

90TH CONGRESS  
1ST SESSION

# H. R. 11601

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IN THE HOUSE OF REPRESENTATIVES

JULY 20, 1967

Mrs. SULLIVAN (for herself, Mr. GONZALEZ, Mr. MINISH, Mr. ANNUNZIO, Mr. BINGHAM, and Mr. HALPERN) introduced the following bill; which was referred to the Committee on Banking and Currency

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## A BILL

To safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. This Act may be cited as the "Consumer  
4 Credit Protection Act".

5 TITLE I—CREDIT TRANSACTIONS

6 SEC. 101. (a) The Federal Reserve Act is amended  
7 by striking the first section and inserting:

8 "TITLE I—THE FEDERAL RESERVE SYSTEM

9 "SECTION 1. This title may be cited as the Federal  
10 Reserve Act."

11 (b) Title I of the Federal Reserve Act is amended by  
12 changing "Act", wherever that word is used with reference  
13 to title I of the Federal Reserve Act (as so designated by  
14 subsection (a) of this section) to read "title".

15 (c) The Federal Reserve Act is amended by adding  
16 at the end:

17 "TITLE II—CREDIT TRANSACTIONS

18 "DECLARATION OF PURPOSE

19 "SEC. 201. (a) The Congress finds that economic  
20 stabilization would be enhanced and that competition among  
21 the various financial institutions and other firms engaged in  
22 the extension of consumer credit would be strengthened by  
23 the informed use of credit. Significant segments of the popu-  
24 lation are misled by the manner in which the terms and con-  
25 ditions of credit are offered and contracted for, as well as by

1 advertising in or affecting commerce, which fail adequately  
2 to disclose the credit terms offered to buyers in making pur-  
3 chases, or obtaining loans, payable in installments or offered  
4 under open end credit plans. Such failure of adequate dis-  
5 closure tends to increase the uninformed and untimely use of  
6 credit by the public, thereby adversely affecting economic  
7 stabilization, increasing inflationary pressures, and decreas-  
8 ing the stability of the value of our currency. The informed  
9 use of credit results from an awareness of the cost thereof by  
10 consumers. It is the purpose of this title to assure a mean-  
11 ingful disclosure of credit terms so that the consumer will  
12 be able to compare more readily the various credit terms  
13 available to him and avoid the uninformed use of credit.

14 “(b) Congress further finds that the stabilization of  
15 consumer prices would be enhanced by the regulation of  
16 speculation in, and the excessive use of credit for, the creation,  
17 carrying or trading in commodity futures contracts, as well  
18 as the establishment of standby authority for the emergency  
19 control of consumer credit.

20 “DEFINITIONS

21 “SEC. 202. For the purposes of this title

22 “(a) ‘Board’ means the Board of Governors of the Fed-  
23 eral Reserve System.

24 “(b) ‘credit’ means the right granted by a creditor to  
25 a person other than an organization to defer payment of

1 debt or to incur debt and defer its payment, where the debt  
2 is contracted by the obligor primarily for personal, family,  
3 household, or agricultural purposes. The term does not in-  
4 clude any contract in the form of a bailment or lease except  
5 to the extent specifically included within the term 'consumer  
6 credit sale'.

7 " (c) 'consumer credit sale' means a transaction in which  
8 credit is granted by a seller in connection with the sale of  
9 goods or services, if such seller regularly engages in credit  
10 transactions as a seller, and such goods or services are pur-  
11 chased primarily for a personal, family, household, or agri-  
12 cultural purpose. The term does not include any contract in  
13 the form of a bailment or lease unless the obligor contracts to  
14 pay as compensation for use a sum substantially equivalent to  
15 or in excess of the value of the goods or services involved,  
16 and unless it is agreed that the obligor is bound to become, or  
17 for no other or a merely nominal consideration has the op-  
18 tion of becoming, the owner of the goods upon full compli-  
19 ance with the provisions of the contract.

20 " (d) 'finance charge' means the sum of all the charges  
21 imposed directly or indirectly by a creditor, and payable  
22 directly or indirectly by an obligor, as an incident to the  
23 extension of credit, including loan fees, service and carrying  
24 charges, discounts, interest, time price differentials, investi-  
25 gators' fees, costs of any guarantee or insurance protecting the

1 creditor against the obligor's default or other credit loss, and  
2 any amount payable under a point, discount, or other system  
3 of additional charges, except that

4 " (1) if itemized and disclosed under section 203,  
5 the term 'finance charge' does not include amounts col-  
6 lected by a creditor, or included in the credit, for

7 " (A) fees and charges prescribed by law which  
8 actually are or will be paid to public officials for  
9 determining the existence of or for perfecting or  
10 releasing or satisfying any security related to a credit  
11 transaction; or

12 " (B) taxes; and

13 " (2) where credit is secured in whole or in part by  
14 an interest in real property, the term does not include,  
15 in addition to the duly itemized and disclosed costs  
16 referred to in clauses (A) and (B) of paragraph (1),  
17 the costs of

18 " (A) title examination, title insurance, or cor-  
19 responding procedures;

20 " (B) preparation of the deed, settlement state-  
21 ment, or other documents;

22 " (C) escrows for future payments of taxes and  
23 insurance;

24 " (D) notarizing the deed and other documents;

25 " (E) appraisal fees; or

1           “(F) credit reports.

2           “(e) ‘creditor’ means any individual, or any partner-  
3 ship, corporation, association, cooperative, or other entity,  
4 including the United States or any agency or instrumentality  
5 thereof, or any other government or political subdivision or  
6 agency or instrumentality thereof, if such individual or en-  
7 tity regularly engages in credit transactions, whether in con-  
8 nection with the sale of goods and services or otherwise, and  
9 extends credit for which the payment of a finance charge is  
10 required.

