access to public property, even down to and including Members of Congress.

ESTABLISHMENT OF NATIONAL SEVERE STORM SERVICE

Mr. WINN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks, and to include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. WINN. Mr. Speaker, I wish to direct the attention of my colleagues to H.R. 16767, which is a bill that I have introduced for the purpose of conducting a comprehensive study of tornadoes, squall lines, and other severe storms, and to develop methods for detecting storms for prediction and advance warning, and to provide for the establishment of a National Severe Storm Service.

The importance of this legislation is demonstrated by the destructive onslaught of tornadoes which swept the Midwest on May 15 and 16, leaving approximately 70 persons dead and property damage reaching into the millions of dollars. The tornadoes covered a nine-State region and was one of the most extensive outbreaks of severe storms on record. Wapella, Ill., a small central Illinois community of 500, was 90 percent in ruins. Every building in the community except the high school was damaged or destroyed, and four people were killed. The heaviest death toll, however, occurred at Jonesboro, Ark., where 33 people were left dead by the storm.

The Weather Bureau said that this rash of tornadoes was caused by a mass of cold air flowing southward which collided with warm, humid air from the Gulf of Mexico. I submit that more intensive research of these storms is necessary to permit earlier forecasting and detection of violent storms. If the forces which combine to produce severe storms are better understood, then the detection of the presence of potentially dangerous conditions will permit earlier forecasting and thus reduce the loss of life resulting from such storms.

This is the goal of my bill, and I strongly solicit the support of my colleagues in obtaining its passage.

CONSUMER CREDIT PROTECTION ACT

Mr. PATMAN. Mr. Speaker, I call up the conference report on the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT (H. REPT. No. 1397)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment insert the following:

"§ 1. Short title of entire Act

"This Act may be cited as the Consumer Credit Protection Act.

"TITLE I—CONSUMER CREDIT COST DISCLOSURE

"CHAPTER 1—GENERAL PROVISIONS

"§ 101. Short title

"This title may be cited as the Truth in Lending Act.

"§ 102. Findings and declaration of purpose

"The Congress finds that economic stabilization would be enhanced and the competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the cost thereof by consumers. It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit.

"§ 103. Definitions and rules of construction

"(a) The definitions and rules of construction set forth in this section are applicable for the purposes of this title.

"(b) The term 'Board' refers to the Board of Governors of the Federal Reserve System.

"(c) The term 'organization' means a corporation, government or governmental subdivision or agency, trust, estate, partnership, cooperative, or association.

"(d) The term 'person' means a natural person or an organization.

"(e) The term 'credit' means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.

"(f) The term 'creditor' refers only to creditors who regularly extend, or arrange for the extension of, credit for which the payment of a finance charge is required, whether in connection with loans, sales of property or services, or otherwise. The provisions of this title apply to any such creditor, irrespective of his or its status as a natural person or any type of organization.

"(g) The term 'credit sale' refers to any sale with respect to which credit is extended or arranged by the seller. The term includes any contract in the form of a bailment or lease if the bailee or lessee contracts to pay as compensation for use a sum substantially equivalent to or in excess of the aggregate value of the property and services involved and it is agreed that the bailee or lessee will become, or for no other or a nominal consideration has the option to become, the owner of the property upon full compliance with his obligations under the contract.

"(h) The adjective 'consumer', used with reference to a credit transaction, characterizes the transaction as one in which the party to whom credit is offered or extended is a natural person, and the money, property, or services which are the subject of the transaction are primarily for personal, family, household, or agricultural purposes.

"(i) The term 'open end credit plan' refers to a plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

"(j) The term 'State' refers to any State, the Commonwealth of Puerto Rico, the District of Columbia, and any territory or possession of the United States.

"(k) Any reference to any requirement imposed under this title or any provision thereof includes reference to the regulations of the Board under this title or the provision thereof in question.

"(l) The disclosure of an amount or percentage which is greater than the amount or percentage required to be disclosed under this title does not in itself constitute a violation of this title.

"§ 104. Exempted transactions

"This title does not apply to the following:

"(1) Credit transactions involving extensions of credit for business or commercial purposes, or to governments or governmental agencies or instrumentalities, or to organizations.

"(2) Transactions in securities or commodities accounts by a broker-dealer registered with the Securities and Exchange Commission.

"(3) Credit transactions, other than real property transactions, in which the total amount to be financed exceeds $25,000.

"(4) Transactions under public utility tariffs, if the Board determines that a State regulatory body regulates the charges for the public utility services involved, the charges for delayed payment, and any discount allowed for early payment.

"§ 105. Regulations

"The Board shall prescribe regulations to carry out the purposes of this title. These regulations may contain such classifications, differentiations, or other provisions, and may provide for such adjustments and exceptions for any class of transactions, as in the judgment of the Board are necessary or proper to effectuate the purposes of this title, to prevent circumvention or evasion thereof, or to facilitate compliance therewith.

"§ 106. Determination of finance charge

"(a) Except as otherwise provided in this section, the amount of the finance charge in connection with any consumer credit transaction shall be determined as the sum of all charges, payable directly or indirectly by the person to whom the credit is extended, and imposed directly or indirectly by the creditor as an incident to the extension of credit, including any of the following types of charges which are applicable:

"(1) Interest, time price differential, and any amount payable under a point, discount, or other system of additional charges.

"(2) Service or carrying charge.

"(3) Loan fee, finder's fee, or similar charge.

"(4) Fee for an investigation or credit report.

"(5) Premium or other charge for any guarantee or insurance protecting the creditor against the obligor's default or other credit loss.

"(b) Charges or premiums for credit life, accident, or health insurance written in connection with any consumer credit transaction shall be included in the finance charge unless

"(1) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disclosed in writing to the person applying for or obtaining the extension of credit; and

"(2) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of his desire to do so after written disclosure to him of the cost thereof.

"(c) Charges or premiums for insurance, written in connection with any consumer credit transaction, against loss of or damage to property or against liability arising out of the ownership or use of property, shall be included in the finance charge unless a clear and specific statement in writing is furnished by the creditor to the person to whom the credit is extended, setting forth the cost of the insurance if obtained from or through the creditor, and stating that the person to whom the credit is extended may choose the person through which the insurance is to be obtained.

"(d) If any of the following items is itemized and disclosed in accordance with the regulations of the Board in connection with any transaction, then the creditor need not include that item in the computation of the finance charge with respect to that transaction:

"(1) Fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to the credit transaction.

"(2) The premium payable for any insurance in lieu of perfecting any security interest otherwise required by the creditor in connection with the transaction, if the premium does not exceed the fees and charges described in paragraph (1) which would otherwise be payable.

"(3) Taxes.

"(4) Any other type of charge which is not for credit and the exclusion of which from the finance charge is approved by the Board by regulation.

"(e) The following items, when charged in connection with any extension of credit secured by an interest in real property, shall not be included in the computation of the finance charge with respect to that transaction:

"(1) Fees or premiums for title examination, title insurance, or similar purposes.

"(2) Fees for preparation of a deed, settlement statement, or other documents.

"(3) Escrows for future payments of taxes and insurance.

"(4) Fees for notarizing deeds and other documents.

"(5) Appraisal fees

"(6) Credit reports.

"§ 107. Determination of annual percentage rate

"(a) The annual percentage rate applicable to any extension of consumer credit shall be determined, in accordance with the regulations of the Board,

"(1) in the case of any extension of credit other than under an open end credit plan, as

"(A) that nominal annual percentage rate which will yield a sum equal to the amount of the finance charge when it is applied to the unpaid balances of the amount financed, calculated according to the actuarial method of allocating payments made on a debt between the amount financed and the amount of the finance charge, pursuant to which a payment is applied first to the accumulated finance charge and the balance is applied to the unpaid amount financed; or

"(B) the rate determined by any method prescribed by the Board as a method which materially simplifies computation while retaining reasonable accuracy as compared with the rate determined under subparagraph (A).

"(2) in the case of any extension of credit under an open end credit plan, as the quotient (expressed as a percentage) of the total finance charge for the period to which it relates divided by the amount upon which the finance charge for that period is based, multiplied by the number of such periods in a year.

"(b) Where a creditor imposes the same finance charge for balances within a specified range, the annual percentage rate shall be computed on the median balance within the range, except that if the Board determines that a rate so computed would not be meaningful, or would be materially misleading, the annual percentage rate shall be computed on such other basis as the Board may by regulation require.

"(c) The annual percentage rate may be rounded to the nearest quarter of 1 per centum for credit transactions payable in substantially equal installments when a creditor determines the total finance charge on the basis of a single add-on, discount, periodic, or other rate, and the rate is converted into an annual percentage rate under procedures prescribed by the Board.

"(d) The Board may authorize the use of rate tables or charts which may provide for the disclosure of annual percentage rates which vary from the rate determined in accordance with subsection (a)(1)(A) by not more than such tolerances as the Board may allow. The Board may not allow a tolerance greater than 8 per centum of that rate except to simplify compliance where irregular payments are involved.

"(e) In the cast of creditors determining the annual percentage rate in a manner other than as described in subsection (c) or (d), the Board may authorize other reasonable tolerances.

"(f) Prior to January 1, 1971, any rate required under this title to be disclosed as a percentage rate may, at the option of the creditor, be expressed in the form of the corresponding ratio of dollars per hundred dollars.

"§ 108. Administrative enforcement

"(a) Compliance with the requirements imposed under this title shall be enforced under

"(1) section 8 of the Federal Deposit Insurance Act, in the case of

"(A) national banks, by the Comptroller of the Currency.

"(B) member banks of the Federal Reserve System (other than national banks), by the Board.

"(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System), by the Board of Directors of the Federal Deposit Insurance Corporation.

"(2) section 5(d) of the Home Owners' Loan Act of 1933, section 407 of the National Housing Act, and sections 6(i) and 17 of the Federal Home Loan Bank Act, by the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), in the case of any institution subject to any of those provisions.

"(3) the Federal Credit Union Act, by the Director of the Bureau of Federal Credit Unions with respect to any Federal credit union.

"(4) the Acts to regulate commerce, by the Interstate Commerce Commission with respect to any common carrier subject to those Acts.

"(5) the Federal Aviation Act of 1958, by the Civil Aeronautics Board with respect to any air carrier or foreign air carrier subject to that Act.

"(6) the Packers and Stockyards Act, 1921 (except as provided in section 406 of that Act, by the Secretary of Agriculture with respect to any activities subject to that Act.

"(b) For the purpose of the exercise by any agency referred to in subsection (a) of its powers under any Act referred to in that subsection, a violation of any requirement imposed under this title shall be deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (a), each of the agencies referred to in that subsection may exercise, for the purpose of enforcing compliance with any requirement imposed under this title, any other authority conferred on it by law.

"(c) Except to the extent that enforcement of the requirements imposed under this title is specifically committed to some other Government agency under subsection (a), the Federal Trade Commission shall enforce such requirements. For the purpose of the exercise by the Federal Trade Commission of its functions and powers under the Federal Trade Commission Act, a violation of any requirement imposed under this title shall be deemed a violation of a requirement imposed under that Act. All of the functions and powers of the Federal Trade Commission under the Federal Trade Commission Act are available to the Commission to enforce compliance by any person with the requirements imposed under this title, irrespective of whether that person is engaged in commerce or meets any other jurisdictional tests in the Federal Trade Commission Act.

"(d) The authority of the Board to issue regulations under this title does not impair the authority of any other agency designated in this section to make rules respecting its own procedures in enforcing compliance with requirements imposed under this title.

"§ 109. Views of other agencies

"In the exercise of its functions under this title, the Board may obtain upon request the views of any other Federal agency which, in the judgment of the Board, exercises regulatory or supervisory functions with respect to any class of creditors subject to this title.

"§ 110. Advisory committee

"The Board shall establish an advisory committee to advise and consult with it in the exercise of its functions under this title. In appointing the members of the committee, the Board shall seek to achieve a fair representation of the interests of sellers of merchandise on credit, lenders, and the public. The committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation expenses and not to exceed $100 per diem.

"§ 111. Effect on other laws

"(a) This title does not annul, alter, or affect, or exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that those laws are inconsistent with the provisions of this title or regulations thereunder, and then only to the extent of the inconsistency.

"(b) This title does not otherwise annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State, including, but not limited to, laws relating to the types, amounts or rates of charges, or any element or elements of charges, permissible under such laws in connection with the extension or use of credit, nor does this title extend the applicability of those laws to any class of persons or transactions to which they would not otherwise apply.

"(c) In any action or proceeding in any

court involving a consumer credit sale, the disclosure of the annual percentage rate as required under this title in connection with that sale may not be received as evidence that the sale was a loan or any type of transaction other than a credit sale.

"(d) Except as specified in sections 125 and 130, this title and the regulations issued thereunder do not affect the validity or enforceability of any contract or obligation under State or Federal law.

"§ 112. Criminal liability for willful and knowing violation

"Whoever willfully and knowingly

"(1) gives false or inaccurate information or fails to provide information which he is required to disclose under the provisions of this title or any regulation issued thereunder,

"(2) uses any chart or table authorized by the Board under section 107 in such a manner as to consistently understate the annual percentage rate determined under section 107(a)(1)(A), or

"(3) otherwise fails to comply with any requirement imposed under this title,

shall be fined not more than $5,000 or imprisoned not more than a year, or both.

"131. Written acknowledgment as proof of tal agencies

"No civil or criminal penalty provided under this title for any violation thereof may be imposed upon the United States or any agency thereof, or upon any State or political subdivision thereof, or any agency of any State or political subdivision.

"§ 114. Reports by Board and Attorney General

"Not later than January 3 of each year after 1969, the Board and the Attorney General shall, respectively, make reports to the Congress concerning the administration of their functions under this title, including such recommendations as the Board and the Attorney General, respectively, deem necessary or appropriate. In addition, each report of the Board shall include its assessment of the extent to which compliance with the requirements imposed under this title is being achieved.

"CHAPTER 2—CREDIT TRANSACTIONS

"Sec.

"121. General requirement of disclosure.

"122. Form of disclosure; additional information.

"123. Exemption for State-regulated transactions.

"124. Effect of subsequent occurrence.

"125. Right of rescission as to certain transactions.

"126. Content of periodic statements.

"127. Open end consumer credit plans.

"128. Sales not under open end credit plans.

"129. Consumer loans not under open end credit plans.

"130. Civil liability.

"131. Written acknowledgment as proof of receipt.

"§ 121. General requirement of disclosure

"(a) Each creditor shall disclose clearly and conspicuously, in accordance with the regulations of the Board, to each person to whom consumer credit is extended and upon whom a finance charge is or may be imposed, the information required under this chapter.

"(b) If there is more than one obligor, a creditor need not furnish a statement of information required under this chapter to more than one of them.

"§ 122. Form of disclosure; additional information

"(a) Regulations of the Board need not require that disclosures pursuant to this chapter be made in the order set forth in this chapter, and may permit the use of terminology different from that employed in this chapter if it conveys substantially the same meaning.

"(b) Any creditor may supply additional information or explanations with any disclosures required under this chapter.

"§ 123. Exemption for State-regulated transactions

"The Board shall by regulation exempt from the requirements of this chapter any class of credit transactions within any State if it determines that under the law of that State that class of transactions is subject to requirements substantially similar to those imposed under this chapter, and that there is adequate provision for enforcement.

"§ 124. Effect of subsequent occurrence

"If information disclosed in accordance with this chapter is subsequently rendered inaccurate as the result of any act, occurrence, or agreement subsequent to the delivery of the required disclosures, the inaccuracy resulting therefrom does not constitute a violation of this chapter.

"§ 125. Right of rescission as to certain transactions

"(a) Except as otherwise provided in this section, in the case of any consumer credit transaction in which a security interest is retained or acquired in any real property which is used or is expected to be used as the residence of the person to whom credit is extended, the obligor shall have the right to rescind the transaction until midnight of the third business day following the consummation of the transaction or the delivery of the disclosures required under this section and all other material disclosures required under this chapter, whichever is later, by notifying the creditor in accordance with regulations of the Board, of his intention to do so. The creditor shall clearly and conspicuously disclose, in accordance with regulations of the Board, to any obligor in a transaction subject to this section the rights of the obligor under this section. The creditor shall also provide, in accordance with regulations of the Board, an adequate opportunity to the obligor to exercise his right to rescind any transaction subject to this section.

"(b) When an obligor exercises his right to rescind under subsection (a), he is not liable for any finance or other charge, and any security interest given by the obligor becomes void upon such a rescission. Within 10 days after receipt of a notice of rescission, the creditor shall return to the obligor any money or property given as earnest money, downpayment, or otherwise, and shall take any action necessary or appropriate to reflect the termination of any security interest created under the transaction. If the creditor has delivered any property to the obligor, the obligor may retain possession of it. Upon the performance of the creditor's obligations under this section, the obligor shall tender the property to the creditor, except that if return of the property in kind would be impracticable or inequitable, the obligor shall tender its reasonable value. Tender shall be made at the location of the property or at the residence of the obligor, at the option of the obligor. If the creditor does not take possession of the property within ten days after tender by the obligor, ownership of the property vests in the obligor without obligation on his part to pay for it.

"(c) Notwithstanding any rule of evidence, written acknowledgment of receipt of any disclosures required under this title by a person to whom a statement is required to be given pursuant to this section does no more than create a rebuttable presumption of delivery thereof.

"(d) The Board may, if it finds that such action is necessary in order to permit homeowners to meet bona fide personal financial emergencies, prescribe regulations authorizing the modification or waiver of any rights created under this section to the extent and under the circumstances set forth in those regulations.

"(e) This section does not apply to the creation or retention of a first lien against a dwelling to finance the acquisition of that dwelling.

"§ 126. Content of periodic statements

"If a creditor transmits periodic statements in connection with any extension of consumer credit other than under an open end consumer credit plan, then each of those statements shall be set forth each of the following items:

"(1) The annual percentage rate of the total finance charge.

"(2) The date by which, or the period (if any) within which, payment must be made in order to avoid additional finance charges or other charges.

"(3) Such of the items set forth in section 127(b) as the Board may by regulation require as appropriate to the terms and conditions under which the extension of credit in question is made.

"§ 127. Open end consumer credit plans

"(a) Before opening any account under an open end consumer credit plan, the creditor shall disclose to the person to whom credit is to be extended each of the following items, to the extent applicable:

"(1) The conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge.

"(2) The method of determining the balance upon which a finance charge will be imposed.

"(3) The method of determining the amount of the finance charge, including any minimum fixed amount imposed as a finance charge.

"(4) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is applicable, and the corresponding nominal annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

"(5) If the creditor so elects,

"(A) the average effective annual percentage rate of return received from accounts under the plan for a representative period of time; or

"(B) whenever circumstances are such that the computation of a rate under subparagraph (A) would not be feasible or practical, or would be misleading or meaningless, a projected rate of return to be received from accounts under the plan.

The Board shall prescribe regulations, consistent with commonly accepted standards for accounting or statistical procedures, to carry out the purposes of this paragraph.

"(6) The conditions under which any other charges may be imposed, and the method by which they will be determined.

