

there will be 160,000 participating by the end of this fiscal year when authority for the pilot program expires. Teachers and principals and children want and need this program on a continuing basis. It has made a remarkable difference in the attitude and capacity of thousands of children who were not dull or trouble-makers—just hungry

TRUTH IN LENDING: ITS PROMISE AND IMPORTANCE

Mr. SYMINGTON. Mr. President, truth-in-lending legislation was the topic of a recent informative radio discussion by the Congresswoman from Missouri who has championed the interests of the American consumer, LEONOR K. SULLIVAN, together with Under Secretary of the Treasury, Joseph W. Barr, and Mr. Charles R. McNeill, director of the Washington office of the American Bankers Association.

Fortunately now, after 8 years, both the Senate and the House have passed bills on disclosure of consumer credit costs and conferees began discussion yesterday on the two versions of the truth-in-lending legislation.

Let us hope that the best possible legislation for the American consumer emerges from this conference.

The program, presented by Georgetown University Radio Forum, with Mr. Wallace Fanning as moderator, provided a keen perspective on the needs for this legislation, its purposes and limitations. I ask unanimous consent to have printed at this point in the RECORD the principal parts of the discussion taken from a transcript of the program.

There being no objection, the excerpts from the discussion were ordered to be printed in the RECORD, as follows:

[The Georgetown University Radio Forum, Mar. 11, 1968]

TRUTH IN LENDING: ITS PROMISE AND IMPORTANCE

Mrs. Sullivan, if you would begin, please.

Representative SULLIVAN. I would be glad to explain the purpose of this legislation, which is to provide the customer—the consumer—the facts which he has to have in order to be able to use credit in an informed manner.

We require in the bill that, in every consumer credit transaction, the seller or the lender has to tell the buyer or the borrower the full amount of money involved in the transaction, including the principal amount and then all of the extra costs added for the purpose of financing the obligation. And these facts about the credit transaction have to be spelled out in understandable terms, then translated also into an annual percentage rate, so that the customer can compare one set of credit costs with another on a rate basis as well as on a dollar-and-cents basis. The annual rate requirement is vital because, really, that's the only way that the consumer can make an informed judgment as to whether to choose one offer of credit over another, or compare the credit costs on a percentage rate basis with the return he receives on his own savings and investments. If he has these facts, he may then decide that perhaps he'd be better off using his own money instead of using credit in a particular situation.

Mr. FANNING. Is there great abuse as far as this is concerned, Mrs. Sullivan?

Representative SULLIVAN. I would say there's a high incidence of abuse or misuse of credit. Nevertheless, I would have to say that there's really been no great demand by

the general public for this legislation; at least, there hadn't been for most of the past eight years. But the reason that those of us who believe in this kind of legislation got into it—the reason that we have pressed for it—is because of the clear need for it, as demonstrated by the great amount of personal bankruptcies that have occurred over the past ten to fifteen years. Some ten years ago, personal bankruptcies were in the neighborhood of some 10,000 a year. In the last fiscal year, there were 208,000 filings for personal bankruptcy. Now this means that vast numbers of people are not able to pay for the loans or the things that they've been buying on credit. The consumer needs to be educated, needs to be helped, to understand what it costs to use your money to buy something that he may want that he can't afford to pay for. Credit is made to sound so easy they don't want to wait until they can afford to buy the things they want—things everyone wants.

Mr. FANNING. Well, the fault obviously always might not be on the lender, though. It might be on the consumer himself, if he overextends himself.

Representative SULLIVAN. That's right. That's exactly right. Only in today's world they make it awfully easy for anyone to get credit, and they make credit so tempting that people who have real wants and desires don't have to put off buying because they can just walk into a store and, by signing their name, walk out with the object.

Mr. FANNING. And then they bombard him with advertisements to encourage him to buy and to want things, too.

Representative SULLIVAN. Well, this is the world in which we live.

Mr. FANNING. Mr. Secretary?

Mr. BARR. Wally, let me say a word in favor of debt here, right now.

As the Under Secretary of the Treasury, I've had a long association with debt. You know, we had to borrow the money to pay George Washington and the first Congress. This country has been in debt through its history, and nearly all its people have been in debt. That's the great difference between the United States and Europe. In Europe, you have to be a wealthy man before you can be in debt; in the United States, as we built up this country, as a fellow moved west, got a farm, and bought a mule, he had to do it on credit. We've always been in debt in this country, and I think it's probably one of the greatest strengths we have.

Now, Mrs. Sullivan has pointed to an area where there is probably not the sophistication and not the intelligent application of good, hard common sense that we have used in our normal debt transactions. She's speaking about consumer debt. Wally, you know, in this country, if we're worried about debt, we're in an awful bad way, because we owe each other within the country about one trillion, five hundred billion dollars; that was at the end of 1966. It's higher now, but I haven't got the figures yet. I'm not counting foreigners, they owe us a lot of money, about fifty billion more than we owe to them.