11          “(f) (1) ‘annual percentage rate’ means, for the pur-  
12 poses of sections 203 (b) and 203 (c), the nominal annual  
13 rate determined by the actuarial method (United States  
14 rule). For purposes of this calculation it may be assumed  
15 that:

16           “(A) The total time for repayment of the total  
17 amount to be financed is the time from the date of the  
18 transaction to the date of the final scheduled payment.

19           “(B) All payments are equal if every scheduled  
20 payment in the series of payments is equal except one  
21 which may not be more than double any other scheduled  
22 payment in the series.

23           “(C) All payments are scheduled at equal inter-  
24 vals, if all payments are so scheduled except the first  
25 payment which may be scheduled to be paid before, on,

1 or after one period from the date of the transaction. A  
2 period of time equal to one-half or more of a payment  
3 period may be considered one full period.

4 “(2) The Board may prescribe methods other than the  
5 actuarial method, if the Board determines that the use of  
6 such other methods will materially simplify computation  
7 while retaining reasonable accuracy as compared with the  
8 rate determined under the actuarial method.

9 “(3) For the purposes of section 203 (d), the term  
10 ‘equivalent annual percentage rate’ means the rate or rates  
11 computed by multiplying the rate or rates used to compute  
12 the finance charge for any period by the number of periods  
13 in a year.

14 “(4) Where a creditor imposes the same finance charge  
15 for all balances within a specified range, the annual percent-  
16 age rate or equivalent annual percentage rate shall be com-  
17 puted on the median balance within the range for the pur-  
18 poses of sections 203 (b), 203 (c), and 203 (d).

19 “(g) ‘open end credit plan’ means a plan prescribing  
20 the terms of credit transactions which may be made there-  
21 under from time to time and under the terms of which a  
22 finance charge may be computed on the outstanding unpaid  
23 balance from time to time thereunder.

24 “(h) ‘organization’ means a corporation, government

1 or governmental subdivision or agency, business or other  
2 trust, estate, partnership, or association.

3 “(i) ‘advertisement in interstate commerce or affecting  
4 interstate commerce’ includes, but is not limited to,

5 “(1) the advertising of goods, services, loans, or  
6 open end credit plans through any means or instru-  
7 mentality of interstate commerce; and

8 “(2) the advertising

9 “(A) of any goods which are made in whole  
10 or in part of any item which has been shipped and  
11 received in interstate commerce,

12 “(B) of any service which is to be performed  
13 using any item which was shipped and received in  
14 interstate commerce, or

15 “(C) of any loan or of any extension of credit  
16 under an open end credit plan which is to be made  
17 in whole or in part in interstate commerce.

18 “(j) ‘State’ means any State, the Commonwealth of  
19 Puerto Rico, or the District of Columbia.

20 “DISCLOSURE OF FINANCE CHARGES; ADVERTISING

21 “SEC. 203. (a) Each creditor shall furnish to each per-  
22 son to whom credit is extended and upon whom a finance  
23 charge is or may be imposed the information required by  
24 this section, in accordance with regulations prescribed by the  
25 Board.



1       “(b) This subsection applies to consumer credit sales  
2 other than sales under an open end credit plan. For each  
3 such sale the creditor shall disclose, to the extent applicable,

4           “(1) the cash price of the property or service pur-  
5 chased;

6           “(2) the sum of any amounts credited as down-  
7 payment (including any trade-in) ;

8           “(3) the difference between the amounts set forth  
9 in paragraphs (1) and (2) ;

10          “(4) all other charges, individually itemized, which  
11 are included in the amount of the credit extended but  
12 which are not part of the finance charge;

13          “(5) the total amount to be financed (the sum of  
14 the amounts disclosed under (3) and (4) above) ;

15          “(6) the amount of the finance charge (such charge,  
16 or a portion of such charge, may be designated as a  
17 time-price differential or as a similar term to the extent  
18 applicable) ;

19          “(7) the finance charge expressed as an annual  
20 percentage rate;

21          “(8) the number, amount, and due dates or periods  
22 of payments scheduled to repay the indebtedness; and

23          “(9) the default, delinquency, or similar charges  
24 payable in the event of late payments.

1 Except as otherwise hereinafter provided, the disclosure re-  
2 quired by this subsection shall be made before the credit is  
3 extended. Compliance may be attained by disclosing such in-  
4 formation in the contract or other evidence of indebtedness to  
5 be signed by the obligor. Where a seller receives a purchase  
6 order by mail or telephone without personal solicitation by a  
7 representative of the seller and the cash price and deferred  
8 payment price and the terms of financing, including the an-  
9 nual percentage rate, are set forth in the seller's catalog or  
10 other printed material distributed to the public, the disclosure  
11 shall be made on or before the date the first payment is due.

12 “(c) This subsection applies to extensions of credit  
13 other than consumer credit sales or transactions under an  
14 open end credit plan. Any creditor making a loan or other-  
15 wise extending credit under this subsection shall disclose, to  
16 the extent applicable,

17 “(1) the amount of credit of which the obligor will  
18 have the actual use, or which is or will be paid to him or  
19 for his account or to another person on his behalf;

20 “(2) all charges, individually itemized, which are  
21 included in the amount of the credit extended but which  
22 are not part of the finance charge;

23 “(3) the total amount to be financed (the sum of  
24 items (1) and (2) above);

25 “(4) the amount of the finance charge;

1           “(5) the finance charge expressed as an annual per-  
2           centage rate;

3           “(6) the number, amount, and due dates or periods  
4           of payments scheduled to repay the indebtedness; and

5           “(7) the default, delinquency, or similar charges  
6           payable in the event of late payments.