"(7) The conditions under which the creditor may retain or acquire any security interest in any property to secure the payment of any credit extended under the plan, and a description of the interest or interests which may be so retained or acquired.

"(b) The creditor of any account under an open end consumer credit plan shall transmit to the obligor, for each billing cycle at the end of which there is an outstanding balance in that account or with respect to which a finance charge is imposed, a statement setting forth each of the following items to the extent applicable:

"(1) The outstanding balance in the account at the beginning of the statement period.

"(2) The amount and date of each extension of credit during the period, and, if a purchase was involved, a brief identification (unless previously furnished) of the goods or services purchased.

"(3) The total amount credited to the account during the period.

"(4) The amount of any finance charge

added to the account during the period, itemized to show the amounts, if any, due to the application of percentage rates and the amount, if any, imposed as a minimum or fixed charge.

"(5) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is applicable, and, unless the annual percentage rate (determined under section 107 (a)(2)) is required to be disclosed pursuant to paragraph (6), the corresponding nominal annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

"(6) Where the total finance charge exceeds 50 cents for a monthly or longer billing cycle, or the pro rata part of 50 cents for a billing cycle shorter than monthly, the total finance charge expressed as an annual percentage rate (determined under section 107 (a)(2)), except that if the finance charge is the sum of two or more products of a rate times a portion of the balance, the creditor may, in lieu of disclosing a single rate for the total charge, disclose each such rate expressed as an annual percentage rate, and the part of the balance to which it is applicable.

"(7) At the election of the creditor, the average effective annual percentage rate of return (or the projected rate) under the plan as prescribed in subsection (a)(5).

"(8) The balance on which the finance charge was computed and a statement of how the balance was determined. If the balance is determined without first deducting all credits during the period, that fact and the amount of such payments shall also be disclosed.

"(9) The outstanding balance in the account at the end of the period.

"(10) The date by which, or the period (if any) within which, payment must be made to avoid additional finance charges.

"(c) In the case of any open end consumer credit plan in existence on the effective date of this subsection, the items described in subsection (a), to the extent applicable, shall be disclosed in a notice mailed or delivered to the obligor not later than thirty days after that date.

"§ 128. Sales not under open end credit plans

"(a) In connection with each consumer credit sale not under an open end credit plan, the creditor shall disclose each of the following items which is applicable:

"(1) The cash price of the property or service purchased.

"(2) The sum of any amounts credited as downpayment (including any trade-in).

"(3) The difference between the amount referred to in paragraph (1) and the amount referred to in paragraph (2).

"(4) All other charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge.

"(5) The total amount to be financed (the sum of the amount described in paragraph (3) plus the amount described in paragraph (4)).

"(6) Except in the case of a sale of a dwelling, the amount of the finance charge, which may in whole or in part be designated as a time-price differential or any similar term to the extent applicable.

"(7) The finance charge expressed as an annual percentage rate except in the case of a finance charge.

"(A) which does not exceed $5 and is applicable to an amount financed not exceeding $75, or

"(B) which does not exceed $7.50 and is applicable to an amount financed exceeding $75.

A creditor may not divide a consumer credit sale into two or more sales to avoid the disclosure of an annual percentage rate pursuant to this paragraph.

"(8) The number, amount, and due dates or periods of payments scheduled to repay the indebtedness.

"(9) The default, delinquency, or similar charges payable in the event of late payments.

"(10) A description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

"(b) Except as otherwise provided in this chapter, the disclosures required under subsection (a) shall be made before the credit is extended, and may be made by disclosing the information in the contract or other evidence of indebtedness to be signed by the purchaser.

"(c) If a creditor receives a purchase order by mail or telephone without personal solicitation, and the cash price and the deferred payment price and the terms of financing, including the annual percentage rate, are set forth in the creditor's catalog or other printed material distributed to the public, then the disclosures required under subsection (a) may be made at any time not later than the date the first payment is due.

"(d) If a consumer credit sale is one of a series of consumer credit sales transactions made pursuant to an agreement providing for the addition of the deferred payment price of that sale to an existing outstanding balance, and the person to whom the credit is extended has approved in writing both the annual percentage rate or rates and the method of computing the finance charge or charges, and the creditor retains no security interest in any property as to which he has received payments aggregating the amount of the sales price including any finance charges attributable thereto, then the disclosure required under subsection (a) for the particular sale may be made at any time not later than the date the first payment for that sale is due. For the purposes of this subsection, in the case of items purchased on different dates, the first purchased shall be deemed first paid for, and in the case of items purchased on the same date, the lowest priced shall be deemed first paid for.

"§ 129. Consumer loans not under open end credit plans

"(a) Any creditor making a consumer loan or otherwise extending consumer credit in a transaction which is neither a consumer credit sale nor under an open end consumer credit plan shall disclose each of the following items, to the extent applicable:

"(1) The amount of credit of which the obligor will have the actual use, or which is or will be paid to him or for his account or to another person on his behalf.

"(2) All charges, individually itemized, which are included in the amount of credit extended but which are not part of the finance charge.

"(3) The total amount to be financed (the sum of the amounts referred to in paragraph (1) plus the amounts referred to in paragraph (2)).

"(4) Except in the case of a loan secured by a first lien on a dwelling and made to finance the purchase of that dwelling, the amount of the finance charge.

"(5) The finance charge expressed as an annual percentage rate except in the case of a finance charge.

"(A) which does not exceed $5 and is applicable to an extension of consumer credit not exceeding $75, or

"(B) which does not exceed $7.50 and is applicable to an extension of consumer credit exceeding $75.

A creditor may not divide an extension of credit into two or more transactions to avoid the disclosure of an annual percentage rate pursuant to this paragraph.

"(6) The number, amount, and the due dates or periods of payments scheduled to repay the indebtedness.

"(7) The default, delinquency, or similar charges payable in the event of late payments.

"(8) A description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

"(b) Except as otherwise provided in this chapter, the disclosures required by subsection (a) shall be made before the credit is extended, and may be made by disclosing the information in the note or other evidence of indebtedness to be signed by the obligor.

"(c) If a creditor receives a request for an extension of credit by mail or telephone without personal solicitation and the terms of financing, including the annual percentage rate for representative amounts of credit, are set forth in the creditor's printed material distributed to the public, or in the contract of loan or other printed material delivered to the obligor, then the disclosures required under subsection (a) may be made at any time not later than the date the first payment is due.

"§ 130. Civil liability

"(a) Except as otherwise provided in this section, any creditor who fails in connection with any consumer credit transaction to disclose to any person any information required under this chapter to be disclosed to that person is liable to that person in an amount equal to the sum of

"(1) twice the amount of the finance charge in connection with the transaction, except that the liability under this paragraph shall not be less than $100 nor greater than $1,000; and

"(2) in the case of any successful action to enforce the foregoing liability, the costs of the action together with a reasonable attorney's fee as determined by the court.

"(b) A creditor has no liability under this section if within fifteen days after discovering an error, and prior to the institution of an action under this section or the receipt of written notice of the error, the creditor notifies the person concerned of the error and makes whatever adjustments in the appropriate account are necessary to insure that the person will not be required to pay a finance charge in excess of the amount or percentage rate actually disclosed.

"(c) A creditor may not be held liable in any action brought under this section for a violation of this chapter if the creditor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error.

"(d) Any action which may be brought under this section against the original creditor in any credit transaction involving a security interest in real property may be maintained against any subsequent assignee of the original creditor where the assignee, its subsidiaries, or affiliates were in a continuing business relationship with the original creditor either at the time the credit was extended or at the time of the assignment, unless the assignment was involuntary, or the assignee shows by a preponderance of evidence that it did not have reasonable grounds to believe that the original creditor was engaged in violations of this chapter, and that it maintained procedures reasonably adapted to apprise it of the existence of any such violations.

"(e) Any action under this section may be brought in any United States district court, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation.

"§ 131. Written acknowledgment as proof of receipt

"Except as provided in section 125(c) and except in the case of actions brought under section 130(d), in any action or proceeding by or against any subsequent assignee of the original creditor without knowledge to the contrary by the assignee when he acquires the obligation, written acknowledgment of

receipt by a person to whom a statement is required to be given pursuant to this title shall be conclusive proof of the delivery thereof and, unless the violation is apparent on the face of the statement, of compliance with this chapter. This section does not affect the rights of the obligor in any action against the original creditor.

"CHAPTER 3—CREDIT ADVERTISING

"Sec.
"141. Catalogs and multiple-page advertisements.
"142. Advertising of downpayments and installments.
"143. Advertising of open end credit plans.
"144. Advertising of credit other than open end plans.
"145. Nonliability of media.

"§ 141. Catalogs and multiple-page advertisements

"For the purposes of this chapter, a catalog or other multiple-page advertisement shall be considered a single advertisement if it clearly and conspicuously displays a credit terms table on which the information required to be stated under this chapter is clearly set forth.

"§ 142. Advertising of downpayments and installments

"No advertisement to aid, promote, or assist directly or indirectly any extension of consumer credit may state

"(1) that a specific periodic consumer credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount.

"(2) that a specified downpayment is required in connection with any extension of consumer credit, unless the creditor usually and customarily arranges downpayments in that amount.

"§ 143. Advertising of open end credit plans

"No advertisement to aid, promote, or assist directly or indirectly the extension of consumer credit under an open end credit plan may set forth any of the specific terms of that plan or the appropriate rate determined under section 127(a)(5) unless it also clearly and conspicuously sets forth all of the following items:

"(1) The time period, if any, within which any credit extended may be repaid without incurring a finance charge.

"(2) The method of determining the balance upon which a finance charge will be imposed.

"(3) The method of determining the amount of the finance charge, including any minimum or fixed amount imposed as a finance charge.

"(4) Where periodic rates may be used to compute the finance charge, the periodic rates expressed as annual percentage rates.

"(5) Such other or additional information for the advertising of open end credit plans as the Board may by regulation require to provide for adequate comparison of credit costs as between different types of open end credit plans.

"§ 144. Advertising of credit other than open end plans

"(a) Except as provided in subsection (b), this section applies to any advertisement to aid, promote, or assist directly or indirectly any consumer credit sale, loan, or other extension of credit subject to the provisions of this title, other than an open end credit plan.

"(b) The provisions of this section do not apply to advertisements of residential real estate except to the extent that the Board may by regulation require.

"(c) If any advertisement to which this section applies states the rate of a finance charge, the advertisement shall state the rate of that charge expressed as an annual percentage rate.

"(d) If any advertisement to which this section applies states the amount of the downpayment, if any, the amount of any installment payment, the dollar amount of any finance charge, or the number of installments or the period of repayment, then the advertisement shall state all of the following items:

"(1) The cash price or the amount of the loan as applicable.

"(2) The downpayment, if any.

"(3) The number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended.

"(4) The rate of the finance charge expressed as an annual percentage rate.

"§ 145. Nonliability of media

"There is no liability under this chapter on the part of any owner or personnel, as such, of any medium in which an advertisement appears or through which it is disseminated.

"TITLE II—EXTORTIONATE CREDIT TRANSACTIONS

"Sec.
"201. Findings and purpose.
"202. Amendments to title 18, United States Code.
"203. Reports by Attorney General.

"§ 201. Findings and purpose

"(a) The Congress makes the following findings:

"(1) Organized crime is interstate and international in character. Its activities involve many billions of dollars each year. It is directly responsible for murders, willful injuries to person and property, corruption of officials, and terrorization of countless citizens. A substantial part of the income of organized crime is generated by extortionate credit transactions.

"(2) Extortionate credit transactions are characterized by the use, or the express or implicit threat of the use, of violence or other criminal means to cause harm to person, reputation, or property as a means of enforcing repayment. Among the factors which have rendered past efforts at prosecution almost wholly ineffective has been the existence of exclusionary rules of evidence stricter than necessary for the protection of constitutional rights.

"(3) Extortionate credit transactions are carried on to a substantial extent in interstate and foreign commerce and through the means and instrumentalities of such commerce. Even where extortionate credit transactions are purely intrastate in character, they nevertheless directly affect interstate and foreign commerce.

"(4) Extortionate credit transactions directly impair the effectiveness and frustrate the purposes of the laws enacted by the Congress on the subject of bankruptcies.

"(b) On the basis of the findings stated in subsection (a) of this section, the Congress determines that the provisions of chapter 42 of title 18 of the United States Code are necessary and proper for the purpose of carrying into execution the powers of Congress to regulate commerce and to establish uniform and effective laws on the subject of bankruptcy.

"§ 202. Amendments to title 18, United States Code

"(a) Title 18 of the United States Code is amended by inserting the following new chapter immediately after chapter 41 thereof:

"'CHAPTER 42—EXTORTIONATE CREDIT TRANSACTIONS

"'Sec.
"'891. Definitions and rules of construction.
"'892. Making extortionate extensions of credit.
"'893. Financing extortionate extensions of credit.
"'894. Collection of extensions of credit by extortionate means.
"'895. Immunity of witnesses.
"'896. Effect on State laws.

"'§ 891. Definitions and rules of construction

"'For the purposes of this chapter:

"'(1) To extend credit means to make or renew any loan, or to enter into any agreement, tacit or express, whereby the repayment or satisfaction of any debt or claim, whether acknowledged or disputed, valid or invalid, and however arising, may or will be deferred.

"'(2) The term "creditor", with reference to any given extension of credit, refers to any person making that extension of credit, or to any person claiming by, under, or through any person making that extension of credit.

"'(3) The term "debtor", with reference to any given extension of credit, refers to any person to whom that extension of credit is made, or to any person who guarantees the repayment of that extension of credit, or in any manner undertakes to indemnify the creditor against loss resulting from the failure of any person to whom that extension of credit is made to repay the same.

"'(4) The repayment of any extension of credit includes the repayment, satisfaction, or discharge in whole or in part of any debt or claim, acknowledged or disputed, valid or invalid, resulting from or in connection with that extension of credit.

"'(5) To collect an extension of credit means to induce in any way any person to make repayment thereof.

"'(6) An extortionate extension of credit is any extension of credit with respect to which it is the understanding of the creditor and the debtor at the time it is made that delay in making repayment or failure to make repayment could result in the use of violence or other criminal means to cause harm to the person, reputation, or property of any person.

"'(7) An extortionate means is any means which involves the use, or an express or implicit threat of use, of violence or other criminal means to cause harm to the person, reputation, or property of any person.

"'(8) The term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, and territories and possessions of the United States.

"'(9) State law, including conflict of laws rules, governing the enforceability through civil judicial processes of repayment of any extension of credit or the performance of any promise given in consideration thereof shall be judicially noticed. This paragraph does not impair any authority which any court would otherwise have to take judicial notice of any matter of State law.

"'§ 892. Making extortionate extensions of credit

"'(a) Whoever makes any extortionate extension of credit, or conspires to do so, shall be fined not more than $10,000 or imprisoned not more than 20 years, or both.

"'(b) In any prosecution under this section, if it is shown that all of the following factors were present in connection with the extension of credit in question, there is prima facie evidence that the extension of credit was extortionate, but this subsection is nonexclusive and in no way limits the effect or applicability of subsection (a):

"'(1) The repayment of the extension of credit, or the performance of any promise given in consideration thereof, would be unenforceable, through civil judicial processes against the debtor.

"'(A) in the jurisdiction within which the debtor, if a natural person, resided or

"'(B) in every jurisdiction within which the debtor, if other than a natural person, was incorporated or qualified to do business at the time the extension of credit was made.

"'(2) The extension of credit was made at a rate of interest in excess of an annual rate of 45 per centum calculated according to the actuarial method of allocating payments made on a debt between principal and interest, pursuant to which a payment is ap-

plied first to the accumulated interest and the balance is applied to the unpaid principal.

"'(3) At the time the extension of credit was made, the debtor reasonably believed that either

"'(A) one or more extensions of credit by the creditor had been collected or attempted to be collected by extortionate means, or the nonrepayment thereof had been punished by extortionate means; or

"'(B) the creditor had a reputation for the use of extortionate means to collect extensions of credit or to punish the nonrepayment thereof.

"'(4) Upon the making of the extension of credit, the total of the extensions of credit by the creditor to the debtor then outstanding, including any unpaid interest or similar charges, exceeded $100.

"'(c) In any prosecution under this section, if evidence has been introduced tending to show the existence of any of the circumstances described in subsection (b)(1) or (b)(2), and direct evidence of the actual belief of the debtor as to the creditor's collection practices is not available, then for the purpose of showing the understanding of the debtor and the creditor at the time the extension of credit was made, the court may in its discretion allow evidence to be introduced tending to show the reputation as to collection practices of the creditor in any community of which the debtor was a member at the time of the extension.

"'§ 893. Financing extortionate extensions of credit

"'Whoever willfully advances money or property, whether as a gift, as a loan, as an investment, pursuant to a partnership or profit-sharing agreement, or otherwise, to any person, with reasonable grounds to believe that it is the intention of that person to use the money or property so advanced directly or indirectly for the purpose of making extortionate extensions of credit, shall be fined not more than $10,000 or an amount not exceeding twice the value of the money or property so advanced, whichever is greater, or shall be imprisoned not more than 20 years, or both.

"'§ 894 Collection of extensions of credit by extortionate means

"'(a) Whoever knowingly participates in any way, or conspires to do so, in the use of any extortionate means

"'(1) to collect or attempt to collect any extension of credit, or

"'(2) to punish any person for the nonrepayment thereof,

shall be fined not more than $10,000 or imprisoned not more than 20 years, or both.

"'(b) In any prosecution under this section, for the purpose of showing an implicit threat as a means of collection, evidence may be introduced tending to show that one or more extensions of credit by the creditor were, to the knowledge of the person against whom the implicit threat was alleged to have been made, collected or attempted to be collected by extortionate means or that the nonrepayment thereof was punished by extortionate means.

"'(c) In any prosecution under this section, if evidence has been introduced tending to show the existence, at the time the extension of credit in question was made, of the circumstances described in section 892(b)(1), or the circumstances described in section 892(b)(2), and direct evidence of the actual belief of the debtor as to the creditor's collection practices is not available, then for the purpose of showing that words or other means of communication, shown to have been employed as a means of collection, in fact carried an express or implicit threat, the court may in its discretion allow evidence to be introduced tending to show the reputation of the defendant in any community of which the person against whom the alleged threat was made was a member at the time of the collection or attempt at collection.

"'§ 895. Immunity of witnesses

"'Whenever in the judgment of a United States attorney the testimony of any witness, or the production of books, papers, or other evidence by any witness in any case or proceeding before any grand jury or court of the United States involving any violation of this chapter is necessary to the public interest, he, upon the approval of the Attorney General or his designated representative, may make application to the court that the witness be instructed to testify or produce evidence subject to the provisions of this section. Upon order of the court the witness shall not be excused from testifying or from producing books, papers, or other evidence on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture. But no such witness may be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, nor may testimony so compelled be used as evidence in any criminal proceeding against him in any court, except a prosecution for perjury or contempt committed while giving testimony or producing evidence under compulsion as provided in this section.