Out of that one trillion, five hundred billion, credit charges are figured, on a very standard formula. It's figured on a certain per cent per annum on the amount that is unpaid. That applies to United States debt, state and local debt, corporate debt, farm debt, business debt, to mortgage debt. When you get down to that last hundred billion, which is what consumers owe, in installment debt—and this is what it is—there's an entirely different system that has been used.

The system is that you pay a certain interest rate per annum on the amount that you borrowed, but as you pay down that debt, you are still charged on the original amount borrowed. Let's say you borrow a thousand dollars, and they say it's six per cent on that thousand dollars. You keep paying six per cent on that thousand dollars even though

your debt might be down to \$200. We don't do that in the Treasury; no corporation does that, no farmer does that, no mortgage buyer does that. But for installment credit, this has been the tradition. Thus, the six per cent that they quote you really figures out closer to twelve; it's actually eleven per cent. That's the difference in this area.

To sum up, there is a trillion, four hundred billion that operates under one set of rules, and there's a hundred billion that operates under another.

Representative SULLIVAN. Well, Mr. Secretary, we don't want to start out with the impression that being in debt, or buying on credit, is bad.

Mr. BARR. No, we don't.

Representative SULLIVAN. That's right. I don't think any of us feel that using credit is a bad thing, but using credit foolishly, or without knowing the costs, can be very serious. But without credit our economy would topple.

Mr. BARR. I think Charley McNeill here for the bankers has something to say at that point.

Mr. McNEILL. As a representative of the American Bankers Association, Mr. Secretary, I certainly want to support you, and Mrs. Sullivan's remarks, in favor of the sound and reasoned use of credit. Our country would not have grown, our economy would never have expanded to the extent that it has if we had not had the use of credit over our history.

In referring to the bill which we're discussing today, I'd like to make it clear that I think bankers, we in the American Bankers Association, have always felt and do feel that full disclosure of credit costs to the borrower is a most desirable thing and would be helpful for the consuming public. When this was first considered, we thought that in view of the fact that, as the Secretary has pointed out, many states—most states—have developed consumer credit on a little different basis than other types of credit, it would be easier, and perhaps better if the states would try to take care of this disclosure at the same time as they amended their state laws. Now, the states, over a period of seven or eight years, did not provide for adequate disclosure laws, and as a result, the Congress is about ready to reach agreement on the bill which we are discussing. We believe that great progress has been made in developing a bill which will be workable, and one of the elements which the Treasury has had a large part in perfecting is the fact that the present bill does not require a precise conversion of a dollar charge into a precise rate, but rather permits an approximation and the use of tables, which will permit lenders and sellers to comply with the law much more readily than they could have if each transaction would have required a precise conversion.

Mr. BARR. The history of the consumer in this whole truth-in-lending area is quite intriguing. Former Senator Paul Douglas used to lecture at seminars at Harvard when I was there taking a graduate degree. If I can digress just a minute—when he has become extremely irritated at me as Under Secretary of the Treasury, he has said: "Joe, you're the perfect example of why I failed as an educator." But Senator Douglas, unfortunately, was defeated in 1966, in the election of that year. Before that he had been in charge of this legislation. It was his "pet baby" all these years. The President looked around and decided he was going to give the responsibility for this legislation to the Treasury.

What we did was to look at one of the basic charges that the business community had always argued about. They said it would take a computer in every corner drugstore and filling station to figure this simple annual interest rate, and with some justification. It's an extremely complex mathematical problem. But fortunately it turned out that we had the talent in our Treasury staff to

cope with it. After a lot of hard work we came up with a set of excellent tables. I went before the Senate Finance Committee, early in 1967, with them and a ruler and passed out the tables to all the Senators. I said, "Now, you name any credit transaction, and we can look up the computed annual interest rate. Now, we might be off just a fraction." Actually, it's a very, very tiny fraction; it isn't one percent, it's not a tenth of one percent. It's close to about a fiftieth of one percent that we're off in the actual transaction; you can get that close. But this was the basic contribution that we made to the whole truth-in-lending act. By this rather simple set of tables and a ruler, I think any high school graduate can be trained to use the tables in just a few hours.

Mr. FANNING. It's this error factor that Mr. McNeill was talking about.

Mr. BARR. Yes. If you say it's got to be absolutely precise, the business community is right. Every filling station could use a computer.

But I would like to emphasize that in practice the approach is just the reverse of what I have been talking about here. The dealer will not manufacture a set of payments out of thin air and then compute the percentage rate every time he makes a sale. Instead, he will use a prepared payment schedule with the rate printed right on it. Once guide schedules are set up, only rarely will it be necessary to compute a rate for a particular transaction. So, you see, there really isn't any problem at all with regard to the rate since reasonable tolerances are permitted.