7 Except as otherwise hereinafter provided, the disclosure re-  
8 quired by this subsection shall be made before the credit is  
9 extended. Compliance may be attained by disclosing such in-  
10 formation in the note or other evidence of indebtedness to be  
11 signed by the obligor. Where a creditor receives a request for  
12 an extension of credit by mail or telephone without personal  
13 solicitation by a representative of the creditor and the terms  
14 of financing, including the annual percentage rate for repre-  
15 sentative amounts of credit, are set forth in the creditor's  
16 printed material distributed to the public, or in the contract  
17 of loan or other printed material delivered to the obligor,  
18 the disclosure shall be made on or before the date the first  
19 payment is due.

20           “(d) (1) This subsection applies to open end credit  
21 plans.

22           “(2) Before opening any account under an open end  
23 credit plan, the creditor shall, to the extent applicable, dis-  
24 close to the person to whom credit is to be extended—

25           “(A) the conditions under which a finance charge

1           “(D) the amount of any finance charge added to  
2           the account during the period, itemized to show the  
3           amount, if any, due to the application of a percentage  
4           rate and the amount, if any, imposed as a minimum or  
5           fixed charge;

6           “(E) the finance charge expressed as an annual per-  
7           centage rate;

8           “(F) the balance on which the finance charge  
9           was computed and a statement of how the balance was  
10          determined;

11          “(G) the outstanding balance in the account at  
12          the end of the period; and

13          “(H) the date by which, or the period (if any)  
14          within which, payment must be made to avoid addi-  
15          tional finance charges.

16          “(4) If a creditor adds to this billing under an open end  
17          credit plan one or more installments of other indebtedness  
18          from the same obligor, the creditor is not required to dis-  
19          close under this subsection any information which has been  
20          disclosed previously in compliance with subsection (b) or  
21          (c).

22          “(e) Written acknowledgment of receipt by a person to  
23          whom a statement is required to be given pursuant to this  
24          section shall be conclusive proof of the delivery thereof and,  
25          unless the violation is apparent on the face of the statement,

1 of compliance with this section in any action or proceeding  
2 by or against an assignee of the original creditor without  
3 knowledge to the contrary by such assignee when he acquires  
4 the obligation. Such acknowledgment shall not affect the  
5 rights of the obligor in any action against the original creditor.

6 “(f) If there is more than one obligor, a creditor may  
7 furnish a statement of required information to only one of  
8 them. Required information need not be given in the sequence  
9 or order set forth in this section. Additional information or  
10 explanations may be included. So long as it conveys sub-  
11 stantially the same meaning, a creditor may use language or  
12 terminology in any required statement different from that  
13 prescribed by this title.

14 “(g) If applicable State law requires disclosure of items  
15 of information substantially similar to those required by this  
16 title, then a creditor who complies with such State law may  
17 comply with this title by disclosing only the additional items  
18 of information required by this title.

19 “(h) If information disclosed in accordance with this  
20 section and any regulations prescribed by the Board is sub-  
21 sequently rendered inaccurate as the result of a prepayment,  
22 late payment, adjustment, or amendment of the credit agree-  
23 ment through mutual consent of the parties or as permitted  
24 by law, or as the result of any act or occurrence subsequent  
25 to the delivery of the required disclosures, the inaccuracy re-

1 sulting therefrom shall not constitute a violation of this  
2 section.

3 “(i) (1) Prior to July 1, 1968, whenever an annual  
4 percentage rate is required to be disclosed by this section, the  
5 rate may be expressed either as a percentage rate per year,  
6 or as a dollars per hundred per year rate of the average  
7 unpaid balance.

8 “(2) After June 30, 1968, all rates required to be dis-  
9 closed by this section shall be expressed as percentage rates.

10 “(j) No creditor, in order to aid, promote, or assist,  
11 directly or indirectly, any consumer credit sale, extension of  
12 credit, or open end credit plan, may state or otherwise repre-  
13 sent in any advertisement in interstate commerce or affecting  
14 interstate commerce

15 “(1) that specific credit terms are available with  
16 the purchase of goods or services or the obtaining of  
17 a loan, unless the advertisement clearly and conspicuously  
18 sets forth

19 “(A) the cash sale price,

20 “(B) the number, amount, and period of each  
21 installment payment,

22 “(C) the downpayment, if any,

23 “(D) the time sale price, and

24 “(E) the finance charge, expressed as an an-  
25 nual percentage rate;

1           “(2) that a specified periodic credit amount or in-  
2           stallment amount can be arranged, unless the creditor  
3           usually and customarily arranges credit payments or in-  
4           stallments for that period and in that amount; or

5           “(3) that a specified downpayment is required,  
6           unless the creditor usually and customarily arranges  
7           downpayments in that amount.

8           “(k) No creditor, in order to aid, promote, or assist,  
9           directly or indirectly, the extension of credit under an open  
10          and credit plan, may state or otherwise represent in any  
11          advertisement in interstate commerce or affecting interstate  
12          commerce any of the specific terms of such plan unless the  
13          advertisement clearly and conspicuously sets forth

14          “(1) the conditions under which a finance charge  
15          may be imposed, including the time period, if any,  
16          within which any credit extended may be repaid without  
17          incurring a finance charge;

18          “(2) the method of determining the balance upon  
19          which a finance charge will be imposed;

20          “(3) the method of determining the amount of the  
21          finance charge (including any minimum or fixed amount  
22          imposed as a finance charge), and the percentage rate  
23          per period and the annual percentage rate of the finance  
24          charge to be imposed; and

1           “(4) the conditions under which any other charges  
2           may be imposed, and the method by which they will be  
3           determined.