"'§ 896. Effect on State laws

"'This chapter does not preempt any field of law with respect to which State legislation would be permissible in the absence of this chapter. No law of any State which would be valid in the absence of this chapter may be held invalid or inapplicable by virtue of the existence of this chapter, and no officer, agency, or instrumentality of any State may be deprived by virtue of this chapter of any jurisdiction over any offense over which it would have jurisdiction in the absence of this chapter.'

"(b) The table of chapters captioned 'Part I—Crimes' at the beginning of part I of title 18 of the United States Code is amended by inserting

"'42. Extortionate credit transactions.. 891'

immediately above

"'43. False personation..... 911'.

"§ 203. Reports by Attorney General

"The Attorney General shall make an annual report to Congress of the activities of the Department of Justice in the enforcement of chapter 42 of title 18 of the United States Code.

"TITLE III—RESTRICTION ON GARNISHMENT

"Sec.

"301. Findings and purpose.

"302. Definitions.

"303. Restriction on garnishment.

"304. Restriction on discharge from employment by reason of garnishment.

"305. Exemption for State-regulated garnishments.

"306. Enforcement by Secretary of Labor.

"307. Effect on State laws.

"§ 301. Findings and purpose

"(a) The Congress finds:

"(1) The unrestricted garnishment of compensation due for personal services encourages the making of predatory extensions of credit. Such extensions of credit divert money into excessive credit payments and thereby hinder the production and flow of goods in interstate commerce.

"(2) The application of garnishment as a creditors' remedy frequently results in loss of employment by the debtor, and the resulting disruption of employment, production, and consumption constitutes a substantial burden on interstate commerce.

"(3) The great disparities among the laws of the several States relating to garnishment have, in effect, destroyed the uniformity of the bankruptcy laws and frustrated the purposes thereof in many areas of the country.

"(b) On the basis of the findings stated in subsection (a) of this section, the Congress determines that the provisions of this title are necessary and proper for the purpose of carrying into execution the powers of the Congress to regulate commerce and to establish uniform bankruptcy laws.

"§ 302. Definitions

"For the purposes of this title:

"(a) The term 'earnings' means compensation paid or payable for personal services, whether denominated as wages, salary, commission, bonus, or otherwise, and includes periodic payments pursuant to a pension or retirement program.

"(b) The term 'disposable earnings' means that part of the earnings of any individual remaining after the deduction from those earnings of any amounts required by law to be withheld.

"(3) The term 'garnishment' means any legal or equitable procedure through which the earnings of any individual are required to be withheld for payment of any debt.

"§ 303. Restrictions on garnishment

"(a) Except as provided in subsection (b) and in section 305, the maximum part of the aggregate disposable earnings of an individual for any workweek which is subjected to garnishment may not exceed

"(1) 25 per centum of his disposable earnings for that week, or

"(2) the amount by which his disposable earnings for that week exceed thirty times the Federal minimum hourly wage prescribed by section 6(a)(1) of the Fair Labor Standards Act of 1938 in effect at the time the earnings are payable,

whichever is less. In the case of earnings for any pay period other than a week, the Secretary of Labor shall by regulation prescribe a multiple of the Federal minimum hourly wage equivalent in effect to that set forth in paragraph (2).

"(b) The restrictions of subsection (a) do not apply in the case of

"(1) any order of any court for the support of any person.

"(2) any order of any court of bankruptcy under chapter XIII of the Bankruptcy Act.

"(3) any debt due for any State or Federal tax.

"(c) No court of the United States or any State may make, execute, or enforce any order or process in violation of this section.

"§ 304. Restriction on discharge from employment by reason of garnishment

"(a) No employer may discharge any employee by reason of the fact that his earnings have been subjected to garnishment for any one indebtedness.

"(b) Whoever willfully violates subsection (a) of this section shall be fined not more than $1,000, or imprisoned not more than one year, or both.

"§ 305. Exemption for State-regulated garnishments

"The Secretary of Labor may by regulation exempt from the provisions of section 303(a) garnishments issued under the laws of any State if he determines that the laws of that State provide restrictions on garnishment which are substantially similar to those provided in section 303(a).

"§ 306. Enforcement by Secretary of Labor

"The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this title.

"§ 307. Effect on State laws

"This title does not annul, alter, or affect, or exempt any person from complying with, the laws of any State

"(1) prohibiting garnishments or providing for more limited garnishments than are allowed under this title, or

"(2) prohibiting the discharge of any employee by reason of the fact that his earnings have been subjected to garnishment for more than one indebtedness.

"TITLE IV—NATIONAL COMMISSION ON CONSUMER FINANCE

"Sec.
"401. Establishment.
"402. Membership of the Commission.
"403. Compensation of members.
"404. Duties of the Commission.
"405. Powers of the Commission.
"406. Administrative arrangements.
"407. Authorization of appropriations.

"§ 401. Establishment

"There is established a bipartisan National Commission on Consumer Finance, referred to in this title as the 'Commission'.

"§ 402. Membership of the Commission

"(a) The Commission shall be composed of nine members, of whom

"(1) three are Members of the Senate appointed by the President of the Senate;

"(2) three are Members of the House of Representatives appointed by the Speaker of the House of Representatives; and

"(3) three are persons not employed in a full-time capacity by the United States appointed by the President, one of whom he shall designate as Chairman.

"(b) A vacancy in the Commission does not affect its powers and may be filled in the same manner as the original appointment.

"(c) Five members of the Commission constitute a quorum.

"§ 403. Compensation of members

"(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

"(b) Each member of the Commission who is appointed by the President may receive compensation at a rate of $100 for each day he is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 5703) for persons in the Government service employed intermittently.

"§ 404. Duties of the Commission

"(a) The Commission shall study and appraise the functioning and structure of the consumer finance industry, as well as consumer credit transactions generally. The Commission, in its report and recommendations to the Congress, shall include treatment of the following topics:

"(1) The adequacy of existing arrangements to provide consumer credit at reasonable rates.

"(2) The adequacy of existing supervisory and regulatory mechanisms to protect the public from unfair practices, and insure the informed use of consumer credit.

"(3) The desirability of Federal chartering of consumer finance companies, or other Federal regulatory measures.

"(b) The Commission may make interim reports and shall make a final report of its findings, recommendations, and conclusions to the President and to the Congress by January 1, 1971.

"§ 405. Powers of the Commission

"(a) The Commission, or any three members thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinion pertinent to the study. In connection therewith the Commission is authorized by majority vote

"(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine.

"(2) to administer oaths.

"(3) to require by subpena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties.

"(4) in the case of disobedience to a subpena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpena or order.

"(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above.

"(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

"(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

"(c) The Commission may require directly from the head of any Federal executive departments and independent agencies of the information which the Commission deems useful in the discharge of its duties. All departments and independent agencies of the Government shall cooperate with the Commission and furnished all information requested by the Commission to the extent permitted by law.

"(d) The Commission may enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conduct of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

"(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it may publish the information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff. The Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying those documents as need may arise.

"(f) The Commission may delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of its business, except as otherwise provided in this title.

§ 406. Administrative arrangements

"(a) The Commission may, without regard to the provisions of title 5, United States Code, relating to appointments in the competitive service or to classification and General Schedule pay rates, appoint and fix the compensation of an executive director. The executive director, with the approval of the Commission, shall employ and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed may receive compensation in excess of the rate authorized for GS-18 under the General Schedule.

"(b) The executive director, with the approval of the Commission, may obtain services in accordance with section 3109 of title 5 of the United States Code, but at rates for individuals not to exceed $100 per diem.

"(c) The head of any executive department or independent agency of the Federal Government may detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

"(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services. The regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of that Administration for the administrative control of funds apply to appropriations of the Commission.

"(e) Ninety days after submission of its final report, as provided in section 404(b), the Commission shall cease to exist.

"§ 407. Authorization of appropriations

"There are authorized to be appropriated such sums not in excess of $1,500,000 as may be necessary to carry out the provisions of this title. Any money so appropriated shall remain available to the Commission until the date of its expiration, as fixed by section 406(e).

"TITLE V—GENERAL PROVISIONS

"Sec.
"501. Severability.
"502. Captions and catchlines for reference only.
"503. Grammatical usages.
"504. Effective dates.

"§ 501. Severability

"If a provision enacted by this Act is held invalid, all valid provisions that are severable from the invalid provision remain in effect. If a provision enacted by this Act is held invalid in one or more of its applications, the provision remains in effect in all valid applications that are severable from the invalid application or applications.

"§ 502. Captions and catchlines for reference only

"Captions and catchlines are intended solely as aids to convenient reference, and no inference as to the legislative intent with respect to any provision enacted by this Act may be drawn from them.

"§ 503. Grammatical usages

"In this Act:

"(1) The word 'may' is used to indicate that an action either is authorized or is permitted.

"(2) The word 'shall' is used to indicate that an action is both authorized and required.

"(3) The phrase 'may not' is used to indicate that an action is both unauthorized and forbidden.

"(4) Rules of law are stated in the indicative mood.

"§ 504. Effective dates

"(a) Except as otherwise specified, the provisions of this Act take effect upon enactment.

"(b) Chapters 2 and 3 of title I take effect on July 1, 1969.

"(c) Title III takes effect on July 1, 1970."

And the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the bill and agree to the same.

WRIGHT PATMAN,
WILLIAM A. BARRETT,
LEONOR K. SULLIVAN,
HENRY S. REUSS,
THOMAS L. ASHLEY,
WILLIAM S. MOORHEAD,
WILLIAM B. WIDNALL,
PAUL A. FINO,
FLORENCE P. DWYER,
Managers on the Part of the House.

JOHN SPARKMAN,
WILLIAM PROXMIRE,
EDMUND S. MUSKIE,
WALLACE F. BENNETT,
BOURKE B. HICKENLOOPER,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

This conference report represents the culmination of a long and arduous struggle. The House Committee on Banking and Currency, on December 13, 1967, reported favorably on the Sullivan bill, H.R. 11601, which passed the House overwhelmingly on February 1, 1968. The House then took up S. 5, struck all after the enacting clause, inserted the text of the House bill, and returned it to the Senate, which asked for a conference.

GENERAL STATEMENT

All of the major provisions of the House bill are retained in the accompanying conference report. In addition to the requirement of disclosure of credit costs in individual transactions, which was all the Senate bill dealt with, the House bill contained provisions relating to credit advertising, loansharking, and garnishment. The House bill also provided for administrative enforcement by the Federal Trade Commission as to businesses generally, and by the specialized regulatory agencies with respect to those under their respective jurisdictions. The House bill created a study commission on consumer credit generally with full investigative powers, and directed it to report its recommendations for further legislation in this area. Not only does the conference substitute retain all these major affirmative provisions; it also omits or substantially modifies the Senate exemption for first mortgages and the Senate exemptions from annual rate disclosure. In sum, your conferees were able substantially to sustain the position of the House.

SHORT TITLES

Section 1 of the conference substitute retains the "Consumer Credit Protection Act" as the short title for the entire Act, as contained in the House bill. Title I of the conference substitute, dealing entirely with the subject matter of S. 5 as it passed the Senate, with the additional disclosure requirements recommended by the House, is designated as the "Truth in Lending Act" under section 101 of the conference substitute.

TITLE I—CONSUMER CREDIT COST DISCLOSURE

First mortgages

Section 8(4) of the Senate bill exempted first mortgages on real estate from all of the provisions of the act. There was no corresponding provision in the House bill. In the conference substitute, the total finance charge over the life of the mortgage is not required to be disclosed in connection with a purchase money first mortgage. Such mortgages are also exempted from the requirement that the creditor afford a 3-day right of rescission where a lien is placed on the obligor's dwelling. First mortgages are subject to all other requirements imposed under this title, and there are no exemptions for other types of mortgages.

Property and liability insurance

Under section 202(d) of the House-passed bill, all mandatory charges imposed by a creditor in connection with an extension of credit were required to be included in the finance charge. The language left in some doubt the treatment to be accorded charges such as those for various types of insurance as well as other items which, although not charges for credit, were included in a financing package and were not specifically excluded from the finance charge by other provisions of that section. Under section 3(d)(2)(C) of the Senate bill, premiums for property and liability insurance would be excluded from the finance charge if itemized and disclosed by the creditor. Under section 106(c) of the conference substitute, such an exclusion is permitted, but only if the debtor is clearly informed of his right to choose where to buy such insurance.

Credit life and accident and health insurance

Section 3(d)(2)(D) of the Senate bill also provided an exclusion for credit life, accident, and health insurance premiums if itemized and disclosed. Under the conference substitute, such charges may not be excluded unless the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this is clearly disclosed to the debtor. The creditor must also disclose to the prospective debtor the cost of such insurance, and may not include it in the financing package unless the debtor gives specific affirmative written indication of his desire to have it. If credit life, accident or health insurance is written in connection with any consumer credit transaction without complying with all of the foregoing requirements, then its cost must be included in the finance charge under section 106(b) of the conference substitute.

Other charges

Section 106(d)(4) of the conference substitute permits the Board to approve by regulation the exclusion of any other type of charge which is not essentially for credit. It is not intended that the Board should exercise this authority except in the case of charges which are reasonable in relation to the benefits conferred on the obligor, and where their inclusion in the package makes economic sense from the standpoint of the obligor, apart from the creditor's merchandising convenience.

Prepayments

The conferees were agreed that the Federal Reserve Board and other regulatory agencies should provide for the disclosure to the obligor at the time of the completion of a consumer credit transaction of any prepayment penalties in connection with real estate mortgages or the policy to be followed by the creditor in granting partial refund, if any, of the finance charges in case of substantial prepayment of an installment contract in terms of amount and time.

Administrative enforcement

Section 108 of the conference substitute clarifies the legislative intention that the vesting of sole rulemaking power under title I in the Board of Governors of the Federal Reserve System does not impair the authority of the other agencies having administrative enforcement responsibilities to make rules respecting their own procedures in enforcing compliance. It also makes clear that, except for the exclusions specifically stated in the section, the jurisdiction of the Federal Trade Commission is plenary and attaches to any creditor subject to the title, irrespective of whether the creditor meets any jurisdictional test in the Federal Trade Commission Act.

Right of rescission

Section 203(c) of the House-passed bill required that the disclosures required under the bill would have to be made at least 3 days before the consummation of any transaction in connection with which a security interest was to be retained or acquired in the obligor's residence. The corresponding provisions in the conference substitute are found in section 125, with substantial modifications. Purchase money first mortgages are exempted altogether from the provisions of section 125. As to other transactions, the obligor is given a right of rescission which runs until midnight of the third business day following consummation of the transaction, or delivery of all material disclosures (including disclosure of the right to rescind without liability), whichever is later. Upon exercise of this right, any security interests created under the transaction are voided, the creditor must refund any advances, and the obligor must tender back any property, or its reasonable value, which he has received from the creditor.

Content of periodic statements

Section 126 of the conference substitute sets forth the requirements with respect to the content of periodic statements in connection with extensions of credit other than those under open end credit plans. The simplest type of statement would be a reminder of payment due on a straight installment contract; that is, a contract which did not provide for any additional purchases to be made under it and where the amounts and the dates of the obligor's obligations were entirely fixed at the time the contract was entered into. In that situation, it is not expected that the Board would require the statement to contain any information other than that provided for in paragraphs (1) and (2); that is, the annual rate and the late payment penalties, if any. If, however, the installment contract were more complex, perhaps providing for the purchase of additional items without entering into a new contract, or containing other terms and conditions which might tend to make it more like revolving credit, then it is expected that under paragraph (3), the Board would require appropriate additional disclosures to obligors.

Disclosure of creditor's rate of return

The House bill did not mention disclosure of the creditor's rate of return. Section 127(a)(5) specifically authorizes any creditor under an open end consumer credit plan to disclose his average effective annual percentage rate of return or, where that would not be feasible or practical or would be misleading or meaningless, to disclose a projected rate of return. Calculation of both actual and projected rates would be subject to regulations of the Board consistent with commonly accepted standards for accounting or statistical procedures.

Minimum charge exemptions

The House bill contained no exemptions from the annual rate disclosure requirement, either as to open end accounts or other transactions. The Senate bill did not require rate disclosure with respect to monthly minimum or fixed charges in connection with open end plans, and also provided an absolute exemption from rate disclosure for finance charges less than $10 in connection with transactions not under open end plans.

Under section 127(b)(6) of the conference substitute, the actual rate need not be disclosed in the periodic statement with respect to an account under an open end plan if the total finance charge does not exceed 50 cents for a billing period of a month or more. In any statement of an account under an open end plan under which a rate may be used to compute the finance charge (even though, for the particular month, the rate may yield a charge below the minimum and thus be inapplicable) the creditor must state the periodic rate and the "nominal" annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

Under sections 128(a)(7) and 129(a)(5), where the amount financed does not exceed $75, the percentage rate applicable to a finance charge not exceeding $5 need not be disclosed, and where the amount financed exceeds $75, the rate applicable to a finance charge not exceeding $7.50 need not be disclosed. Section 128(a)(7) applies to sales, and section 129(a)(5) to loans, and both prohibit creditors from artificially dividing transactions to avoid the rate disclosure requirement. It is expected that the Board will by regulation deal with the loan renewal problem, as section 129(a)(5) is not intended as a loophole through which creditors may es-

cape rate disclosure by making short-term loans with multiple renewals.

Credit advertising

In general, the substance of the provisions of the House passed bill with respect to advertising were retained, the only changes in conference being to make entirely clear that where any specific credit terms on any type of credit are advertised, all of the material terms must be set forth. The House had provided authority to the Federal Reserve Board to exempt residential real estate advertisements from the advertising requirements of title I. This authority is retained in the conference substitute.

TITLE II—EXTORTIONATE CREDIT TRANSACTIONS

Title II of the conference substitute is aimed directly at the activities of organized crime. This title, which passed the House as section 102 of the House's amendment to S. 5, makes it a Federal offense to make extortionate extensions of credit, to finance the making of extortionate extensions of credit, or to collect any extensions of credit by extortionate means.

An extortionate extension of credit is defined as any extension of credit with respect to which it is the understanding of the creditor and the debtor at the time it is made that delay in making repayment or failure to make repayment could result in the use of violence or other criminal means to cause harm to the person, reputation, or property of any person.

Similarly, an extortionate means is defined as any means which involves the use, or an express or implicit threat of use, of violence or other criminal means to cause harm to the person, reputation, or property of any person.

Constitutional basis

Article I, section 8, of the Constitution expressly empowers Congress to make "uniform laws on the subject of bankruptcies." In the exercise of this power, Congress has enacted the Bankruptcy Act, which confers on any debtor the statutory right, with certain qualifications, to be discharged of his debts by applying substantially all of his property toward their repayment. It is obvious, however, that obligations as to which there is an understanding that they may be collected by extortionate means, or which are actually so collected, are not susceptible of being "discharged" in bankruptcy in any meaningful sense. Such transactions thus deprive the debtor of a Federal statutory right, and at the same time defeat one of the principal purposes of the Bankruptcy Act, which is to afford insolvent persons the opportunity to make a fresh start. Thus, it seems clearly within the power of the Congress to protect the Federal statutory right, and to assure that the bankruptcy laws will be carried into execution, by enacting legislation to prohibit extortionate credit transactions. In addition, there is ample evidence that such transactions are being carried on on a large scale and that they have a substantial impact on interstate commerce. Section 201 of the conference substitute is an explicit statement of the foregoing rationale.

