, received the same fine attention.

I know that every Member of this body joins me in wishing Bob a speedy recovery and a quick return to the job he has filled so well.

#### THE GROWTH OF THE RUSSIAN NAVY: NEW POSSIBLE DANGER TO THE UNITED STATES—IV

Mr. SYMINGTON. Mr. President, upon return from a trip to the Far East, Middle East, and Europe last September, I expressed to the Senate my concern at the very rapid growth of the Soviet fleet.

This penetration into the Mediterranean is well described in a recent article in *Time* magazine as part of a Russian strategy to outflank NATO on the south. In the north, Russian warships already outnumber NATO forces in the Baltic by some 5 to 1.

I ask unanimous consent that a portion of this article, "Russia: Power Play on the Oceans," be inserted at this point in the RECORD.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

[From *Time* magazine, Feb. 23, 1968]

Outflanking NATO. In the Mediterranean, the impact of the Soviet fleet has been par-

ticularly dramatic. Where Russia had only half a dozen ships a year ago, it now has 46 ships, almost as many as the 50-ship U.S. fleet, which for years had made the "Med" practically an American lake. Many of the Soviet ships came through the Dardanelles during the Six-Day War, and their arrival helped persuade the Israelis to accept a cease-fire. The Soviets have enhanced their new image as the protector of their Arab allies by keeping a few ships in Alexandria and Port Said so that Israeli bombers will not be tempted to blast away at the vast amount of war matériel that is flowing into those ports.

One main Soviet objective is to out-flank NATO's land-based defenses—a goal that the Russian navy has partially reached by penetrating the Mediterranean. In a report to the Western European Union last November, Dutch Delegate Frans Goedhart warned: "It is no longer correct to speak of the 'danger' of the Soviet Union outflanking the NATO southern flank. This 'danger' has become a reality." To the north, the Russians have also turned the Baltic into a virtual Red Sea on which their warships now outnumber NATO forces 5 to 1.

To support its growing naval activity, Russia is searching for new bases and ports of call. Soviet diplomats are setting up an embassy in the new republic of South Yemen, where the Russians have their eye on the former British naval installation at Aden; the installation not only controls entry to the Red Sea but is an ideal base from which to expand influence into the oil-rich sheikdoms of the Persian Gulf. The Soviets may also be able to use the facilities of the big British naval base at Singapore, which Prime Minister Lee Kuan Yew has said he will rent to all comers after the Royal Navy pulls out in 1971. The big question in the Mediterranean is whether the Russians will move into the Algerian naval base at Mers-el-Kebir, which the French evacuated last month; it is only 315 miles east of Gibraltar. Russians have also used their influence with the Arabs to set up secret stockpiles of spare parts within trucking distance of Arab ports.

#### OUTDOOR WRITER SUPPORTS BILL PREVENTING IMPORTATION OF ENDANGERED SPECIES ILLEGALLY TAKEN

Mr. YARBOROUGH. Mr. President, Mr. John Thompson, outdoor writer for the *Fort Worth Star Telegram*, has written an article published in the February 20, 1968, issue of that paper regarding the endangered species animals of the world, under the title "It's Skin Off Their Backs—Fashion Market Hard on Animals."

In writing of the bill, S. 2984, which I introduced last month, he states—

Hopefully this bill will help prevent the extinction of many species of animals, as well as aid in the curbing of illegal procurement of these animals.

Because of the excellent discussion of this bill to prevent the importation of endangered species of fish or wildlife or their skins, where illegally taken, I ask unanimous consent that it be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

IT'S SKIN OFF THEIR BACKS—FASHION MARKET HARD ON ANIMALS

(By John Thompson)

One of the toughest problems facing game management officials these days is brought about by fashion.