4           “(1) No creditor may demand or accept any finance  
5           charge in connection with any extension of credit to a  
6           natural person which exceeds

7           “(1) the maximum rate or amount permitted under  
8           the applicable State law, or

9           “(2) 18 per centum per annum,  
10          whichever is less.

11          “(m) No creditor may demand or accept in connection  
12          with any extension of credit any note or other document  
13          authorizing the confession of judgment against the debtor.

14          “(n) The provisions of this section shall not apply to

15                 “(1) credit transactions involving extensions of  
16                 credit for business or commercial purposes, or to gov-  
17                 ernments or governmental agencies or instrumentalities,  
18                 or to organizations;

19                 “(2) transactions in securities or commodities in  
20                 accounts by a broker-dealer registered with the Securities  
21                 and Exchange Commission; or

22                 “(3) credit transactions, other than real property  
23                 transactions, in which the total amount to be financed  
24                 exceeds \$25,000.



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“REGULATIONS

“SEC. 204. (a) The Board shall prescribe regulations to carry out section 203, including provisions

“ (1) describing the methods which may be used in determining annual percentage rates under section 203, including, but not limited to, the use of any rules, charts, tables, or devices by creditors to convert to an annual percentage rate any add-on, discount, or other method of computing a finance charge;

“ (2) prescribing procedures to insure that the information required to be disclosed under section 203 is set forth clearly and conspicuously; and

“ (3) prescribing reasonable tolerances of accuracy with respect to disclosing information under section 203.

“ (b) In prescribing regulations with respect to reasonable tolerances of accuracy as required by subsection (a) (3), the Board shall observe the following limitations:

“ (1) 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 such rates are converted into an annual percentage rate under procedures prescribed by the Board.

1           “(2) The use of rate tables or charts may be author-  
2           ized in cases where the total finance charge is determined  
3           in a manner other than that specified in paragraph  
4           (1). Such tables or charts may provide for the dis-  
5           closure of annual percentage rates which vary up to 8  
6           per centum of the rate as defined by section 202 (f).  
7           However, any creditor who willfully and knowingly uses  
8           such tables or charts in such a manner so as to con-  
9           sistently understate the annual percentage rate, as defined  
10          by section 202 (f), shall be liable for criminal penalties  
11          under section 206 (b) of this title.

12          “(3) In the case of creditors determining the annual  
13          percentage rate in a manner other than as described  
14          in paragraph (1) or (2), the Board may authorize  
15          other reasonable tolerances.

16          “(4) In order to simplify compliance where irreg-  
17          ular payments are involved, the Board may authorize  
18          tolerances greater than those specified in paragraph (2).

19          “(c) Any regulation prescribed under this section may  
20          contain such classifications and differentiations and may pro-  
21          vide for such adjustments and exceptions for any class of  
22          transactions as in the judgment of the Board are necessary  
23          or proper to effectuate the purposes of section 203 or to pre-  
24          vent circumvention or evasion of, or to facilitate compliance

1 by creditors with, section 203 or any regulation issued under  
2 this section. In prescribing exceptions, the Board may con-  
3 sider, among other things, whether any class of transactions  
4 is subject to any State law or regulation which requires dis-  
5 closures substantially similar to those required by section  
6 203.

7 “(d) In the exercise of its powers under this title, the  
8 Board may request the views of other Federal agencies  
9 which in its judgment exercise regulatory functions with  
10 respect to any class of creditors, and such agencies shall  
11 furnish such views upon request of the Board.

12 “(e) The Board shall establish an advisory committee,  
13 to advise and conduct with it in the exercise of its functions  
14 with respect to section 203 and this section. In appointing  
15 the members of the committee, the Board shall seek to  
16 achieve a fair representation of the interests of sellers of  
17 merchandise on credit, lenders, and the public. The com-  
18 mittee shall meet from time to time at the call of the  
19 Board, and members thereof shall be paid transportation  
20 expenses and not to exceed \$100 per diem.

21 “EFFECT ON STATE LAWS

22 “SEC. 205. (a) This title shall not be construed to  
23 annul, alter or affect, or to exempt any creditor from comply-  
24 ing with, the laws of any State relating to the disclosure of  
25 information in connection with credit transactions, except

1 to the extent that such laws are inconsistent with the provi-  
2 sions of this title, or regulations issued thereunder, and then  
3 only to the extent of the inconsistency. This title shall not  
4 otherwise be construed to annul, alter or affect in any manner  
5 the meaning, scope or applicability of the laws of any  
6 State, including, but not limited to, laws relating to the  
7 types, amounts or rates of charges, or any element or ele-  
8 ments of charges, permissible under such laws in connection  
9 with the extension or use of credit, nor to extend the appli-  
10 cability of such laws to any class of persons or transactions to  
11 which such laws would not otherwise apply, nor shall the dis-  
12 closure of the annual percentage rate in connection with any  
13 consumer credit sale as required by this title be evidence in  
14 any action or proceeding that such sale was a loan or any  
15 transaction other than a credit sale.

16 “(b) The Board shall by regulation exempt from the  
17 requirements of section 203 any class of credit transactions  
18 which it determines are subject to State law or regulation  
19 substantially similar to the requirements under that section,  
20 with adequate provision for enforcement.

21 “(c) Except as specified in section 206, section 203 and  
22 the regulations issued thereunder do not affect the validity  
23 or enforceability of any contract or obligation under State or  
24 Federal law.