Technical structure

Section 202 adds to title 18 of the United States Code a new chapter 42 consisting of sections numbered 891 through 896. Section 891 sets forth definitions and rules of construction, the most important of which are the definitions of extortionate extensions of credit and extortionate means, which are quoted above.

Extortionate extension of credit

Section 892(a) provides—

"Whoever makes any extortionate extension of credit, or conspires to do so, shall be fined not more than $10,000 or imprisoned not more than 20 years, or both."

The major difficulty which confronts the prosecution of offenses of this type is the reluctance of the victims to testify. That is, if they are in genuine fear of the consequences of nonpayment, they are apt to be equally or even more in fear of the consequences of testifying as a complaining witness.

Prima facie case

Section 892(b) provides that if certain factors are present in connection with an extension of credit, there is prima facie evidence that the extension of credit is extortionate. These factors are (1) the inability of the creditor to obtain a personal judgment against the debtor for the full obligation; (2) a rate of interest in excess of 45 percent per annum; (3) a reasonable belief on the part of the debtor that the creditor either had used extortionate means in the collection of one or more other extensions of credit, or that he had a reputation for the use of such means; and (4) that the total amount involved between the debtor and the creditor was more than $100.

In the light of common experience, the inference of the use of extortionate means from the foregoing factors seems strong enough to make it constitutionally permissible to put the burden on the defendant to come forward with evidence to show the innocent nature of the transaction, if such was the case. In arms length transactions, people simply do not lend sums of money at exorbitant rates of interest under circumstances where they cannot enforce the obligation to repay. Where the prosecution has shown the absence of legal means to enforce the obligation, it is a reasonable inference, in the absence of evidence to the contrary, that illegal means were contemplated. Any debtor who deals with a creditor under these circumstances, knowing or reasonably believing that the creditor has used extortionate means in the past, may be fairly surmised to know what he is getting into.

The debtor, of course, may be unavailable or, for reasons already discussed, unwilling to testify. Section 892(c) permits the court, in its discretion, where evidence has already been introduced tending to show either uncollectability or a rate of interest in excess of 45 percent, to allow evidence to be introduced tending to show the reputation as to collection practices of the creditor in any community of which the debtor was a member at the time of the extension of credit. The trial court is in the best possible position to appraise the probative value of such evidence and to weigh that against its possible prejudicial effects. The ban on reputation evidence as part of the prosecution's case in chief has never been absolute, and where, as here, it is directly relevant to the state of mind of the parties in entering into the transaction, there will undoubtedly arise cases where it should very properly be before the trier of facts.

Finally, it is intended that the inference created by the presence of the factors set forth in section 892(b) may be weighed by the jury as evidence. It is not a mere rebuttable presumption, and it is not to be treated under the rule adopted in some jurisdictions with respect to such presumptions, which are said to be wholly dispelled by the introduction of any direct evidence.

Nonexclusiveness of section 892(b)

It should be emphasized, however, that the offense under section 892, and the only offense, is the making of an extension of credit with the understanding that criminal means may be used to enforce repayment, or conspiracy to make such an extension. Where this offense can be proved by direct evidence, it may be unnecessary for the prosecution to make use of sections 892(b) and 892(c).

Section 892 is in no sense a Federal usury law. The charging of a rate in excess of 45 percent per annum is merely one of a set of factors which, where there is inadequate evidence to explain them, are deemed sufficiently indicative of the existence of criminal means of collection to justify a statutory inference that such means were, in fact, contemplated by the parties.

Financing extortionate extensions of credit

In organized crime, loan sharking is normally carried out as a multi-level operation. It is the purpose of section 893 to make possible the prosecution of the upper levels of the criminal hierarchy. It should not be suppposed that the enactment of this legislation will suddenly do away with the immense pratical difficulties which attend any effort to prosecute the top levels of organized crime. Nevertheless, in those instances where legally admissible evidence can be gathered to trace the flow of funds from the upper levels, the legal capability to prosecute the organizers and financiers of the underworld, as well as loan sharks at the operating level, would appear to be a worthwhile weapon to add to the Government's arsenal.

Section 893 has been carefully drawn to preclude the possibility of creating difficulties for legitimate lenders or those who furnish financing to them. It should be noted that no case is made out where it is shown that funds were advanced to a lender who subsequently collected an indebtedness by criminal means. To come within the prohibition of section 893, the financier must have had reasonable grounds to believe that it was the *intention* of the lender to use the funds for extortionate extensions of credit; that is, extensions of credit whose extortionate character is known to both the borrower and the lender at their inception.

Extortionate collection

Not everyone who falls into the clutches of a loan shark is necessarily aware at the outset of the nature of the transaction into which he has entered. Moreover, cases will arise where the use of extortionate means of collection can be demonstrated even though it cannot be shown that a bilateral understanding that such would be the case existed at the outset. Section 894(a) covers these situations by making it a criminal offense to collect an indebtedness by extortionate means, regardless of how the indebtedness arose. Section 894(b) merely codifies a principle of evidence which already appears to be recognized in the case law, but whose importance in this area is sufficiently great to make it desirable to leave no doubt whatever as to its applicability. It allows evidence as to other criminal acts by the defendant to be introduced for the purpose of showing the victim's state of mind. Section 894(c) is similar to section 892(c), discussed above, and was included in the basis of the same considerations.

Compulsory testimony

Section 895 authorizes the Government, in any case or proceeding before any grand jury or court involving a violation of this chapter, to compel the testimony of witnesses claiming the fifth amendment privilege against self-incrimination. This may be done, however, only when, in the judgment of the U.S. attorney, the testimony or evidence involved is necessary to the public interest, and then only by order of the court on the application of the U.S. attorney with the approval of the Attorney General or his designated representative. Any witness so compelled to testify or produce evidence is, of course, granted immunity from prosecution on account of the matters as to which he has been compelled to give evidence.

No preemption of State laws

Section 896 makes clear the congressional intention not to preempt any field in which State law would be valid in the absence of this chapter.

General applicability

The full utility of chapter 42 as a weapon in the war on organized crime obviously can-

not be assessed until it has been tested in battle. Some general observations, however, appear to be in order at this point. As noted above, it is not, and is not intended to be, a Federal usury law, nor does it have anything to do with interest rates as such. It is, rather, a deliberate legislative attack on the economic foundations of organized crime. Most of the business of the underworld, whether in loan sharking, gambling, drugs, "protection," or other activities, involves extensions of credit as defined in section 891 at one or more stages. The methods used in the enforcement of such obligations are notorious. Thus, a very large proportion of underworld financial transactions fall within the ban of one or more of the provisions of chapter 42. It may very well develop that this chapter will find as much usefulness in the investigation and prosecution of transactions entirely within the world of organized crime as it does in connection with transactions between those within that world and those who are otherwise outside it. Be that as it may, the conferees wish to leave no doubt of the congressional intention that chapter 42 is a weapon to be used with vigor and imagination against every activity of organized crime that falls within its terms.

Reports by Attorney General

Because of the far-reaching potentials of chapter 42, the conferees have added a final section to title II requiring the Attorney General to make an annual report to Congress on the activities of the Justice Department in the enforcement of its provisions.

TITLE III—RESTRICTION ON GARNISHMENT

Section 202(a) of the House-passed bill restricted garnishment to an amount not exceeding 10 percent of gross earnings in excess of $30 per week, and contained no provision for the exemption of any State from the applicability of this rule. The restrictions in section 303(a) of the conference substitute are related to "disposable earnings," defined as earnings remaining after the deduction of any amounts required by law to be withheld. No garnishment is allowed which would exceed either 25 percent of disposable earnings, or the amount by which the weekly disposable earnings exceed 30 times the Federal minimum hourly wage, whichever is less.

Section 305 authorizes the Secretary of Labor to exempt from the limitation just described any State whose laws provide substantially similar restrictions on garnishment. The remaining provisions of title III of the conference substitute are unchanged, in terms of intended substantive effect, from the provisions of title II of the House bill.

TITLE IV—NATIONAL COMMISSION ON CONSUMER FINANCE

There were no changes of substance in this title, except that the date for the final report of the Commission was changed from December 31, 1969, to January 1, 1971. In the process of evolving the provisions of the conference substitute relating to the exemptions from annual rate disclosure for certain minimum charges (secs. 127(b)(6), 128(a)(7), and 129(a)(5)), the conferees agreed that the Commission should consider whether these exemptions are desirable in the public interest, taking into consideration their impact, if any, on the availability of credit and their relationship to the objectives of the act.

TITLE V—GENERAL PROVISIONS

Effective dates

Under the bill as passed by the House, the disclosure provisions were to take effect on the first day of the ninth calendar month beginning after enactment, and all other provisions were to take effect on enactment. The Senate bill's effective date was July 1, 1969.

The conference substitute provides that the disclosure provisions become effective July 1, 1969, the garnishment provisions become effective July 1, 1970, and all other provisions become effective on enactment.

WRIGHT PATMAN,
WILLIAM A. BARRETT,
LEONOR K. SULLIVAN,
HENRY S. REUSS,
THOMAS L. ASHLEY,
WILLIAM S. MOORHEAD,
WILLIAM B. WIDNALL,
PAUL A. FINO,
FLORENCE P. DWYER,
Managers on the Part of the House.

The SPEAKER pro tempore. The gentleman from Texas [Mr. PATMAN] is recognized for 20 minutes.

Mr. PATMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the presentation of this conference report on the Consumer Credit Protection Act, the truth-in-lending bill, represents the culmination of nearly 8 years of hard work. In my opinion, no statement on this subject and legislation can begin or end without paying tribute to that great former Senator from Illionis, Senator Paul H. Douglas, for the time and effort he spent on this subject. Nor in my opinion can anyone discuss this legislation without paying tribute to that great lady from Missouri, the Honorable LEONOR K. SULLIVAN, whose commitment to principle and tenacity on all consumer legislation stands her second to none in this Congress.

Mr. Speaker, the conference meetings on this legislation were, in my opinion, as arduous and hard-fought as any conference in which I have had the honor to participate as a representative of this great body.

In my opinion, it is fair to say that in all major instances the House view on this legislation prevailed. In summary, the conference report on the major issues contained in the House bill provides as follows:

TITLE I, SECTION 106: DETERMINATION OF FINANCE-CHARGE

The House bill originally provided that all mandatory credit charges be included in the determination of the finance charge except for certain legal fees prescribed by law and closing costs in real estate transactions.

The conference report limits the broad House definition and excludes charges for credit life and accident and health insurance if they are not a factor in the approval of the credit and, in the case of other kinds of insurance, if no opportunity is given to the debtor to purchase the insurance elsewhere.

The conference report also excludes the total cost of credit from the determination of the finance charge with respect to real estate transactions. With these limitations, the House bill prevails on this point.

SECTION 125: RIGHTS OF RESCISSION ON CERTAIN TRANSACTIONS

This section, passed by the House, deals primarily with mortgage transactions where unwanted home improvements are sold to homeowners by sharp or fraudulent operators. The section remains substantially the same in the conference report, except that the 3-day notice before such contracts are executed has been changed to a 3-day right of rescission after the contract is executed. The manner of rescission is left to regulation by the Federal Reserve Board.

SECTION 127: OPEN-END CONSUMER CREDIT PLANS

The Senate bill exempted revolving credit plans from annual rate disclosure. The conference report requires that the annual percentage rate of charge be disclosed on these accounts. If there is a minimum charge of 50 cents or less, such a charge need not be included in the determination of the annual rate. In addition, the conference report permits the creditor, if he so desires, to state an effective annual rate of return received from accounts under his plan or representative period of time, subject to Federal Reserve Board regulation. Thus, we have maintained our basic position of annual rate disclosure on revolving charge accounts.

SECTIONS 128 AND 129: INSTALLMENT SALES AND CONSUMER LOANS

Both the House and Senate bills provided that the finance charges on all installment and loan transactions be expressed as annual percentage rates, but, the Senate bill exempted finance charges of $10 or less from the computation. This matter was compromised substantially in favor of the House version so that if the finance charges not exceeding $5 on a sale up to $75, or $7.50 on a sale or loan over $75, then the finance charge need not be expressed as an annual percentage rate.

CHAPTER 3: CREDIT ADVERTISING

The House bill's strong section regulating the many and varied credit advertising abuses remains substantially the same. In essence, our bill required that if any specific credit terms are expressed in an ad, then the complete picture, all of the credit terms, must be set forth in the same ad. The Senate bill had no provisions whatever on this subject. We are pleased to report that the substance of the House bill was retained after one or two minor amendments.

TITLE II: EXTORTIONATE CREDIT TRANSACTIONS

Our bill sought to control, in some degree, the vicious billion dollar a year loansharking racket by making extortionate extensions of credit subject to a fine of not more than $10,000, imprisonment of not more than 20 years, or both. Extortionate credit is defined as an extension of credit where failure or delay in repayment could result in the use of violence or other criminal means against the debtor.

There was no similar Senate provision. The conferees accepted the House proposal. Although the bill will not eliminate completely this horrible practice, it will serve as a useful first step for stronger legislation in the future.

TITLE III: RESTRICTION ON GARNISHMENT

The Senate bill did not consider garnishment. Our bill provided the first Federal limitation on the amount of an employee's wages that could be subjected to garnishment. We did so because of the overwhelming number of cases where credit is extended on the strength of a States garnishment laws rather than on

the ability to pay. This has resulted in an alarming increase in the rate of personal bankruptcies, unwanted bookkeeping burdens on employers, and, in some cases, the discharge of employees. The House bill limited garnishment to 10 percent of an employee's earnings over $30 per week and prohibited discharge for the first garnishment. In addition, we exempted State laws which call for more limited garnishments.

The conferees agreed to a compromise exempting 25 percent of an employee's earnings with an amount equal to 30 times the Federal minimum wage—at present $48—as the minimum exemption. The House provision on discharges remains intact. The Secretary of Labor can exempt States which have exemptions substantially similar to the Federal law. We feel that this compromise was reasonable and affords the wage earner at least some relief from burdensome garnishments.

I want to point out that the Federal minimum wage rate referred to in section 303(a)(2) is always the top rate. That section contains a specific cross-reference to section 6(a)(1) of the Fair Labor Standards Act of 1938 because we did not want to pick up any of the exceptions to that rate. Also, it should be clearly understood that the garnishment exemption applies to any debtor, regardless of whether his earnings are subject to the Fair Labor Standards Act.

TITLE IV. NATIONAL COMMISSION ON CONSUMER FINANCE

The House provision for this national Commission was agreed to without change by the Senate. It may well be the greatest accomplishment in the bill. The Commission will undertake detailed studies and analyses of all phases of consumer credit practices. This will be the first time that such a study will have been made and the recommendations flowing therefrom may well result in a much-needed revamping of consumer credit practices in this country.

In conclusion, Mr. Speaker, I wish to again pay tribute to former Senator Douglas; the Honorable LEONOR K. SULLIVAN; the chairman of the Senate Banking and Currency Committee, Senator SPARKMAN; Senator WILLIAM E. PROXMIRE, who sponsored S. 5 in the Senate; and all of the conferees for presenting the Congress a consumer protection bill for which we can all be justifiably proud.

Mr. WIDNALL. Mr. Speaker, I yield myself 5 minutes.

The SPEAKER pro tempore. The gentleman from New Jersey is recognized for 5 minutes.

Mr. WIDNALL. Mr. Speaker, I think it is most unfortunate that we have been involved in the colloquies that have taken place. I had just felt coming into the House Chamber today that it was a real proud day for the House to have this conference report called up, as there is much credit for the success of the conference to be attributed to the unified position of all of the House conferees in support of the House-passed provisions.

Mr. Speaker, this a proud day for the House. Seldom in my memory can I recall the position of the House being so well maintained in conference with the Senate as was the case with the truth-in lending bill. Of the numerous and far-reaching provisions in dispute, the House position prevailed on virtually all. I think much of the credit for our success in conference can be attributed to the unified position of all of the House conferees in support of the House-passed provisions.

Mr. Speaker, I think it is unfortunate that most of the controversy and virtually all of the newspaper, television and radio discussions of truth-in-lending concentrated on the issue involving revolving credit and the manner in which finance charges would be disclosed—either periodic or annual. It is unfortunate because, while revolving credit is a rapidly growing form of consumer credit, it still only represents a very small percentage of the total consumer credit outstanding in the United States today. Moreover, we should be reminded of the fact that revolving credit is essentially a form of credit used by good credit risks, namely, middle and upper-middle-income families shopping at established and generally large retail stores. The vast majority of consumer credit is of the installment variety, and with regard to the finance charges of installment credit there never was any real controversy over the manner in which finance charges would be disclosed. Nevertheless, I was extremely pleased that the conference accepted my amendment which will insure that disclosures of finance charges on installment credit will be treated very similar to the manner in which charges on revolving credit is revealed.

I would like to make a few predictions on the impact that this legislation will have. First, the provisions governing credit advertising may prove to be the most important provisions of the truth-in-lending legislation. To a very large extent, fraudulent and misleading credit advertising will be prohibited with a resultant effect that those who advertise will more than likely concentrate on the product, the price of that product and the reputation and service of the store seeking to generate sales through such advertisements.

Second, the garnishment section of the bill, while very controversial, goes to the heart of one of the most vexing problems facing our Nation today. As revealed by recent Federal Trade Commission studies, there is little or no price competition among retailers within the low-income sections of our cities. Often, retail prices for consumer durables are two and three times those charged for the same product a few blocks away at established stores. The reason such prices can be charged is that the ghetto retailers offer so-called easy credit terms for high-risk customers. It is the feeling of many that much of this high-risk easy credit for exorbitantly priced goods will be more controlled with a Federal limitation on the amount that can be garnished from a debtor. Without that protection, these merchants will have to make a better effort to determine credit risk, and to the extent that this occurs, more business will flow to those stores who charge much lower prices for higher quality goods.

Title II, generally called the loan-sharking provision, for the first time makes the extortionate extension of credit a Federal crime. It cannot be said too often that Federal disclosure legislation has little or no effect on loan-shark operations, in that loan sharks never advertise, never send out bills or written contracts, and only maintain records that are available to the hierarchy of organized crime itself.

Senate hearings currently being held point out that loan shark interest rates of 100 to 1,000 percent annually can be charged and collected only because the threat of violence to person, property, or the reputation of the debtor is implicit in virtually all loan shark arrangements. While all income levels suffer from the multibillion-dollar loan shark racket, there can be no question that title II will provide immediate and beneficial relief to those low-income persons who often resort to the loan shark because they have either not established credit at a bank, store, or credit union, or they are reluctant to even make the first approach.

Mr. Speaker, I feel safe in predicting that the net effect of this bill will be to generate unimagined new business to established and reputable retailers and credit institutions. This eventually will take hundreds of millions—if not billions—of dollars worth of business annually from those who have charged exorbitant rates of interest and finance charges through the ignorance of the public or through deceptive and misleading advertisements, contracts, and billing statements.