## 1 "CIVIL AND CRIMINAL PENALTIES

2 "SEC. 206. (a) (1) Any creditor who, in connection  
3 with any credit transaction, knowingly fails in violation of  
4 section 203, or any regulation issued thereunder, to disclose  
5 any information to any person to whom such information is  
6 required to be given shall be liable to such person in the  
7 amount of \$100, or in any amount equal to twice the finance  
8 charge required by such creditor in connection with such  
9 transaction, whichever is the greater, except that such lia-  
10 bility shall not exceed \$1,000 on any credit transaction.

11 "(2) In any action brought under this subsection in which  
12 it is shown that the creditor disclosed a percentage rate or  
13 amount less than that required to be disclosed by section 203  
14 or regulations prescribed by the Board (after taking into  
15 account permissible tolerances), or failed to disclose informa-  
16 tion so required, there shall be a rebuttable presumption  
17 that such violation was made knowingly. The presumption  
18 is rebutted if the creditor shows by a preponderance  
19 of evidence that the violation was not intentional and re-  
20 sulted from a bona fide error notwithstanding the mainte-  
21 nance of procedures reasonably adapted to avoid any such  
22 error. A creditor has no liability under this subsection  
23 if within fifteen days after discovering the error, and prior  
24 to the institution of an action hereunder or the receipt of  
25 written notice of the error, the creditor notifies the person

1 concerned of the error and makes whatever adjustments in  
2 the appropriate account as are necessary to insure that the  
3 person will not be required to pay a finance charge in excess  
4 of the amount or percentage rate so disclosed.

5 “(3) Any action under this subsection may be brought  
6 in any United States district court, or in any other court of  
7 competent jurisdiction, within one year from the date of  
8 the occurrence of the violation. In any such action in which  
9 a person is entitled to recover a penalty as prescribed in  
10 paragraph (1), the defendant is also liable for reasonable  
11 attorneys’ fees and court costs as determined by the court.

12 “(b) Any person who knowingly and willfully gives  
13 false or inaccurate information or fails to provide informa-  
14 tion required to be disclosed under the provisions of this title  
15 or any regulation issued thereunder, or who otherwise know-  
16 ingly and willfully violates any provision of this title or any  
17 regulation issued thereunder, shall be fined not more than  
18 \$5,000 or imprisoned not more than one year, or both. The  
19 Attorney General shall enforce this subsection.

20 “(c) No punishment or penalty provided for a viola-  
21 tion of section 203 or any regulation issued under section  
22 204 applies to the United States, or any agency thereof, or to  
23 any State, any political subdivision thereof, or any agency  
24 of any State or political subdivision.

25 “(d) No person is subject to punishment or penalty

1 under this section solely as the result of the disclosure  
2 of a finance charge or percentage which is greater than the  
3 amount of such charge or percentage required to be disclosed  
4 by such person under section 203, or regulations prescribed  
5 by the Board.

6 "REGULATION OF CREDIT FOR COMMODITY FUTURES

7 TRADING

8 "SEC. 207. For the purpose of preventing the excessive  
9 speculation in and the excessive use of credit for the creation,  
10 carrying, or trading in commodity futures contracts having  
11 the effect of inflating consumer prices, the Board of Governors  
12 of the Federal Reserve System shall prescribe regulations  
13 governing the amount of credit that may be extended or main-  
14 tained on any such contract. The regulations may define the  
15 terms used in this section, may exempt such transactions as  
16 the Board may deem unnecessary to regulate in order to  
17 carry out the purpose of this section, and may make such  
18 differentiations among commodities, transactions, borrowers,  
19 lenders, as the Board may deem appropriate.

20 "EMERGENCY CONTROL OF CONSUMER CREDIT

21 "SEC. 208. (a) Whenever the President determines that  
22 a national emergency exists which necessitates such action,  
23 the Board shall issue regulations, which may include defini-  
24 tions of terms used in this section, to control, to such extent  
25 as the Board determines appropriate,

1           “(1) the extension of consumer credit, by means of  
2 any prohibitions, restrictions, or requirements relating to

3           “(A) the amounts in which and the purposes  
4 for which credit may be extended to any person,

5           “(B) the maximum maturity or other require-  
6 ments as to the repayment or liquidation of any  
7 extension of consumer credit,

8           “(C) where consumer credit is used for the  
9 purchase of identifiable property, maximum loan-to-  
10 value ratios,

11           “(D) the terms of any arrangement for the  
12 lease or rental of personal property, and

13           “(E) such other elements in any extension of  
14 credit as may, in his judgment, require regulation in  
15 order to carry out the purposes of this title.

16           “(2) the extension of credit to finance directly or  
17 indirectly the extension of consumer credit. Controls  
18 imposed pursuant to this paragraph may be related to  
19 the borrower's financial history, or to the lender's other  
20 loans and investments, or to such other factors as the  
21 Board may deem appropriate.

22           “(3) in the case of any lender engaged both in the  
23 extension of consumer credit and in other types of  
24 financing, the proportion of such lender's assets which



1       may be devoted to the extension of any type of con-  
2       sumer credit.