At the same time, let us not for a moment feel that we have finished the task. The Federal Trade Commission report on ghetto merchants reveals that easy credit for high-risk customers is for the most part hidden in exorbitant prices and low quality merchandise. Nothing in this bill requires the disclosure of credit charges hidden in price—in short, what I have come to call the "price loophole mechanism." This bill represents only the first step toward providing credit at reasonable rates for all Americans. Hopefully, it will renew the interest of retailers, banks, savings and loans, and credit unions in attempting to find ways in which credit can be extended to those who have traditionally resorted to the highest cost credit and retail establishments, where outright fraud and deception and exorbitant prices are the rule rather than the exception. In this regard, I think the conference report failed in only one respect. The compromise on the so-called $10 exemption may force banks, and someday perhaps, savings and loan institutions, out of the accommodation loan business. The compromise on the $10 exemption provides little or no relief and I do fear that much of the several hundred million dollars of loans a year—small accommodation loan business—provided by banks will be diverted to small loan companies where credit charges are much higher.

It is my hope that the Commission established by this bill will study this situation very carefully and advise Congress accordingly.

Mr. Speaker, the 90th Congress has been called the Consumer Congress be-

cause we have taken such an interest in consumer oriented legislation. Clearly, the initiative for this legislation originated with the legislative branch and not the executive. I need not add to what others have said as to the role of my very dear friend, former Senator Paul Douglas. Moreover, on the House side it is only appropriate that a lady, Mrs. SULLIVAN, took the lead and provided the inspiration for many new provisions which upon their introduction were thought to have little chance of enactment. On the minority side the leadership provided by the distinguished minority leader, Mr. GERALD R. FORD, as well as Congressmen POFF, MCDADE, and CAHILL, provided for us floor victories on provisions affecting loan sharking and the home improvement scandals that few anticipated.

It is with a deep sense of personal satisfaction that I wholeheartedly support the adoption of this conference report. ...

Mr. PATMAN. Mr. Speaker, I yield 5 minutes to the distinguished gentlewoman from Missouri [Mrs. SULLIVAN].

Mrs. SULLIVAN. Mr. Speaker, before I say anything at all about the landmark legislation we are now about to pass in final form in the House of Representatives, I want to express my deep appreciation—my personal gratitude and the gratitude of all consumers in the United States—to the chairman and the ranking minority member of the House Committee on Banking and Currency, Congressman WRIGHT PATMAN, of Texas, and Congressman WILLIAM WIDNALL, of New Jersey, for the leadership and the great skill which they demonstrated in the conference between the House and Senate on the Consumer Credit Protection Act.

HOUSE CONFEREES STOOD TOGETHER

All of the House conferees, Representatives BARRETT, REUSS, ASHLEY, MOORHEAD, FINO, and DWYER, played a significant role in the hard battle which we had to wage over a period of 6 long weeks and many, many hours of discussion and debate with our Senate colleagues, to win acceptance of all of the basic principles contained in H.R. 11601 as it passed the House on February 1.

The conferees from the Senate side are all experienced legislators with great parliamentary skill and strong convictions. During most of the 6 weeks of our conferences, we were in a virtual state of stalemate on the major issues. There was always the danger that the conference would end in a deadlock with the possibility that no legislation at all would be passed or that the limited coverage of the Senate bill would be all we could agree on. It was in this situation that Chairman PATMAN's splendid leadership was invaluable in holding the House conferees together while at the same time constantly evidencing a willingness to negotiate every point in disagreement.

SENATOR PAUL H. DOUGLAS PIONEERED THE WAY

And, of course, when we talk about the credit for this historic legislation, all thoughts invariably turn to the role played by former Senator Paul H. Douglas of Illinois whose concept of "truth in lending" is now solidly incorporated into the Consumer Credit Protection Act as its title I and the name of that title is the Truth in Lending Act.

The Senators were indeed hard bargainers and they won important concessions from the House on the scope of many of the consumer protections in the bill. In return, they finally agreed to all of the major provisions of the House bill which had not been included in the Senate-passed bill. Thus, there is a solid foundation in the bill as it now stands for future improvements based on experience under the legislation and also based on the recommendations which we will eventually receive from the proposed National Commission on Consumer Finance created by title IV of the act. So we have made more than just a start on the problem of protecting the consumer in the use of credit, and encouraging the intelligent use of credit; we have made, I am happy to say, a very important and far-ranging beginning in this field.

The bill which passed the Senate last July 11 was milestone legislation in that it was the first time that either House had ever passed legislation guaranteeing to the consumer the right to a full itemized accounting in dollars-and-cents terms of the cost of credit in any consumer credit transaction other than a first mortgage. In addition, and again except for first mortgages, and also consumer credit transactions where the interest or finance charges amounted to less than $10, the Senate bill required that the lender or the seller give to the borrower or to the buyer an equivalent or nominal percentage rate of the finance charge on an annual basis. However, in the case of department store revolving credit, only the monthly percentage rate would have had to be revealed.

HOUSE SUBCOMMITTEE WAS READY TO ACT

As the principal sponsor on the House side of Senator Douglas' bill during the period when his legislation was being held up in the Senate Banking and Currency Committees, I had discussed with Senator Douglas the timing of House hearings on truth in lending. It was our combined judgment that unless and until he could get the bill out of his committee in the Senate, no legislative purpose would be served by conducting hearings in the House. But with his encouragement, my Subcommittee on Consumer Affairs began collecting information and data of all kinds on the misuse and abuse of credit and the consequences of such practices as they revealed themselves in the small claims courts, in garnishment actions, and in the alarming increase in personal bankruptcies. When S. 5 passed the Senate last July, therefore, we were ready to begin immediately to schedule hearings and to begin working on legislation on the House side.

But by that time I had become completely convinced that mere disclosure of the credit costs was not sufficient protection for the consumer in the use of credit, and the result was the introduction on July 20—9 days after Senate passage of S. 5—of H.R. 11601, the Consumer Credit Protection Act. Five members of the subcommittee joined me in cosponsoring this historic piece of legislation: Representatives GONZALEZ, MINISH, ANNUNZIO, BINGHAM, and HALPERN—a bipartisan group which demonstrated, I believe, real courage in lending their names to what many Members of Congress assumed was a hopeless cause.

HOUSE HEARINGS DOCUMENTED NEED FOR ALL PROVISIONS OF FINAL BILL

Our 2 weeks of hearings, mornings and afternoons, in early August brought out, I believe, overwhelming documentation for the inclusion in this legislation of every one of its provisions as the bill now stands. Nevertheless, as the Members know, we divided in the subcommittee 6 to 6 as between the Senate-passed bill, and the much more comprehensive H.R. 11601. Subsequently, H.R. 11601 was called before the full committee, and although approved there, it was amended 17 to 14 to include the revolving credit exemption voted by the Senate and by a vote of 18 to 12 to exempt from rate disclosure all consumer credit transactions where the finance charge was $10 or less, as also contained in the Senate bill.

On January 31 and February 1, when the bill was before the House, we succeeded in removing those exemptions and also in strengthening the bill in several very important respects, including the Cahill amendments on second mortgages, and the Poff amendment on organized criminal loan-sharking activities. And this was the package we took to conference and, with some modifications, this is the package which is now before the House for final passage.

But, as I said, we did have to make some important concessions reducing, somewhat, the consumer protections in the bill.

THE REVOLVING CREDIT PROVISIONS

On revolving credit, for instance, in order to retain the basic requirement of the House bill that the monthly charges for credit must be annualized on a nominal annual percentage rate basis—in other words a 1½ percent service charge must be translated also into terms of a nominal annual rate of 18 percent, which it is—we had to agree to exempt from the rate computation any minimum charge made by the stores up to 50 cents a month. Under the Senate bill a minimum charge was exempted from rate computation regardless of its amount. The stores had been seeking an exemption of up to $1 a month for revolving credit accounts. In some States they have imposed 70 cent minimum charges on all revolving credit accounts. So if your monthly unpaid balance is only $10 and the service charge is the 70-cent minimum instead of the 15-cent charge which would be the result of applying the 1½-percent rate, the store would actually be charging at the annual rate of 84 percent for its revolving credit. I am just using that as an illustration—an example. Seventy cents a month is the minimum generally charged in Pennsylvania, I believe, and was the minimum charged in Massachusetts also until the State lowered it to 50 cents.

A 50-cent minimum monthly charge represents a 1½-percent assessment on a $33 balance. So under the conference bill, if your unpaid balance is less than $33, and the store charges a 50-cent minimum service charge, you would actually be paying at a rate of more than 1½ per-

cent a month and more than 18 percent a year, but the store would not have to reveal the actual rate.

MINIMUM CHARGES NOT REQUIRED BY BILL

Now I want to make clear that there is nothing in this bill which forces a store to charge any minimum or any maximum rate for credit. We do not regulate rates. All the bill does with its 50-cent exemption is to make it possible for the stores to impose a minimum charge on smaller balances without having to reveal the actual rate of that monthly charge. I stress that because there is always the possibility that many stores which do not now have minimum charges will proceed to put them into effect and indicate or imply that there is something in the Federal law which requires them to charge the customer 50 cents a month minimum on revolving credit accounts.

On the other hand, if their service charge exceeds 50 cents a month—say it is $1—then the service charge would have to be translated into an annual rate; a $1 service charge on a $10 balance would annualize to a rate of 120 percent. And that rate would have to be revealed under this legislation. The rate would vary, of course, depending upon the amount of the service charge and the amount of the unpaid balance on which the charge is assessed.

One other provision of the compromise agreement on revolving credit should also be mentioned: We specify in the bill that the seller must give the monthly rate and the annual rate of its revolving credit charges unless they are 50 cents or less. So typically, a department store would notify the customer that it charged 1½ percent on the unpaid balance or at a nominal annual rate of 18 percent a year. But then the store would have an option to add to that information a third percentage figure—that is, the store's average annual yield on its revolving credit accounts.

FEDERAL RESERVE TO SET CRITERIA

The Board of Governors of the Federal Reserve System will be required to issue the criteria for determining that percentage rate on yield from revolving credit accounts, and I imagine that most of the stores which offer revolving credit will be able to develop a figure from their accounts which would be less than 18 percent actual interest on revolving credit. That is because many customers pay their bills each month without incurring a credit charge except in rare instances, while others pay off the account in a few months. When you consider the 30-day or longer grace period, or "free ride" most stores offer the customer on revolving credit accounts, it can be readily seen that the rate of return to the store on revolving credit would be generally less than 18 percent, although I can think of instances where it would be substantially more, particularly if minimum charges are widely utilized.

It was always the position of the House on this legislation that the stores offering revolving credit could explain to their customers the difference between the actual yield to the store on revolving credit accounts and the nominal annual rate it charges for revolving credit. So this third proviso is in no sense a reduction in consumer protection; in fact, by requiring the Federal Reserve to issue regulations specifying how the effective yield is to be determined from the store's accounting system, the consumer will have assurance that the yield rates which are claimed are reliable and accurate.

But we did give in, as I said, on this question of minimum charges, although we were able to hold that level to a moderate 50 cents a month.

THE $10 EXEMPTION ISSUE

The bill, as it now stands, exempts from rate disclosure—but not from dollars-and-cents disclosure—the charges made for loans or installment credit of $75 or more if the credit charge is $7.50 or less. On loans or installment purchases amounting to less than $75, a credit charge of $5 or less can be imposed without the necessity to translate that into an annual percentage rate. This is a compromise between the no-rate-exemption position of the House and the $10 exemption provision passed by the Senate and is somewhere midway between the two positions.

Incidentally I might say that the proposed National Commission on Consumer Finance has been given a high priority assignment by the conferees to investigate this whole subject of minimum charges on installment credit or on revolving credit and to make recommendations to the Congress for possible changes in these sections of the law. The conferees felt that there was no clear-cut and reliable information available to us at this time on the actual costs to credit vendors of these credit plans in relation to their value to the stores in promoting the sale of merchandise. The claim had been made that it costs a department store about 90 cents a month to finance the bookkeeping costs of a revolving credit account. Well, of course, it costs them the same amount to cover the cost of a 30-day charge account, on which there is no service charge, and so the House conferees felt, and the Senate conferees agreed, that this whole area of credit costs in relation to the use of credit as a sales tool should be studied for our future guidance.

ADVERTISING OF CREDIT; CREDIT LIFE INSURANCE

The Senate bill did not apply to the advertisement of credit. The House bill required that when certain specific credit terms were specified in an advertisement, all of the relevant information on credit terms would have to be given in the same advertisement. The conference bill incorporates the House position.

The House bill considered mandatory credit life insurance as a part of the finance charge on which the percentage rate must be revealed. The Senate bill exempted credit life insurance from this requirement. In the final bill, credit life insurance is included in the finance charge if the consumer does not have a free opportunity to decide whether he wants the coverage, or if the insurance is a factor in the extension of credit. So the House position prevails. It prevails also in the treatment of other forms of insurance in connection with consumer credit transactions, such as liability or casualty insurance, but with language changes to make the intent of this provision more specific than the House bill did. It is the tie-in deal on casualty insurance, where you have to take the policy from a particular seller, that we were most concerned about covering in the finance charge.

ADMINISTRATIVE ENFORCEMENT

On administrative enforcement of the disclosure requirements, the House provision prevails. The Senate had passed what was, in effect, a self-enforcement measure under which the aggrieved consumer would have had to file his own law suit in order to recover damages for not having been given the facts he was entitled to have. Our bill assigns enforcement responsibilities to existing governmental agencies, with the Federal Reserve having overall responsibility for issuing all regulations on the disclosure requirements. The conference bill contains the same criminal penalties as were in both the House and Senate bills.

UTILITY BILLS

Both bills were silent on the question of charges for late payment of utility bills. But if these extra charges are a penalty add-on to the utility tariffs, they would have had to be stated on an annual percentage rate basis under the House bill; however, if the utility offers a discount for prompt payment, it would have been exempt from this requirement. The conference substitute expressly exempts any utility late-payment charges regulated under State utility laws, but the conferees were agreed that this exemption applied only to extra charges on utility services and not to finance charges for appliances or things of that kind bought on the utility bill.

DOLLARS PER HUNDRED ON THE UNPAID BALANCE

On a very technical point, on which the bankers had made quite a point in letters to Members of the House, the House conferees gave in to the Senate position with a modification. This was on the use of the euphemism "dollars per hundred per year on the unpaid balance" instead of the annual percentage rate we require to be stated on loans or installment sales under the bill. The two figures come out exactly the same—an 11-percent annual rate on an automobile financing transaction would translate into $11 per $100 on the unpaid balance. The bankers had called for this mild deception in terminology out of fear that some court in some State might hold that the annual percentage rate revealed under this act was actually an annual interest rate, and that it exceeded the State's usury ceiling. We had always made clear that the percentage rate of the finance charge revealed under the bill was not to be considered an interest rate—it usually includes other fees and charges in addition to interest, and should not be held to be a violation of a State usury ceiling.

The Senate had permitted the use of the dollars-per-hundred term until January 1, 1972, in order to give the States time to change their usury laws, if that appeared necessary to avoid conflict between Federal and State statutes on this point. We agreed to this with an amendment cutting the deadline back to January 1, 1971. This will perhaps make for some confusion on the part of consumers in trying to understand these percentage

rates and equivalent terms, so we will all have to start educating the public that "dollars per hundred" as used under this law is supposed to mean the same as the annual percentage rate.

On the effective date of title I on disclosure, we yielded to the Senate. I had said on the House floor on January 31 that I would be glad to yield on that in conference if the Senate yielded on the things we wanted.

FIRST MORTGAGES

The conference substitute applies to first mortgages—which were exempted entirely from the Senate bill—nearly all of the disclosure requirements applying to other forms of consumer credit. The main exception is the total amount of the dollar cost of the finance charge over the life of the mortgage. This exemption or exception applies, however, only to purchase-money first mortgages, not to refinancing. There is also an exemption in the conference substitute for purchase-money first mortgages from the 3-day cancellation privilege accorded to debtors on all other mortgages on residential real estate. Furthermore, the House, as passed on February 1, had exempted residential real estate from some of the specific terms of the advertising disclosure requirements of the bill, and that exemption also remains.

On the whole, the first mortgage coverage in the conference substitute should protect consumers without causing further problems for the depressed home building and real estate industries, which had feared that if the prospective purchaser had to be told the full cost of the interest and credit charges over the life of the long-term mortgage, he would be shocked at the total and run away from the deal. I don't think that would happen. I think a family buying a home, particularly for the first time, should be given this information on total interest cost so as to be able to decide more intelligently on how long to have the mortgage run, and what monthly payments to make in order to reduce the total of interest payments. Nevertheless, as long as we did not exempt all first mortgages without regard to the nature of the mortgage, as the Senate bill had done, I was willing to agree to this modification in our position on purchase-money first mortgages.

In return, the Senate conferees let us apply all the disclosure requirements without exception to all other mortgages, including the so-called racket second mortgages which sometimes end up as first mortgages on the homes of elderly couples or widows.

GARNISHMENT

By far, the biggest controversy in the whole bill—even larger than the controversy over revolving credit—involved the subject of garnishment. In H.R. 11601 as originally introduced, we proposed the complete abolishment of this modern-day form of debtors' prison. I think all of the original sponsors of H.R. 11601 agreed with me then, and still do, that this cruel device should be outlawed, as has been done in Pennsylvania and Texas, and virtually so in Florida, North Carolina, and some other States.

But we were willing to listen to the weight of the testimony that restriction of this practice would solve many of the worst abuses, while abolishment might go too far in protecting the career deadbeat. So, based on a modification of the generally successful New York State law, the gentleman from New York [Mr. HALPERN], a sponsor of the bill, drafted a good substitute proposal which we approved in the full committee and which won the approval also of the House.

It provided that the first $30 of any worker's weekly paycheck would be exempt from garnishment, and 90 percent of the remainder. The Senate conferees would not accept it. Finally, they agreed to a substantial modification of the proposal, which would exempt only 75 percent of a worker's pay, after required deductions for taxes or any other deductions required by law, with a guaranteed floor on garnishment of 30 times the hourly minimum wage—$48 a week at the present minimum wage level of $1.60 per hour. So a man making less than $64 after taxes would have less than 25 percent of his pay garnishable—while those making over that amount would have no more than 25 percent taken in garnishment to satisfy debts. As was true in the bill which passed the House, garnishments for taxes and support orders would not be affected. Also as the House bill required, no worker could be fired by reason of having his pay garnished for a single indebtedness. This last provision should go far to cut down on the alarmingly high rate of personal bankruptcies filed by workers who fear automatic dismissal from employment if their pay is garnished even once.

Unfortunately, we had to agree to delay the effectiveness of the garnishment title for more than 2 years—to July 1, 1970. This delay is intended to give the States time to modernize their generally obsolete and extremely harsh garnishment laws, since there is provision permitting the Secretary of Labor, who administers this title, to exempt from the Federal statute any State whose law on the subject is substantially similar to the Federal law.

FEDERAL AND STATE PROVISIONS

For the lowest income workers, most State garnishment laws are now less protective than the provisions of the conference bill prohibiting garnishment of any part of a worker's aftertax, take-home pay of $48 a week or less. On the other hand, many of the States have laws which exempt more than 75 percent of pay, and it is our specific intent that where the State law is more protective in a particular situation, the worker should receive the benefit of the better of the two laws, Federal or State, in that instance.

Title III of the bill may very well turn out to be the most important of all of the provisions of this legislation, not only for what it does to help consumers directly, but also in the reforms it stimulates in State garnishment laws and in credit-granting practices. Garnishment generally—not always, but generally—is the principal factor behind predatory extensions of credit by gyp outfits. As long as they know they can squeeze unconscionable interest and credit fees out of a worker by garnisheeing his pay, these outfits have no hesitation to overextend credit to poor and uneducated people who have no idea what financial quicksand they are getting into.

THE SECOND MORTGAGE RACKETS

In that connection, another provision of the bill is also vitally important. That is the Cahill amendment, or rather a series of amendments in the House, to strike at home improvement racketeers who trick homeowners, particularly the poor, into signing contracts at exorbitant rates, which turn out to be liens on the family residences. Any credit transaction which involves a security interest in property must be clearly explained to the consumer as involving a mortgage or lien; any such transaction involving the consumer's residence—other than in a purchase-money first mortgage for the acquisition of the home—carries a 3-day cancellation right. As passed originally by the House, this provision required a 3-day waiting period before the contract could be signed. But the Senate objected to that and proposed instead the 3-day period of cancellation, with stated safeguards for both seller or lender, on one hand, or the buyer or borrower, on the other.

I do want to emphasize that the rights given to the buyer or borrower under the conference substitute have real teeth. When the debtor gives notice of intention to rescind, that voids the mortgage absolutely and unconditionally, regardless of whether either the debtor or the creditor does any of the things that section 125 requires be done subsequent to the giving of notice of intention to rescind. This would be true even where the original creditor had meanwhile negotiated the paper to some third party.

In this connection, I might point out that a lender who disburses funds, or a contractor who performs under his contract, would ordinarily be taking a risk if he did so before the contract and all the required information had been in the hands of the debtor for three full business days. That is why section 125(d) was included. Section 125(d) permits the board by regulation to deal with an emergency situation where the debtor really needs to have the money or performance right away.

EXTORTIONATE EXTENSIONS OF CREDIT

The loansharking provision in the final bill is completely different from the Poff amendment passed by the House and, we believe, is far more workable. It was drafted with great care and unanimously agreed to by the House conferees before we submitted it to the Senate conferees, and was unanimously agreed to by the Senate conferees.

WHOLE BILL WAS REDRAFTED

In fact, Mr. Speaker, the entire bill was redrafted from beginning to end by the House conferees before we went into conference. The wording of the conference substitute, except for modifications demanded by the Senate, represents largely a rephrasing and reorganization of the House-passed H.R. 11601 in structure and in language, but not in substance. While it is always possible that the courts someday might find inconsistencies or other faults in this legislation, I

can assure the Members that more care was taken with the final drafting of this bill than of any legislation with which I have been associated in 16 years.

Much of the credit for that belongs to Mr. Grasty Crews II of the Office of the House Legislative Counsel, aided by staff members of both the House and Senate Banking and Currency Committees and of the Office of Senate Legislative Counsel.

The original concept and most of the provisions of the Consumer Credit Protection Act as far more than a disclosure statute grew out of the work of Charles B. Holstein, professional staff member of House committee assigned to the Subcommittee on Consumer Affairs, who has worked continuously on this issue for 5 years, and Mr. Norman Holmes, counsel of the House Banking Committee until the bill was reported last December, and now on the staff of Vice President HUMPHREY. They organized the hearings, lined up the witnesses, and helped us get a good bill out of committee. The clerk and staff director, Dr. Paul Nelson, and staff attorneys Benet D. Gellman and James F. Doherty, and minority staff members Orman Fink and Richard Cook devoted endless hours to this legislation along with Mr. Holstein as it went through the House and then through conference.

These are the people whose work is so essential to any legislative achievement, but whose names seldom appear in the record. There were uncounted others from government and from the private sector—from consumer groups, labor unions, women's organizations, newspapers, magazines, radio and TV stations and networks, and also from private business who played enormously important roles in the development of this bill, from way back in the days when Senator Douglas first proposed truth in lending, and I hope I am able to find ways to pay full credit to all of them.

The Republicans in the House are understandably proud of their association with the extortionate credit title of the bill, title II. There is more than enough credit to go around. This has been a bipartisan bill from the beginning, through Mr. HALPERN'S work on it and sponsorship of it, and I appreciate the help the minority gave on many of the substantive issues.

I am sure no one will think me overly partisan if I say that without the solid support of all of the senior Democrats of the House committee, and of other Democrats in the committee and in the House, too, this bill would never have been more than a thin shadow of what it is now.

So we can all claim our respective parts of it with pride. The important thing is that when the chips were down in conference, and it was a high-stakes confrontation, the House conferees, Democratic and Republican both, all stood together. I am proud of them.

Mr. WIDNALL. Mr. Speaker, I yield 5 minutes to the gentleman from New Jersey [Mr. CAHILL].

Mr. CAHILL. First of all, I thank the gentleman for yielding.

Second, I would comment that it is regrettable in my judgment that an honest mistake was not permitted to be corrected, by the action of the gentleman from Missouri [Mr HUNGATE].

I hope the legislative history that is established in this dialog will, however, even though inadequate, be a substitute for the discussion we should have had.

I would like to say that in my judgment the conferees in relation to this bill, like they do in a great many other bills, have really become the third branch of the legislature. We now have the House of Representatives, the Senate and the conferees. Mr. Speaker one provision at least in this conference report is completely different than that which was contained in the House bill; this provision was not in the Senate bill at all.

One of the amendments I presented and which was adopted unanimously by the House, required that a lender not only disclose to a borrower that a mortgage was being placed against his property but wherever a mortgage was used as collateral security for a loan, the borrower had to be notified 3 days before the settlement took place of the charges to be made by the lender. The obvious reason for that provision was to give the borrower an opportunity to refuse to go through with the transaction—not to get involved in purchasing something where he knew he just could not afford to pay the exorbitant rates that would be asked.

Mr. PATMAN. Mr. Speaker, will the gentleman yield?

Mr. CAHILL. I yield to the gentleman.

Mr. PATMAN. I am very much in sympathy with what the gentleman says; the House was for the gentleman's viewpoint—and we held the line. But in conference, as you know, somebody has to take as well as to give. It is a matter of compromise—it is always a matter of compromise. That is the way laws are made. It is just impossible for us to hold out for everything—we held 99 percent of the House bill, I believe. But as to that particular part, I was very much in sympathy with the gentleman and the other House conferees were. We did our very best, but we just could not keep everything. Of course, we wanted to bring and did bring a good bill back.

Mr. CAHILL. I will say this to the chairman, it is my understanding and I do not know whether it is correct or not, but it is my understanding that in conference this particular provision was adopted while a quorum call was in process in the House and while the Republican members were absent from the conference.

Mr. PATMAN. That is not correct. We had several long days of these conferences. This conference was about the hardest I ever was in in my life. I believe the other conferees will tell you the same thing. We tried our best but we could not get everything.

Mr. CAHILL. I will just say that I do not understand how it can be argued—and I will say I understand there has to be a compromise and I understand and I will accept the chairman's version that all of the House conferees were for the retention of the provision as it was originally drafted—but I will say I do not understand how it can be argued now that this is an adequate substitute because what we are really doing is—if a person borrows money and signs a mortgage—he has 3 days to rescind it. Obviously, the reason why he went through with the transaction and the reason why he borrowed the money was to make payment for something that he had purchased. It seems to me to say that 3 days after the fact is just as good as 3 days before the fact is just not good sense.

Now I would also like to ask the gentlewoman from Missouri some questions to establish some legislative history.

Does section 125(c) make written acknowledgment of receipt of information required under the Truth in Lending Act only presumptive evidence of delivery thereof, in any transaction involving a security interest, other than a purchase money first mortgage, in the debtor's residence?

Mrs. SULLIVAN. Yes, that is the intent.

Mr. CAHILL. So it is not conclusive; it is presumptive, is that correct?

Mrs. SULLIVAN. That is correct.

Mr. CAHILL. Would this apply regardless of whether the question arose in a suit for damages under section 130, an action to enforce the section 125 right of rescission, or otherwise?

Mrs. SULLIVAN. Yes. Section 125(c) is intended to establish a statutory rule of evidence that would apply in any action or proceeding whatever.

Mr. CAHILL. My last question is this: Is there any provision in section 125 or section 131 or any other provision in this legislation which makes written acknowledgement of receipt of information and disclosures conclusive proof of delivery thereof or compliance with the disclosure requirements in any action brought against an original lender?

Mrs. SULLIVAN. The answer is, "No."

Mr. CAHILL. So that it would not matter whether it was in respect to a mortgage or a nonmortgage transaction? The receipt is presumptive evidence. It is rebuttable and it is not conclusive.

Mrs. SULLIVAN. That is the intent.

Mr. CAHILL. I thank the gentlewoman.

Mr. WIDNALL. Mr. Speaker, I would just like to say for the RECORD that at the time of the conference, when the amendment of the gentleman from New Jersey was being considered, some of us were outside the conference room at the time. I would like to emphasize, however, that in our absence the gentlewoman from Missouri [Mrs. SULLIVAN] fought very hard for the section that you are keenly interested in, and it was not because of any fault, really, on the part of the House conferees that that provision was not included.

Mr. CAHILL. I thank the gentleman. I understand that that is the fact. I would personally like to pay my personal respects and tribute to the gentlewoman from Missouri for her leadership. I know from talking with her that she, too, favored the position as I had submitted it and as it was accepted by the House.

Mrs. SULLIVAN. Mr. Speaker, will the gentleman yield?

Mr. CAHILL. I am happy to yield to the gentlewoman from Missouri.

Mrs. SULLIVAN. I thoroughly agreed, from the very beginning when you offered

your amendment in the House, that that provision was needed and was highly desirable. We were familiar with the events which occurred in New Jersey and elsewhere which made this provision so important. In conference, we tried our best to keep it unchanged and when we were unable to do that we insisted it be as strong as we could make it. The Senate even asked to require the buyer to notify the seller by registered letter before he could get it out of such a contract. We refused. We threw that out. I think we have succeeded in keeping a strong, workable provision in here.

Mr. CAHILL. My only question is why the Senate conferees did not recognize the need and the merit of this particular amendment as it was written.

Mrs. SULLIVAN. May I say to the gentleman that if he had sat with us in those tough conferences as the nine of us did and saw the 6-week-long opposition of the Senate conferees to almost everything in the House bill, I think you would refrain from asking that question, because we had to fight every inch of the way to save what we did. Why did the Senate conferees insist on changes and modifications in other excellent provisions of the House bill?

Mr. CAHILL. I thank the gentlewoman.

Mr. WIDNALL. Mr. Speaker, I yield 5 minutes to the gentleman from Virginia [Mr. POFF].

Mr. Speaker, will the gentleman yield to me?

Mr. POFF. I am happy to yield to the distinguished gentleman from New Jersey.

Mr. WIDNALL. I just take this time to pay a well-deserved compliment to the gentlewoman from Missouri, who did such a tremendous job in connection with this entire, overall program, and worked so hard with the other conferees on the part of the House in order to get through the bill which we did, which is certainly a much stronger bill than the one which passed the Senate.

Mr. POFF. Mr. Speaker, first, by way of preface, let me join in the tribute just paid to the distinguished gentlewoman from Missouri and say more definitively that I agree with her that the modification made by the conference committee of the amendment which I offered is an improvement upon the amendment I offered. It strengthens it admirably, and in that spirit I endorse it.

Mr. Speaker, my purpose here is to write a little legislative history, if it is possible to do so.

Mr. MARSH. Mr. Speaker, will the gentleman yield?

Mr. POFF. I yield to the gentleman from Virginia [Mr. MARSH].

Mr. MARSH. Mr. Speaker, in our consideration of the truth-in-lending bill, I think it is most significant to note that there is included in the conference report the amendment which the House adopted and is popularly referred to as the loan-shark amendment.

It is my feeling that this is a significant part of this legislation which will have remedial effects of a long-range nature that will do much to protect the borrowing public.

Special tribute is due Representative RICHARD POFF, the Congressman from the Sixth Congressional District of Virginia for his continued efforts on behalf of this proposal and for his leadership in adding it as an amendment to the original truth-in-lending bill when it was considered in the House. I think the citizens of our Commonwealth join with me in this legislative tribute to our colleague, architect of this amendment, for his careful draftsmanship and parliamentary efforts which contributed to the passing of this landmark provision.

Mr. POFF. Mr. Speaker, my colleague is most generous indeed, and although his tribute may not be altogether deserved, I assure the gentleman it is altogether appreciated.

Mr. Speaker, the truth-in-lending bill contains no provision which is more important or protects the consumer better than the loan-shark amendment.

The amendment adopted by the House has been modified by the conference committee. I regard the modification as an improvement.

Heretofore, the only statutory foundation for Federal involvement in loan-shark control has been the antiracketeering statutes. These statutes have been so narrowly drawn as to make investigation and prosecution extremely difficult if not altogether impossible. The new statute created in this bill represents a major breakthrough in the war against organized crime. It attacks not only the loan shark himself, who typically is a minor member of the Cosa Nostra family structure, it strikes also at the Cosa Nostra superstructure. The boss and the underboss are not loan sharks. They are financiers. They make available to the loan shark the funds necessary to finance the illegal operation.

In its definition of the new Federal crime, the amendment includes not only the making and collecting of extortionate extensions of credit, but the financing thereof.

In yet another way the new statute strikes at the higher echelons of the criminal syndicate. Frequently, the best prosecution witness is a minor member of the Cosa Nostra family who himself is involved, either as a principal, an accomplice or a conspirator, in the very crime for which the boss is indicted or in some related crime. When called to testify, in allegiance to the strict code of the Cosa Nostra, he pleads the fifth amendment against self-incrimination, not so much because he fears he will incriminate himself but because his Cosa Nostra oath compels him to protect the family boss. Under the witness immunity clause of the loan-shark amendment, the court can take appropriate safeguards, require the witness to testify or surrender documentary evidence under a guarantee that nothing he confesses in his testimony can later be used in a prosecution against him. If not withstanding that guarantee, he refuses to testify, he may be prosecuted for contempt of court. If he agrees to testify but testifies falsely, he can be prosecuted for perjury.

This witness immunity clause will do much to unravel the blanket of immunity with which the Nation's top racketeers cloak themselves today.

While the annals of crime are replete with the story of the vicious venality of the loan shark and the human misery he causes, several cases disclosed by the recent hearings of the Senate Select Committee on Small Business serve to illustrate the enormity of the crime which present Federal statutes fail properly to reach. A witness testifying under a hood reported that loan sharks had required him to pay $14,000 in interest on a $1,900 loan. Only last week in the State of New York, the grand jury returned seven counts of criminal usury against one Bonfondeo. These included a case in which the victim paid $100,000 in interest on a $30,000 loan; another case in which the victim paid 104 percent interest on a $5,000 loan; another case in which the victim paid 260 percent in interest on a $3,000 loan; another case in which $5,000 in interest was paid on a $5,000 loan without curtailing any of the principal. The head of the Organized Crime and Racketeering Section of the Department of Justice, Mr. Henry Peterson, told the Senate committee that the Justice Department has identified at least 120 members of the Cosa Nostra who are involved in loan-shark racketeering in the metropolitan area of New York City alone.

It is important to know what the loan-shark amendment does. It is no less important to know what it does not do. It does not preempt the State laws. It does not jeopardize any legitimate, licensed, regulated lending institution. It does not constitute a Federal criminal usury statute. On this last point, there seems to be some public confusion. Undoubtedly, this arises from mention in the amendment of a 45-percent interest rate. Let me explain the function of the interest rate factor.

The statute punishes extortionate extensions of credit. An extortionate extension of credit is defined as a loan which involves the use or threat of use of violence or other criminal means to harm the person, property or reputation of any person. Parenthetically, the phrase "any person" is intended to include members of the borrower's family who are the natural subjects of intimidation by the loan shark.

When direct evidence of violence or other criminal means is readily available, such evidence is all that is required to prove the crime. When it is not available, extortion will be presumed if the prosecution is able to prove all of the four following factors:

First, that the loan was in excess of $100;

Second, that the interest rate was in excess of 45 percent per annum;

Third, that the loan violates State law to the extent that the lender is unable to obtain a complete collection judgment under State laws against the borrower; and

Fourth, that the lender has reputation for extortion in the community of which the borrower is a member.

Thus, it will be seen that the loan-shark amendment does not fix a Federal criminal usury interest figure. The 45 percent figure is only one of four factors which, if all are proved, create a prima facie case of extortion. The interest rate

may be less than 45 percent and the loan may still constitute an extortionate extension of credit if it can be proved that violence or other criminal means were used in making, collecting or financing of the loan.

I believe it is important to explain something of the constitutional foundation for this amendment. It is twofold. It consists in one part of the interstate commerce clause and in the other part of the bankruptcy clause. The purpose of the bankruptcy clause is primarily humanitarian; namely, to give an insolvent debtor a fresh start by dividing his assets, remaining after essential family exemptions, among his creditors and discharging his liabilities to them. If a particular loan involves extortion and violates other criminal laws, it is not susceptible of being discharged. Indeed, its very existence probably will never come to light in the bankruptcy proceedings because the victim is in fear of his very life or the bodily safety of himself and his family. It is anomalous that all of the lawful obligations of the debtor can be discharged at the expense of honest creditors while an unlawful obligation survives the bankruptcy proceedings and remains alive for the benefit of the dishonest creditor. In summary, the loan-shark operation frustrates and defeats the function and purpose of the bankruptcy law with respect to which the Constitution gives the Congress exclusive jurisdiction.

Mr. Speaker, I want to pause to pay tribute to a number of my distinguished colleagues, including specifically the gentleman from Pennsylvania [Mr. McDADE], who have made notable contributions to the perfecting of the final version of the loan-shark amendment. All those on both sides of the political aisle in both Houses of Congress who participated and all those on the staff of the committee and in the Department of Justice who cooperated can take genuine pride in the product that has been fashioned.

Mr. WIDNALL. Mr. Speaker, I yield the remainder of my time to the gentleman from Pennsylvania [Mr. McDADE].

Mr. McDADE. Mr. Speaker, it is a singular pleasure for me to support the conference report on the truth-in-lending bill and in particular to support that section which concerns itself with the vicious racket of loan sharking.

Some 2 years ago a group of my colleagues here in the House joined me in a profound study of organized crime, its ramifications and its implications. I wish to pay tribute to those colleagues today. They are Congressmen CHARLES McC. MATHIAS, JR., CHARLES A. MOSHER, HOWARD W. ROBISON, ROBERT TAFT, JR., MARK ANDREWS, ALPHONZO BELL, WILLIAM T. CAHILL, JOHN R. DELLENBACK, MARVIN L. ESCH, PAUL FINDLEY, PETER H. B. FRELINGHUYSEN, JAMES HARVEY, FRANK HORTON, F. BRADFORD MORSE, OGDEN R. REID, HERMAN T. SCHNEEBELI, RICHARD S. SCHWEIKER, FRED SCHWENGEL, GARNER E. SHRIVER, ROBERT T. STAFFORD, J. WILLIAM STANTON, and CHARLES W. WHALEN, JR.