3       This section does not apply to extensions of credit to finance  
4       the acquisition of real property.

5                   "ADMINISTRATIVE ENFORCEMENT

6       "SEC. 209. (a) Whenever the Board has reason to be-  
7       lieve that any person has engaged, is engaged, or is about to  
8       engage in a violation of this title, and it appears to the Board  
9       that a proceeding by it in respect thereof would be in the  
10      public interest, it shall serve upon that person a complaint  
11      stating its charges and containing a notice of a hearing upon  
12      a day and at a place therein fixed at least thirty days after  
13      the service of the complaint. The person so complained of  
14      shall have the right to appear in opposition to the charges set  
15      forth in the complaint. The Board may upon good cause  
16      shown allow any person to intervene by counsel or in person  
17      in such a proceeding. The testimony in any such proceeding  
18      shall be reduced to writing and filed in the office of the  
19      Board. If upon the hearing the Board is of the opinion that  
20      the person charged in the complaint has violated, is violat-  
21      ing, or is about to violate this title, the Board shall state its  
22      findings of fact in writing and shall issue and serve an order  
23      requiring the person not to engage in the violation. Until  
24      the expiration of the time allowed for filing a petition for  
25      review, if no such petition has been duly filed within such

1 time, or, if a petition for review has been filed within such  
2 time then until the record in the proceeding has been filed  
3 in a court of appeals of the United States, as hereinafter  
4 provided, the Board may at any time, upon such notice and  
5 in such manner as it shall deem proper, modify or set aside,  
6 in whole or in part, any report or any order made or issued  
7 by it under this section. After the expiration of the time  
8 allowed for filing a petition for review, if no such petition  
9 has been duly filed within such time, the Board may at any  
10 time, after notice and opportunity for hearing, reopen and  
11 alter, modify, or set aside, in whole or in part, any report or  
12 order made or issued by it under this section, whenever in  
13 the opinion of the Board conditions of fact or of law have  
14 so changed as to require such action or if the public interest  
15 shall so require. The person subject to the order may, within  
16 sixty days after service of the report or order entered after  
17 such a reopening, obtain a review thereof in the appropriate  
18 court of appeals of the United States, in the manner provided  
19 in subsection (b) of this section.

20 “(b) REVIEW OF ORDER; REHEARING.—Any person  
21 required by an order of the Board not to engage in a violation  
22 of this title may obtain a review of such order in the court of  
23 appeals of the United States, within any circuit where the act  
24 or practice in question was used or where such person resides  
25 or carries on business, by filing in the court, within sixty

1 days from the date of the service of such order, a written  
2 petition praying that the order of the Board be set aside.  
3 A copy of such petition shall be forthwith transmitted by  
4 the clerk of the court to the Board, and thereupon the  
5 Board shall file in the court the record in the proceeding,  
6 as provided in section 2112 of title 28. Upon such filing  
7 of the petition the court shall have jurisdiction of the pro-  
8 ceeding and of the question determined therein concurrently  
9 with the Board until the filing of the record and shall have  
10 power to make and enter a decree affirming, modifying,  
11 or setting aside the order of the Board, and enforcing the  
12 same to the extent that such order is affirmed and to issue  
13 such writs as are ancillary to its jurisdiction or are neces-  
14 sary in its judgment to prevent injury to the public or to  
15 competitors pendente lite. The findings of the Board as  
16 to the facts, if supported by evidence, shall be conclusive.  
17 To the extent that the order of the Board is affirmed, the  
18 court shall thereupon issue its own order commanding  
19 obedience to the terms of such order of the Board. If either  
20 party shall apply to the court for leave to adduce addi-  
21 tional evidence, and shall show to the satisfaction of the  
22 court that such additional evidence is material and that  
23 there were reasonable grounds for the failure to adduce  
24 such evidence in the proceeding before the Board, the court  
25 may order such additional evidence to be taken before the

1 Board and to be adduced upon the hearing in such manner  
2 and upon such terms and conditions as to the court may  
3 seem proper. The Board may modify its findings as to the  
4 facts, or make new findings, by reason of the additional  
5 evidence so taken, and it shall file such modified or new  
6 findings, which, if supported by evidence, shall be conclu-  
7 sive, and its recommendation, if any, for the modification  
8 or setting aside of its original order, with the return of  
9 such additional evidence. The judgment and decree of the  
10 court shall be final, except that the same shall be subject  
11 to review by the Supreme Court upon certiorari, as pro-  
12 vided in section 347 of title 28 of the United States Code.

13       “(c) JURISDICTION OF COURT.—Upon the filing of the  
14 record with it the jurisdiction of the court of appeals of the  
15 United States to affirm, enforce, modify, or set aside orders  
16 of the Board shall be exclusive.

17       “(d) SERVICE OF COMPLAINTS, ORDERS, AND OTHER  
18 PROCESSES; RETURN.—Complaints, orders, and other proc-  
19 esses of the Board under this section may be served by  
20 anyone duly authorized by the Board, either (1) by de-  
21 livering a copy thereof to the person to be served, or to a  
22 member of the partnership to be served, or the president,  
23 secretary, or other executive officer or a director of the cor-  
24 poration to be served; or (2) by leaving a copy thereof at  
25 the residence or the principal office or place of business of

1 such person; or (3) by mailing a copy thereof by registered  
2 mail or by certified mail addressed to such person at his or  
3 its residence or principal office or place of business. The  
4 verified return by the person so serving said complaint,  
5 order, or other process setting forth the manner of said serv-  
6 ice shall be proof of the same, and the return post office  
7 receipt for said complaint, order, or other process mailed by  
8 registered mail or by certified mail as aforesaid shall be  
9 proof of the service of the same.

10 “(e) FINALITY OF ORDER.—An order of the Board to  
11 cease and desist shall become final

12 “(1) upon the expiration of the time allowed for  
13 filing a petition for review, if no such petition has been  
14 duly filed within such time; but the Board may there-  
15 after modify or set aside its order to the extent provided  
16 in the last sentence of subsection (a); or

17 “(2) upon the expiration of the time allowed for  
18 filing a petition for certiorari, if the order of the Board  
19 has been affirmed, or the petition for review dismissed by  
20 the court of appeals, and no petition for certiorari has  
21 been duly filed; or

22 “(3) upon the denial of a petition for certiorari, if  
23 the order of the Board has been affirmed or the petition  
24 for review dismissed by the court of appeals; or

25 “(4) upon the expiration of thirty days from the

1 date of issuance of the mandate of the Supreme Court, if  
2 such Court directs that the order of the Board be affirmed  
3 or the petition for review dismissed.

4 “(f) SAME; ORDER MODIFIED OR SET ASIDE BY SU-  
5 PREME COURT.—If the Supreme Court directs that the  
6 order of the Board be modified or set aside, the order of the  
7 Board rendered in accordance with the mandate of the  
8 Supreme Court shall become final upon the expiration of  
9 thirty days from the time it was rendered, unless within  
10 such thirty days either party has instituted proceedings to  
11 have such order corrected to accord with the mandate, in  
12 which event the order of the Board shall become final when  
13 so corrected.

14 “(g) SAME; ORDER MODIFIED OR SET ASIDE BY COURT  
15 OF APPEALS.—If the order of the Board is modified or set  
16 aside by the court of appeals, and if (1) the time allowed  
17 for filing a petition for certiorari has expired and no such  
18 petition has been duly filed, or (2) the petition for certiorari  
19 has been denied, or (3) the decision of the court has been  
20 affirmed by the Supreme Court, then the order of the Board  
21 rendered in accordance with the mandate of the court of  
22 appeals shall become final on the expiration of thirty days  
23 from the time such order of the Board was rendered, unless  
24 within such thirty days either party has instituted proceed-  
25 ings to have such order corrected so that it will accord with

1 the mandate, in which event the order of the Board shall  
2 become final when so corrected.

3 “(h) SAME; REHEARING UPON ORDER OR REMAND.—

4 If the Supreme Court orders a rehearing; or if the case is  
5 remanded by the court of appeals to the Board for a rehear-  
6 ing, and if (1) the time allowed for filing a petition for  
7 certiorari has expired, and no such petition has been duly  
8 filed, or (2) the petition for certiorari has been denied, or  
9 (3) the decision of the court has been affirmed by the  
10 Supreme Court, then the order of the Board rendered upon  
11 such rehearing shall become final in the same manner as  
12 though no prior order of the Board had been rendered.

13 “(j) DEFINITION OF MANDATE.—As used in this sec-  
14 tion the term ‘mandate’, in case a mandate has been recalled  
15 prior to the expiration of thirty days from the date of issu-  
16 ance thereof, means the final mandate.

17 “(k) PENALTY FOR VIOLATION OF ORDER.—Any  
18 person who violates an order of the Board to cease and  
19 desist after it has become final, and while such order is in  
20 effect, shall forfeit and pay to the United States a civil  
21 penalty of not more than \$5,000 for each violation, which  
22 shall accrue to the United States and may be recovered in  
23 a civil action brought by the United States. Each separate  
24 violation of such an order shall be a separate offense, ex-  
25 cept that in the case of a violation through continuing

1 failure or neglect to obey a final order of the Board each  
2 day of continuance of such failure or neglect shall be deemed  
3 a separate offense.

4 "REPORTS

5 "SEC. 210. Not later than January 3 of each year com-  
6 mencing after the effective date of this title, the Board of  
7 Governors of the Federal Reserve System and the Attorney  
8 General shall, respectively, make reports to the Congress con-  
9 cerning the administration of their functions under this title,  
10 including such recommendations as the Board and the Attor-  
11 ney General, respectively, deem necessary or appropriate.  
12 In addition, reports of the Board of Governors of the Federal  
13 Reserve System shall include the Board's assessment of the  
14 extent to which compliance with the provisions of this title,  
15 and regulations prescribed thereunder, is being achieved.

16 "EFFECTIVE DATE

17 "SEC. 211. The provisions of this title shall take effect  
18 July 1, 1968."

19 TITLE II—PROHIBITION OF GARNISHMENT OF  
20 WAGES

21 SEC. 201. The Congress finds that garnishment of wages  
22 is frequently an essential element in predatory extensions of  
23 credit and that the resulting disruption of employment, pro-  
24 duction, and consumption constitutes a substantial burden  
25 upon interstate commerce.



1       SEC. 202. (a) No person may attach or garnish wages  
2 or salary due an employee, or pursue in any court any similar  
3 legal or equitable remedy which has the effect of stopping  
4 or diverting the payment of wages or salary due an employee.

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

### 8 TITLE III—COMMISSION ON CONSUMER FINANCE

9       SEC. 301. ESTABLISHMENT.—There is established a bi-  
10 partisan National Commission on Consumer Finance (re-  
11 ferred to in this title as the “Commission”).

12       SEC. 302. MEMBERSHIP OF THE COMMISSION.—(a)  
13 The Commission shall be composed of nine members, of  
14 whom—

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

17           (2) three are Members of the House of Representa-  
18 tives appointed by the Speaker of the House of Repre-  
19 sentatives; and

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

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

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

3 SEC. 303. COMPENSATION OF MEMBERS.—(a) Mem-  
4 bers of Congress who are members of the Commission shall  
5 serve without compensation in addition to that received for  
6 their services as Members of Congress; but they shall be  
7 reimbursed for travel, subsistence, and other necessary ex-  
8 penses incurred by them in the performance of the duties  
9 vested in the Commission.

10 (b) Each member of the Commission who is appointed  
11 by the President may receive compensation at a rate of  
12 \$100 for each day he is engaged upon work of the Com-  
13 mission, and shall be reimbursed for travel expenses, includ-  
14 ing per diem in lieu of subsistence as authorized by law  
15 (5 U.S.C. 5703) for persons in the Government service  
16 employed intermittently.