Out of this study came a significant paper entitled "Study of Organized Crime and the Urban Poor." It may be found in the CONGRESSIONAL RECORD of August 29, 1967.

Loan sharking was selected in that paper for special emphasis as one of the most vicious rackets of organized crime. I pointed out then that the victim of loan sharking is the poor person desperately in need of money, without credit at a local bank, who borrows from the loan shark at exhorbitant interest rates, sometimes as high as 20 percent per week. I pointed out that the small, marginal, local businessman in the concentrated area of the urban poor is another major victim of organized crime. I pointed out, finally, the ironic contrast whereby the Small Business Administration would lend $50 million in fiscal 1967 under the antipoverty program of the Economic Opportunity Act of 1964, while loan sharks would extract $350 million from the pockets of the poor during that same period.

Out of this study came an anti-loan-sharking bill which I wrote and which I put before the Congress when the truth-in-lending bill came to the floor. I am delighted that my bill with modifications by the gentleman from Virginia and by other members on the conference committee has been accepted as the final version of this section of this bill. I am particularly delighted to see that the section of my bill granting immunity for the purpose of securing vital testimony before a grand jury has been accepted by the conference committee practically verbatim. This immunity statute I think to be vitally important, and I am delighted that I am joined in this feeling by the members of the President's Task Force on Crime who recommended such an immunity statute.

I look forward to the final passage of this bill by the Senate and to its being signed into law by the President. More than that, I look forward to a new and significant effort against organized crime by our Department of Justice.

Today slightly over one one-hundreth of 1 percent of the Federal budget is devoted to combating organized crime. In the Department of Justice 2½ percent of its budget is spent in the fight on organized crime. Clearly, this is not enough.

With the passage of this bill I look forward to a new and broader and more thorough effort against organized crime by the Department of Justice. We have indeed turned a milestone today and I am proud to have played a part in what we are doing here in the Congress.

A final word for purposes of legislative history.

I want to make it clear that the term "other criminal means" as used in this statute is intended by its authors to have a liberal construction in order that we can take care of the situations which involve forcing other people to do criminal activity under threat of collection of debt. The use of force, express or implied, is not the sole test of an extortionate extension of credit. This is an important part of the statute.

Mr. Speaker, I urge the adoption of this conference report.

The SPEAKER pro tempore. The time of the gentleman from Pennsylvania has expired.

Mr. PATMAN. Mr. Speaker, I yield 2 minutes to the gentleman from New York [Mr. HALPERN].

Mr. HALPERN. Mr. Speaker, I want to heartily congratulate the gentlewoman from Missouri for her outstanding work in developing this legislation and for her leadership in bridging the gaps between the Senate and House bills.

As a long-time advocate of truth-in-lending legislation and as a House sponsor of the original Douglas bill, I am particularly pleased with the bill as it now comes before us.

And, as a minority member of the Consumer Affairs Subcommittee I want to say how privileged I was to work with the able chairlady and to join her in the sponsorship of H.R. 11601.

Mr. Speaker, I am pleased that the garnishment provision was retained although modified in form from the House version. I am pleased with the results of the conference agreement. I heartily congratulate the conferees and particularly I wish to compliment the chairwoman of the subcommittee for her outstanding leadership in the achievement of this legislation.

Truth in lending has faced a long and arduous struggle. This bill, as it emerged from conference, is not as strong or as tight as I and many of my colleagues would have liked. After all, this is legislation aimed at guarding the innocent consumer from a great many abuses, and giving him the information he needs to make intelligent choices about credit. I think he deserves all the help he can get.

Nevertheless, considering the fact that it took all these years to push a truth-in-lending bill through both Houses, I consider this bill to be a remarkable achievement and a real legislative milestone, of which Congress can be justly proud.

I was deeply gratified that our conferees were able to retain the substance of all the major provisions of the House version. For this they are entitled to our profound thanks. The conference bill not only requires credit cost disclosure in terms of annual rates for individual transactions, but—as well—it upholds the House position by including provisions dealing with credit advertising, loansharking, administrative regulation by the Federal Trade Commission and other agencies, and—as I have said—on garnishment.

Fortunately, revolving credit and small transactions are still included in the bill, although there are certain exemptions which the Senate insisted on that I think were unwise.

Most important is the exemption from rate disclosure on transaction in which the credit charge is less than $5 if the amount loaned is less than $75, and on credit charges up to $7.50 if the loaned amount exceeds $75. This is a bit better than the $10 exemption proposed by the Senate, but I say now, as I did when this proposal was broached in the House, that this exemption takes a bite out of this bill right where some solid muscle is most needed.

If a person is going to be charged $4.95 in interest on a $35 radio, I fail to see why he should not be told in plain language how much interest he is paying.

There is also an exemption of up to a 50-cent fixed monthly charge on open accounts which I am not terribly happy with, and which may set off a rash of stores imposing fixed charges on credit accounts to get around disclosing part of their interest rates.

Notwithstanding these criticisms, I am still mindful of the fact that this bill is a momentous step forward toward protecting the American consumer from confusing and sometimes deliberately complex credit practices. When viewed in perspective all the benefits that this legislation would bring, I am willing to live with these shortcomings, at least for the present.

I had feared that the garnishment provision in the bill might be weakened, but my fears fortunately were unfounded. The agreement reached by the conferees actually strengthens my amendment. As passed by the House, the bill provided that garnishment could not exceed 10 percent of gross earnings over $30 a week. The bill approved in conference does not permit garnishment of more than 25 percent of disposable income, or of more than the amount by which weekly disposable income exceeds 30 times the Federal minimum hourly wage, whichever is less. In other words, the effect is to restrict garnishment to make sure that after a worker pays all deductions required by law, tax, and social security, a garnishment cannot leave him less than $48 to live on.

The original truth-in-lending bill prohibited garnishment entirely, but it seemed to me that this unnecessarily curtailed the proper rights of creditors. This provision protects both.

This section also retains my proposal to prevent an employer from discharging a worker for the first garnishment of his wages, thereby ending a vicious cycle whereby a man not only loses his salary to pay his debts, but loses his job as well, and thereafter can't get himself out of debt to end the garnishment.

In conclusion, I want to say that this bill is something many of us have awaited for a long time and I trust the conference report will have the overwhelming approval of this House.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. HALPERN. I am delighted to yield to the minority leader.

Mr. GERALD R. FORD. Mr. Speaker, recently the American consumer has enjoyed many fine hours here in the Congress and more particularly here in the House of Representatives. I feel confident, however, that today marks the consumer's finest hour.

I am proud of the role that the minority played throughout the committee hearings, the floor debate and the long, arduous House-Senate conference sessions. But it is not my purpose today to extol the virtues of the minority's contributions to the truth-in-lending bill, for throughout the years of debate on this legislation, partisan divisions have rarely, if ever, occurred.

Although much of the controversy and most of the headlines have centered around the conflict of periodic versus annual disclosure on open-end credit, in my opinion, the contributions of House Members of both parties in adding many entirely new features to the Senate-passed bill far outweigh the importance of the final compromise on revolving credit. The House added and was able to retain in conference strong, effective and equitable language on administrative enforcement, credit advertising, loan-sharking, first mortgages, garnishment, as well as provisions dealing with abuses primarily related to extensions of credit for home improvements.

During the House floor debate on the truth-in-lending bill, the nonrecord votes on revolving credit and the so-called $10 exemption were overwhelming in support of the position taken by a majority of the Committee on Banking and Currency. I have been advised that the House conferees were united throughout the conference sessions with the Senate on these two points, and I was delighted that the House conferees were equally united in support of retaining several amendments offered by Republicans when the bill was debated here on the floor of the House.

Mr. Speaker, I became personally involved with the Republican loan-shark amendment and I want to commend the chairman of the House Committee on Banking and Currency, Mr. PATMAN, the Congresswoman from Missouri, Mrs. SULLIVAN, and the ranking minority member, Mr. WIDNALL, for their success in coming back to the House with a very effective title dealing with extortionate extensions of credit. In this connection, the contributions of the House Republican Task Force on Crime, as well as Congressmen POFF and MCDADE, cannot be exaggerated.

Recent testimony has indicated that loan-sharking is the second most important source of revenue to organized crime. Annual revenue to organized crime has been estimated to be at least $20 billion. By amending title 18 of the United States Code so as to define and make a Federal offense the extortionate extension and financing of credit, finally we are recognizing both the seriousness and the vast extent of this criminal activity. Moreover, the language providing immunity to witnesses will send tremors through the high councils of organized crime when their highly paid legal counsels advise them of the direction taken by Congress.

Mr. Speaker, I consider the conference report on the Consumer Credit Protection Act one of the most important achievements of the 90th Congress. The vast protection it affords all citizens—especially low-income families and individuals—should provide ample evidence that the Congress has and will continue to act on its own initiative in matters involving human equity.

Mr. PATMAN. Mr. Speaker, may I inquire if the minority are finished with their time?

The SPEAKER pro tempore. All time has expired on the minority side. The gentleman from Texas has 6 minutes remaining.

Mr. PATMAN. Briefly, Mr. Speaker, I believe that the House is as near unanimous on this conference report as it is possible for the House of Representatives to be. It will be recalled that the vote on the final passage of this bill, I believe, was 382 for to 4 against. That is as good a majority, I believe, as the House of Representatives gives on any legislation. I do not know of any Member who voted for the bill when it passed this House who is now opposed to this conference report. If there is one within the sound of my voice, I wish he would make his presence known. I do not believe there is. We can consider that this conference report really is passing unanimously. Nobody is against it and they should not be against it. It is a good bill. As the gentlewoman from Missouri has said, it is a bipartisan bill. We all worked together on it. Significant parts of this bill is represented by amendments from the minority, and they are good amendments. I believe that this expression of the House here today on the passage of this conference report represents the unanimous action of the House of Representatives. I think it should be considered that way when it goes back to the Senate for their approval.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield to the distinguished minority leader.

Mr. GERALD R. FORD. Is it my understanding and is it the correct understanding that this debate in the RECORD will precede the vote taken some time ago?

Mr. PATMAN. Yes, sir. That is the understanding. I have checked it with the Parliamentarian, and I am told that is true.

The SPEAKER pro tempore. The time requested by the gentleman from Oklahoma has expired.

Mr. MONTGOMERY. Mr. Speaker, I talked to the chairman of the distinguished Committee on Banking and Currency with reference to one particular item about which I desired some clarification.

Mr. PATMAN. Mr. Speaker, will the gentleman yield?

Mr. MONTGOMERY. I yield to the gentleman from Texas.

Mr. PATMAN. I did not know that the conference report was going to be so quickly agreed to. However, I had previously agreed to yield to the gentleman from Mississippi for the purpose of his asking questions with reference to a garnishment matter.

Mr. MONTGOMERY. Mr. Speaker, I would like to ask the gentleman a question. What is the difference in the garnishment situation that was in the original bill, and is now in the conference report? I believe the Congress is entitled to know.

I am sorry that the parliamentary procedure moved so swiftly here, and I was unable to ask the question prior to the adoption of the conference report.

Mr. PATMAN. I will defer to the gentlewoman from Missouri to answer the gentleman's question.

Mrs. SULLIVAN. Mr. Speaker, if the gentleman will yield, in reply to the inquiry of the gentleman from Mississippi, let me say first that I am prepared to put into the RECORD all of the differences and explain as clearly and concisely as

possible the provisions, and this will be put into the RECORD.

But as far as the garnishment title is concerned, we adopted a garnishment provisions that is much weaker than we had in the House bill. What we actually adopted, in effect, was the law of the State of Alabama and of the State of Mississippi, too, on garnishments, except that we do have a floor of $48. In other words, the first $48 of the weekly salary, after taxes or other deductions required by law, cannot be garnisheed.

Mr. MONTGOMERY. Are the Federal Government and the States exempted from the garnishment section in the conference report insofar as coming under this section of $48? As the gentlewoman knows, the Federal Government is the largest establishment that undertakes garnishment proceedings now. I ask the gentlewoman from Missouri, will they come under this conference report or not?

Mrs. SULLIVAN. In answer to the gentleman, I will say no, the Federal and State Governments are not covered by the restriction on garnishment. We exempted them in the House bill, too.

One cannot garnishee the Federal Government or the State governments.

Mr. MONTGOMERY. But the Federal Government can garnishee people who have a tax debt that they owe to the Federal Government, or to the States?

Mrs. SULLIVAN. Yes, the Federal Government retains the right to garnishee for taxes, and so do the States. Whether the States exercise that right is up to them. That is up to the States.

Mr. MONTGOMERY. That is up to the States?

But my point is, I will say to the gentlewoman from Missouri [Mrs. SULLIVAN], that the conference report has exempted the States and the Federal Governments, which are the largest users of garnishment, yet private individuals will have to come under the Federal law.

The conference report has already been adopted as of now, but I certainly feel as though this is another encroachment on States' rights. The individual States in the last few years have kept up on their garnishment laws. Our State of Mississippi only 2 years ago upgraded the garnishment section of our laws. Now, this supercedes the State laws, is that correct.

Mrs. SULLIVAN. Yes, but only to the extent that it is inconsistent with the Federal law. And it does not take effect for 2 years. At that time, the Secretary of Labor can exempt from the restrictions of section 303(a) any State which has a substantially similar law on the amount which can be garnisheed. May I say to the gentleman that in the bill as originally introduced last July, there was no exemption for the Federal or State Governments in collecting debts due for taxes, but this was taken out in the committee before the bill was reported to the House last December.

Mr. MONTGOMERY. Oh, it is taken out?

Mrs. SULLIVAN. Yes. The Federal Government and the State governments are not affected in this garnishment procedure at all as to garnishing the wages for taxes.

Mr. MONTGOMERY. I am sorry, but I do not believe the gentlewoman understands my question. What the gentlewoman is telling me now is that the Federal Government can only garnishee up to $25 of the first $100 out of a salary. So that what the gentlewoman is telling me is that if a person owes the Federal Government, say, $300 in taxes, the Government can take only $25 out of a man's salary of $100 per week until it has been repaid?

Mrs. SULLIVAN. No. This does not touch the garnishment of wages by the Federal Government for any taxes, or by the State governments either.

Mr. MONTGOMERY. In other words, the Federal Government is not to come under this bill, yet we are putting private enterprise under it, but the largest garnishment group is not even under the bill, that is my point.

Mrs. SULLIVAN. That is correct. We had no exemption for the Federal Government in the House bill originally but we changed that in committee last December.

Mr. MONTGOMERY. Mr. Speaker, the garnishment title should not even be in this truth-in-lending bill. The garnishment section supercedes all State laws on garnishment and is just another step by the Federal Government to further take over States' rights. I yield back the balance of my time.

Mr. BARRETT. Mr. Speaker, as one of the House conferees on the Consumer Credit Protection Act, I am indeed proud to support this legislation and to urge its overwhelming passage by the House in the form in which it has been reported from the conference committee. I have always favored the enactment of truth-in-lending legislation such as recommended for so many years by former Senator PAUL H. DOUGLAS, of Illinois; the remarkable thing is that after years of failure to get the Douglas bill through the Senate, we are now about to pass a bill which goes far beyond the old Douglas bill.

S. 5, as amended by the House and agreed to in conference, incorporates all of the provisions in the old Douglas truth-in-lending bill and adds many things to it to make it far more effective than the Douglas bill would have been in protecting the consumer.

This is certainly not meant to disparage Senator Douglas or his valiant efforts on behalf of this legislation. We are all grateful to him for his leadership and his imagination in launching the campaign for truth in lending and waging it so well during the last 6 years of his Senate service. The fact that we are passing a much broader and more comprehensive bill than the Douglas bill is a tribute to the remarkable perseverance and effective legislative skill of the gentlewoman from Missouri [Mrs. SULLIVAN], chairman of the Subcommittee on Consumer Affairs of the House Committee on Banking and Currency, who is ranking member also of my Subcommittee on Housing and an invaluable ally of mine on progressive housing legislation.

All of us on the Committee of Banking and Currency were impressed by her handling in the subcommittee and the full committee of this bill which was so controversial at the time she introduced it, but which passed the House on February 1 by an overwhelming vote of 382 to 4. I am proud to have been a cosponsor of the Consumer Credit Protection Act and I am also proud of the fact that when some were counseling Mrs. SULLIVAN to give up her great fight for a strong bill last November and accept the Senate bill instead, I urged her to continue the battle for the kind of legislation we are now about to pass. She knew that she had my full support for this legislation despite the heavy odds against her—first when her subcommittee divided 6 to 6 on the bill and then later when a majority of the members of the full committee voted to add loophole amendments over her strong and vigorous objections. The House voted overwhelmingly early this year to reject those committee amendments and Mrs. SULLIVAN was vindicated.

After a long series of conferences with the Senate on this bill, House conferees stood fast for a strong bill and generally we achieved our purposes.

No piece of legislation is perfect and meets every test of effectiveness. Undoubtedly this bill will have to be strengthened and improved in various ways after it becomes effective and we have developed some experience under it. But we know that we have a good bill and one which will give the little income consumer in this country a fair break in the use of credit and eliminate practices which have too long been allowed to victimize the poor.

As a Representative in the Congress of the United States of the great city of Philadelphia in the Commonwealth of Pennsylvania, I am particularly pleased that the conference bill on which we are now acting follows the lead of the Commonwealth of Pennsylvania in trying to do something about the harsh practices of garnishment. In Pennsylvania we prohibit garnishment entirely. The Consumer Credit Protection Act as originally introduced, and which I cosponsored, would have eliminated garnishment entirely throughout the country. The bill we reported from committee was not that strong, limiting garnishment only to 10 percent of the worker's pay over $30 a week. The bill we are now voting on is less effective in combating garnishment abuses but will nevertheless provide far more protection for the low-income workers in most States than is now available to them under State law. So this is a great forward step.

In my opinion, the Consumer Credit Protection Act, is one of the most important consumer laws the Members of Congress of the United States have ever had an opportunity to vote for. It establishes a new set of standards for consumer protection in a field which the Federal Government has not previously been involved. We are taking nothing from the States in this respect; instead, through this legislation, we are encouraging the States to raise their own standards of consumer credit protection, and if they do not do so, then we will make sure that the American people living in those States will nevertheless be protected against further deliberate mis-

representations of the cost of using credit.

In future years, all of us can take deep satisfaction for having voted for the first Federal truth-in-lending law, for the first Federal garnishment law, for the first Federal truth-in-credit advertising law, for the first Federal extortionate credit law, and for the creation of the National Commission on Consumer Finance. All of these great pioneering Federal achievements in consumer credit protection are included in the bill now before us. I urge my colleagues in the House to vote "aye" on this historic legislation. The Sullivan Consumer Protection Act is a great monument to an outstanding and gracious Congresswoman just as title I of this legislation, the truth-in-lending title, is a legislative monument to former Senator Paul H. Douglas.