17 SEC. 304. DUTIES OF THE COMMISSION.—(a) The  
18 Commission shall study and appraise the functioning and  
19 structure of the consumer finance industry. The Commission,  
20 in its report and recommendations to the Congress, shall  
21 include treatment of the following topics:

22 (1) The adequacy of existing arrangements to pro-  
23 vide consumer financing at reasonable rates.

24 (2) The adequacy of existing supervisory and reg-

1 regulatory mechanisms to protect the public from unfair  
2 practices.

3 (3) The desirability of Federal chartering of con-  
4 sumer finance companies, or other Federal regulatory  
5 measures.

6 (b) The Commission may make interim reports, and  
7 shall make a final report of its findings, recommendations,  
8 and conclusions to the President and to the Congress by  
9 December 31, 1969.

10 SEC. 305. POWERS OF THE COMMISSION.—(a) The  
11 Commission, or any three members thereof as authorized  
12 by the Commission, may conduct hearings anywhere in  
13 the United States or otherwise secure data and expres-  
14 sions of opinions pertinent to the study. In connection there-  
15 with the Commission is authorized by majority vote

16 (1) to require, by special or general orders, cor-  
17 porations, business firms, and individuals to submit in  
18 writing such reports and answers to questions as the  
19 Commission may prescribe; such submission shall be  
20 made within such reasonable period and under oath or  
21 otherwise as the Commission may determine;

22 (2) to administer oaths;

23 (3) to require by subpoena the attendance and testi-  
24 mony of witnesses and the production of all documentary  
25 evidence relating to the execution of its duties;

1           (4) in the case of disobedience to a subpoena or  
2 order issued under paragraph (a) of this section to  
3 invoke the aid of any district court of the United States  
4 in requiring compliance with such subpoena or order;

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

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

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

22           (c) The Commission is authorized to require directly  
23 from the head of any Federal executive department or  
24 independent agency available information deemed useful in  
25 the discharge of its duties. All departments and independent

1 agencies of the Government are hereby authorized and di-  
2 rected to cooperate with the Commission and to furnish  
3 all information requested by the Commission to the extent  
4 permitted by law.

5 (d) The Commission is authorized to enter into con-  
6 tracts with Federal or State agencies, private firms, in-  
7 stitutions, and individuals for the conducting of research  
8 or surveys, the preparation of reports, and other activities  
9 necessary to the discharge of its duties.

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

23 (f) The Commission is authorized to delegate any of  
24 its functions to individual members of the Commission or to

1 designated individuals on its staff and to make such rules  
2 and regulations as are necessary for the conduct of its busi-  
3 ness, except as herein otherwise provided.

4       SEC. 306. ADMINISTRATIVE ARRANGEMENTS.—(a)  
5 The Commission is authorized, without regard to the pro-  
6 visions of title 5, United States Code, relating to appoint-  
7 ments in the competitive service or to classification and  
8 General Schedule pay rates, to appoint and fix the compen-  
9 sation of an executive director and the executive director,  
10 with the approval of the Commission, shall employ and fix  
11 the compensation of such additional personnel as may be  
12 necessary to carry out the functions of the Commission, but  
13 no individual so appointed shall receive compensation in  
14 excess of the rate authorized for GS-18 under the General  
15 Schedule.

16       (b) The executive director, with the approval of the  
17 Commission, is authorized to obtain services in accordance  
18 with the provisions of section 3109 of title 5 of the United  
19 States Code, but at rates for individuals not to exceed \$100  
20 per diem.

21       (c) The head of any executive department or independ-  
22 ent agency of the Federal Government is authorized to de-  
23 tail, on a reimbursable basis, any of its personnel to assist  
24 the Commission in carrying out its work.

1 (d) Financial and administrative services (including  
2 those related to budgeting and accounting, financial report-  
3 ing, personnel, and procurement) shall be provided the Com-  
4 mission by the General Services Administration, for which  
5 payment shall be made in advance, or by reimbursement,  
6 from funds of the Commission in such amounts as may be  
7 agreed upon by the Chairman of the Commission and the  
8 Administrator of General Services. The regulations of the  
9 General Services Administration for the collection of in-  
10 debtedness of personnel resulting from erroneous payments  
11 shall apply to the collection of erroneous payments made to  
12 or on behalf of a Commission employee, and regulations of  
13 said Administrator for the administrative control of funds  
14 shall apply to appropriations of the Commission. The Com-  
15 mission shall not be required to prescribe such regulations.

16 (e) Ninety days after submission of its final report, as  
17 provided in section 304 (b), the Commission shall cease to  
18 exist.

19 **SEC. 307. AUTHORIZATION OF APPROPRIATIONS.—**

20 There is hereby authorized to be appropriated such sums not  
21 in excess of \$1,500,000 as may be necessary to carry out the  
22 provisions of this title. Any money appropriated pursuant  
23 hereto shall remain available to the Commission until the  
24 date of its expiration, as fixed by section 306 (e).

1                   **TITLE IV—SEVERABILITY**

2           **SEC. 401.** *If any provision of this Act, is judicially held*  
3 *to be invalid, that holding does not necessarily affect the*  
4 *validity of any other provision of this Act.*



credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes.

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By Mrs. SULLIVAN, Mr. GONZALEZ, Mr. MINISH,  
Mr. ANNUNZIO, Mr. BINGHAM, and Mr.  
HALPERN

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JULY 20, 1967

Referred to the Committee on Banking and Currency