While it is Mrs. SULLIVAN'S bill, I am sure she agrees with me that its enactment would have been impossible without the legislative skills of the chairman of the Committee on Banking and Currency, the Honorable WRIGHT PATMAN, of Texas, who has proved once again that the bigger the odds against him and against the average citizen in legislative battle, the harder he fights and in this instance, as in so many others, he has fought to win for the public interest. He has been doing that all of his long career in the Congress of the United States.

Mrs. DWYER. Mr. Speaker, the conference report on the bill, S. 5, better known as the truth-in-lending bill, represents a notable achievement. It is far broader, more comprehensive, and potentially more effective than almost any of us believed was possible when action on this legislation began last year.

Many of our colleagues deserve great credit for this accomplishment, and I would mention in particular the chairman of the Subcommittee on Consumer Affairs, the distinguished gentlewoman from Missouri [Mrs. SULLIVAN].

In almost every major respect, Mr. Speaker, the conferees substantially upheld the stronger provisions of the House-passed bill. In the one area which could be considered an exception, open end or revolving credit disclosure requirements, the compromise reached by the conferees represents in my judgment a net improvement over both the House and Senate versions.

The Senate bill generally exempted revolving credit from annual rate disclosure requirements and the House bill established a much too rigid requirement which, in effect, would have forced all revolving credit merchants to state a single arbitrary annual rate despite differences in the actual cost of the credit. The conference report resolves this dilemma by permitting merchants to use an optional means of disclosing revolving credit charges, that is to disclose the average effective rate of return on an annual basis. This compromise should do two important things: First, remove the strong temptation to raise all revolving credit charges to a level which would provide an effective return of 18 percent; and, second, encourage the continuation of competition in the area of interest charges.

Every consumer in America, Mr. Speaker, should benefit from this bill. It will enable consumers to shop more intelligently for credit, to protect themselves from credit abuses, to resist more effectively such brutal rackets as loansharking and second-mortgage abuses, to temper the unnecessarily punitive effects of unrestricted garnishment of wages, and in general to deal more knowledgeably in the increasingly complex marketplace.

This bill is not perfect, Mr. Speaker. It brakes so much new ground that we must monitor developments very closely to determine that we are making real progress. Much, therefore, depends on the regulations and enforcement procedures adopted by those agencies responsible for administration of the legislation, especially the Federal Reserve Board and the Federal Trade Commission. Consequently, I would hope that our committee will act accordingly and devise a means of systematically reviewing the administration of the new law. We have made a good start, I believe, but we must remember that it is only a beginning.

Mr. ANNUNZIO. Mr. Speaker, I rise today to applaud the members of the conference committee that have brought to this body the conferees substitute for S. 5, the truth-in-lending bill.

I particularly salute the efforts of the distinguished chairman of the House Banking and Currency Committee, the gentleman from Texas [Mr. PATMAN], who performed such an outstanding job of guiding the House conferees through the legislative tangles of the legislation. Chairman PATMAN deserves the praise of every Member of this body and from all consumers for making certain that a strong, workable and effective piece of legislation was reported from the conference committee. And, I am happy to note that because of Chairman PATMAN'S guidance, most of the House provisions of the legislation were adopted by the conferees. When the truth-in-lending bill was introduced in the House in July of 1967, I was happy and proud to join with my colleagues on the Consumer Affairs Subcommittee, Representatives SULLIVAN, GONZALEZ, MINISH, BINGHAM, and HALPERN as a coauthor of the legislation and I vividly recall the 6 weeks that the subcommittee spent in putting together a strong bill. It is obvious that the conferees did not forsake our efforts.

I am particularly pleased that the conferees maintained the House provision calling for garnishment controls. As a former Director of Labor for the State of Illinois on the cabinet of Gov. Adlai Stevenson, I well recall the affects that garnishments have not only on employee but on employers. For too long, garnishments have been used as a sword to collect payments for shoddy merchandise, or usurious interest charges.

Mr. Speaker, the truth-in-lending bill being discussed here today is a bill that the honest and reputable merchant can live with and benefit from. It will, however, serve as a deterrent to loan sharks, sharp practice operators and others who would cheat the consumer.

In closing Mr. Speaker, let me say that the truth-in-lending bill is the beginning—not the ending. It is not enough to say we have completed our task in this area and then completely overlook the consumer's plight in the coming years. There are still hundreds of areas that need to be explored and perhaps regulated. We need a review of the operations and the laws that govern the Federal Trade Commission with an eye toward putting more teeth in that Agency's operation. We need to make our judicial system more aware that the age old philosophy of "let the buyer beware" has no place in the 20th century. President Johnson, in his consumer message, rejected the philosophy of "Let the buyer beware" and instead said, "Let the seller make full disclosure."

The 90th Congress has been labeled by some as the consumer's Congress. I think this is a label that we can wear proudly but I hope that future Congresses will strive to also gain that label. Mr. Speaker, I urge the unanimous adoption of the conference report on S. 5.

Mr. MINISH. Mr. Speaker, this is indeed a great moment for those of us who serve on the Subcommittee on Consumer Affairs of the House Committee on Banking and Currency and who had a part in shaping this great piece of legislation. I am proud to have been one of the original cosponsors with the gentlewoman from Missouri [Mrs. SULLIVAN] of H.R. 11601—the most comprehensive consumer credit bill ever introduced in the Congress.

More important than the form in which it was introduced is the form in which we are now about to pass this legislation and send it to the White House. There are provisions in this bill in its final form which no one ever gave us any hope of getting through the Congress. One of those provisions deals with garnishment.

During our hearings on this legislation last August, under the chairmanship of the lady from Missouri, we established a clear case for the abolishment of garnishment. Perhaps someday we will be able to outlaw this form of debtor's prison.

But for the time being, in passing this bill today, we will be striking a blow for the freedom of the oppressed poor people in this country who are victimized by credit outfits not interested in whether the customer can pay for the goods but only interested in how they can force the customer to pay even if it means making his family go without food.

I remember an advertisement a long time ago for a home instruction course in playing the piano. The catch line in that ad was "They laughed when I sat down at the piano." And then the ad went on to explain that after he played the piano they were just amazed at how well he could perform. Well, Mr. Speaker, they laughed when we introduced H.R. 11601 on July 20—a lot of people laughed at a lot of things that were in that bill. But now we are writing them into the law of the United States and I am proud to have a part in that accomplishment.

This legislation will enable the consumer to know what he is paying for credit. It does not regulate credit. It just makes the firms in the credit industry

let the customer know what any transaction is going to cost him in terms of dollars and cents and also in terms of the equivalent interest rate.

Again I want to say that as a member of the Subcommittee on Consumer Affairs and one of the cosponsors of this legislation, I urge the House to accept this conference report. It is the strongest piece of consumer legislation to be passed by Congress in many years.

Mr. SMITH of New York. Mr. Speaker, another provision of this bill is the witness immunity section. From the very beginning Federal law enforcement has been handicapped in its prosecution of racketeers by the Cosa Nostra "Omerta" or code of silence.

Regardless of whether an individual is directly implicated in criminal activities, he may be afraid to testify against racketeers. The witness immunity provision deals directly with this problem. Now, by offering a potential witness immunity from prosecution he will no longer have a valid claim of the fifth amendment and will have to testify. I think, as a result of this, we are going to see quite a few more organized crime prosecutions in the years to come.

Mr. KING of New York. Mr. Speaker, according to a newspaper article not too long ago, which was based on an interview with New York County Assistant District Attorney Michael Metzger, "crime in the street—Wall Street—may prove to be organized crime's most sophisticated effort yet in infiltrating big business."

In less sophisticated times, the loan shark's only goal was the "vigorish," the trade name for interest on the loan. Typically, this was "6 for 5," or a $6 payment for a week's loan of $5. Today, the goal is different; the stakes are higher. The modern Wall Street loan shark loans money in order to exploit the services of the borrower who finds that he cannot repay principal and interest timely.

The technique is simple and effective. The Cosa Nostra acts as a "fence" for stolen securities acquired at bargain prices from petty thieves who stole them from private homes, from messengers on the street or from brokerage houses. The loan shark approaches a Wall Street clerk who needs "fast money" to invest in a "hot tip" he has picked up in the performance of his duties. The tip goes sour. He is unable to pay the interest. Graciously, the loan shark grants a grace period. The price of his generosity is the clerk's agreement to arrange a sale of the stolen securities. The loan shark pockets the profit. The clerk is still in default on his loan.

The added sophistication of this increasingly lucrative illegal activity makes the need for passage of the truth-in-lending bill and the loan-shark amendment contained therein, even more obvious.

Mr. ERLENBORN. I would also like to say something about the syndicate infiltration of legitimate business. Unquestionably, loan sharking is a source of money—yes, but it is also a source of power—unlimited power over individuals and unlimited power over businesses—and therein lies the greater evil and the greater danger.

It is no secret that organized crime has made a wholesale invasion of the private business community. And when the racketeers move in they bring all their corrupt methods with them. A business run by a racketeer will cheat the customer and rob the supplier just as surely as the racketeer himself will.

No one knows for sure just how many racketeer owned and controlled businesses became such only after the original owner became indebted to a loan shark and was ultimately squeezed out by him and his associates. There is every indication, however, that the number is substantial.

It is my opinion that one sure way to stop that number from increasing, and to eventually control this practice is through the passage of the truth-in-lending bill before us today.

Mr. WYLIE. Mr. Speaker, the insidious nature of organized crime, while present with us for many years is being recognized with increasing concern by all citizens as well as law enforcement authorities throughout the country. One of the most alarming features of syndicate crime is the ease with which it has been infiltrating legitimate business establishments, even the Wall Street stock market.

One method used to accomplish this is the practice of making loans available at excessive rates to certain businessmen and then muscling into the business after having placed this foot in the door.

I believe that the provision in the truth-in-lending bill which strikes at such loan sharking will greatly reduce the opportunity of organized criminals to enter legitimate business in this way.

Mr. CRAMER. Mr. Speaker, if there were nothing else to commend the loan-shark amendment which I support, I would welcome it because of the witness immunity provision.

Witness immunity statutes are nothing new. There are in excess of 40 of them on the books in the Federal code but the problem is that most are directed at crimes which are not ordinarily the modus operandi of organized crime.

It is difficult to imagine San Giancana being legitimately investigated for violating a soybean allotment, for example, so the AAA immunity provisions are useless as to him. And so on.

Ever since 1958, we have been trying to get an immunity statute similar to the bills I have introduced since the date of more meaningful application in the organized crime area. Attorney General Rogers asked for one—so did KENNEDY and Katzenbach—even Ramsey Clark and no less than President Johnson have asked this Congress for more immunity powers.

I think, when we pass this truth-in-lending bill, we will have given it to them so far as it relates to this bill.

Because loan-sharking is part and parcel of organized crime—because it is organized crime—I cannot conceive of the racketeer or member of Cosa Nostra who cannot be legitimately investigated under this statute and against whom the witness immunity provisions cannot be used.

Mr. Speaker, today, I think, this Congress will have cracked the underworld code of "Omerta"—silence—and that is doing something.

Mr. MACGREGOR. Mr. Speaker, Mr. Henry Peterson, head of the Justice Department's Organized Crime Section, asked just a week ago for legislation against loan-sharking so that the Federal Government would "have additional weapons to use before greater inroads into the legitimate business community are made by Cosa Nostra and allied syndicates."

The loan-shark amendment to the truth-in-lending bill would open these additional avenues of prosecution. Loan-sharking simply cannot withstand the persistent efforts of effective law enforcement together with growing opposition from an indignant public. This amendment, which would make it a Federal crime for any unlicensed lender to violate any State law limiting the charges on consumer credit transactions, would allow the Federal machinery to enter the fight against the unscrupulous and shocking practices of loan sharks. I strongly urge the passage of this vital legislation so that the relentless fight against loan sharking will make it a crime that literally does not pay.

Mr. TAFT. Mr. Speaker, loan-sharking is an ugly crime. It preys upon the needs of not only the urban poor but businessmen from the ghettos of America through the high-rise buildings of Wall Street. In December 1967 the House Republican task force on crime reported that loan-sharking was organized crime's second largest source of revenue. The truth-in-lending conference report, which contains the loan shark amendment, marks a major step in the battle against crime. The amendment gives Federal law enforcement officers a major weapon. It is the first step of what the House Republican task force on crime hopes will be many.

Mr. DEVINE. Mr. Speaker, one of the significant features of the loan shark amendment is the fact that it expands Federal investigative jurisdiction into loan sharking activities.

Presumably the Federal Bureau of Investigation will be involved in most of the investigations under this new statute. Up until now, they have been able to investigate loan sharking only infrequently and under another statute, the Hobbs Act, which is, in fact, an extortion statute.

Doubtless the Federal Government will not be able to prosecute every violation the FBI investigates. However, in those instances they will be able to turn over the fruits of their investigations to state and local prosecutors who will be able to prosecute.

Mr. WYMAN. Mr. Speaker, I am today voting for the truth-in-lending conference report. It is a step that has been too long delayed. It is a bill that will go down in history as the first major effort on the part of the Congress to protect American consumers. At the same time it contains a proposal that would make loan sharking, the practice of lending money at exorbitant rates of interest, illegal. The amendment which was added

in the House by Republican Congressmen, gives Federal law enforcement officers a major tool in combating organized crime in America. I would hope that other measures aimed at organized crime's many other sources of revenue follow.

Mr. PIRNIE. Mr. Speaker, the House today has an opportunity to take a major step in combating organized crime. The truth-in-lending conference report contains the Republican-sponsored loan shark amendment which would arm Federal law enforcement officers with the power to step into what has been called organized crime's second largest moneymaker. The proposal could also be used as a model by State legislatures.

We are all aware of the multibillion-dollar organized crime network that has, until this time, operated almost unhindered in America. I hope this marks only the first step in crushing this vicious disease.

Mr. RAILSBACK. Mr. Speaker, the role of poverty in the cause of aggravation in America is seriously being investigated and debated, not only in Congress, but throughout the Nation. One uncontestable relationship between poverty and crime is the way in which operatives in the crime syndicate frequently force the poor to join them. Many individuals who need money can frequently borrow it only at exorbitant rates of 20 percent a week or even more. When the victim of such loan-sharking practices cannot repay, the lives and safety of them and their families are threatened unless they cooperate with the organized criminal in their nefarious activities.

The provision against loan sharking and the bill before us will go a long way toward stopping this practice, thereby denying to organized crime this source of recruits, of financial resources, and of entrance into legitimate businesses which they can use as covers for other illegal activties.

I strongly urge support and passage of the legislation before us today.

Mr. CONABLE. Mr. Speaker, in a year that is characterized by a growing awareness of the problem of crime, as well as the need for protection of consumers in business transactions, one of the most significant actions to take place in Congress has been, in my opinion, the enactment into the truth-in-lending bill of the provision against loan-sharking.

The practice of charging those least able to afford it, extortionate and illegal interest rates is an insidious activity that saps what little financial strength many of our urban poor possess. I believe that when final enactment of this very meaningful legislation is effected, this provision will provide Federal law enforcement officers with the much needed tools in this fight.

Mr. MATHIAS of Maryland. Mr. Speaker, in attacking the problem of crime in America one approach has been to increase the number of law enforcement officials, their training and their operations. But without a corresponding, well-developed set of procedural tools to enforce these laws, the authorities can also find themselves helpless in the face of spiraling crime.

Such is the case with organized crime in which we see through the use of loan-sharking methods the poor being driven to criminal activity to repay loans as well as the entry of organized crime into legitimate businesses.

The provision in the truth-in-lending bill striking at the loan-sharking practices, I believe, will give our law enforcement authorities one of these badly needed legal tools to combat this scourge on our society.

Mr. RODINO. Mr. Speaker, this is indeed a landmark day in the long struggle to provide protection for the American consumer. For with adoption of the conference report on S. 5 we have taken a most significant step in safeguarding consumers from the abuses and injustices of many credit and lending practices and in preventing excessive or deceptive credit charges.

Americans live in a largely credit economy, and a good credit rating is certainly highly desirable and, indeed, often a necessity. Today most Americans rely on credit to some degree and the practice is increasing. Outstanding consumer credit today totals $95 billion; $75 billion takes the form of installment credit, while interest costs on consumer credit alone amounted to nearly $13 billion in 1966.

The magnitude of this business makes it imperative that the borrower know the cost of this important part of his budget, just as he knows the price of the loaf of bread or bottle of milk he buys.

S. 5 will assure a meaningful disclosure of credit terms, including the House provision requiring disclosure of the annual interest rate on revolving charge accounts. Consumers will thus be able to compare the cost of borrowing money and of installment purchases and can avoid the uninformed use of credit. It should also encourage a healthy competition among lending institutions.

This far-reaching measure also includes a long overdue restriction on the garnishment of wages. It is not as strict as the House-approved version, but nevertheless represents a signal breakthrough in this important area. As approved by the conferees, 75 percent of a worker's take-home pay after all legally required deductions—or $48 a week, whichever is greater—will be exempt from garnishment. And employers will no longer be able to fire an employee by reason of a single garnishment of the employee's wages.

Another important feature of the measure is establishment of a Commission on Consumer Finance to study and appraise the functioning of the consumer finance industry with respect to the adequacy of existing arrangements to provide credit at reasonable rates and the mechanisms to protect the public from unfair credit practices. Its findings are to be reported to Congress by January 1971.

Mr. Speaker, as a cosponsor of the House version of the truth-in-lending bill, I am proud and pleased to have had a part in bringing this most essential and effective consumer protection legislation closer to enactment. I anticipate early Senate approval of the conference report and Presidential signature into law.

Mr. COHELAN. Mr. Speaker, I am pleased that we are today considering the final step in the passage of the truth-in-lending bill.

This bill as it was passed by the House made mammoth strides in credit cost disclosure. After 10 years of congressional effort this measure has come to this final vote.

While the measure reported out by the conference committee is not as stringent in some regards as the one we enacted in the House, I believe that it can safely be said that this is the most significant item of consumer legislation to be passed by the Congress in this decade.

This measure will require disclosure of almost all retail credit costs whether in bank loans, installment credit sales, or department store revolving credit plans. Further this disclosure will be in a form which will be easily comparable and thus consumers will be able to shop for credit as they do now for other consumer products.

This bill too will require disclosure of credit costs in the advertising of credit—a substantial advance.

In addition this measure will, in 2 years, provide protection for workers from the garnishment of most of their wages, removing one of the serious worries of many workers.

In short this is a landmark measure—one which will extend honest competition to the consumer credit market and which will offer all of us protection from transactions formerly too susceptible to misrepresentation.

The SPEAKER. The question is on the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks and to include pertinent extraneous matter on the conference report just agreed to.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

CALL OF THE HOUSE

Mr. WYDLER. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 147]

Ashley	Fraser	Jones, Mo.
Bates	Gardner	Kluczynski
Blatnik	Garmatz	Kuykendall
Brock	Gilbert	McMillan
Brown, Calif.	Green, Oreg.	Miller, Calif.
Burton, Utah	Griffiths	Nelsen
Carter	Halleck	Olsen
Corman	Hanna	O'Neill, Mass.
Cowger	Hansen, Idaho	Poage
Edwards, La.	Hardy	Pool
Ford, William D.	Hébert	Resnick
	Holland	Roybal