Mr. McNEILL. Joe, could I comment on one very minor part of your statement? I think it should be clear to the public, to the consumer, though, that what we end up with here as a percentage is not an interest rate. This is a finance charge converted into a percentage and may include a number of charges which are not really part of the cost of money, and I think Mrs. Sullivan recognizes that there is a difference between—

Mr. FANNING. Well, now, is this the insurance and so forth?

Representative SULLIVAN. Yes. I think if we would just give an example, I hate to single out any one industry group, but almost every family today finances a car, and we have gone into this problem because we've also touched, in this legislation, on truth in the advertising of credit. Under my bill, it would no longer be possible for a loan company or a bank or anyone else to advertise that "We'll finance your car at three and a half per cent." Now, how could a bank finance a car at three and a half per cent when they pay us four or even five per cent to put our money in the bank in savings? They couldn't begin to do it, and yet the ads read: "We will finance your car at three and a half per cent." Well, they may use—what do they call it—the discount rate of three and a half per cent, but there aren't many people that understand what "discount rate" means. But in addition to this amount of money that you are borrowing to pay for the car, there may also be a charge for credit life insurance, and I don't know what all the other charges are that go into this kind of a transaction, but any charge that is made in order to finance this item must be included in the whole total cost that they quote to the borrower, or the buyer, and then that must be equated in a nominal annual percentage rate. So that instead of that misleading figure of three and a half per cent, which I think really comes out to around eight or eight and a half per cent, it's actually figured in with all of these other things included. So if they want to give a percentage rate in the ad, they would have to advertise that "We'll finance your car at eight and a half per cent," and then they'd be telling the truth. Of course, they can still say "We will finance

your car on easy credit terms," and they can get by with it without giving specific terms. But they cannot quote any figure unless they include all of the costs which go to make up the loan—all of the costs and charges incident to credit—with a nominal annual percentage rate for this financing.

Mr. FANNING. You know, this sort of falls into the category, though, it seems to me, of giving a youngster a dose of castor oil and telling him, you know, "It's going to do you a lot of good, whether you like it or not." Because I've been around when I—and I've seen people buy automobiles, and they don't care what it's going to cost them to buy that automobile, except in terms of how many dollars and cents per month for thirty-six months. That's what they want to know.

Representative SULLIVAN. That's perfectly true. But when our hearings started last August, I had a lot of reporters call me and say "Mrs. Sullivan, we're amazed." In fact, two of them called and said, "We just financed a car this week, and to this moment we can't tell you what we have to pay for it except what it's going to cost us a month." I know that most people, when they go into the automobile showroom, or to the radio or television dealer, say "I want to buy this and I want it now, but how much do I have to pay a month?"

Mr. FANNING. Mr. McNeill?

Mr. McNEILL. I think a great many borrowers and consumers are only concerned about how much they have to pay each month, and they may not care any more after this bill is enacted and they have the additional information. But we have to agree that for those borrowers and those consumers who want to shop, who want to see what they're buying and have a basis for comparing the cost of credit, this conversion into a rate, an annual rate, will give them the information, so if they're interested they can pursue it.

Now, speaking for bankers, I think after any of the problems are worked out in regulations of the Federal Reserve Board, that we can look forward to working very satisfactorily under this law, because I believe that commercial bankers as a whole will be revealed as changing, overall, in most instances, the lowest rates that the borrower can obtain. But as you have indicated, I think there is also going to have to be a lot of education and understanding in—as far as the public is concerned, because they're going to have to realize that the old myth of a six per cent interest being the top of what should be paid is not true, when they use consumer installment credit because of the expenses and the costs involved for the lender. They're going to have to realize that the realistic rate is much higher, and, if mortgages are included, I think the consuming public and the home-buying public will have to realize that if a mortgage is maintained for twenty-five or thirty years, that the amount of interest to be paid is a very sizable item. I just figured out roughly last night that on a \$15,000 mortgage, at six per cent for thirty years, the borrower, if he kept that mortgage for thirty years, would be paying almost \$17,500 in interest, or \$2,500 more than he borrowed, and this is at six per cent simple interest on the unpaid balance. So a great deal of education and understanding from the public will have to follow this legislation.

Representative SULLIVAN. Well, Mr. McNeill, I think we've got to impress upon the people, too, that money isn't cheap. Especially in today's money market, money is expensive, and if they want to buy on credit, that's fine, but if they're using somebody else's money to buy something that they want, they're not going to get it cheap. At the same time, I think that we've got to do is erase—take away—all of these mysterious terms which are used to confuse the buyer and give the borrower or the buyer the facts on what it's costing him in money, as well as on an

annual percentage rate basis, so that when you ask what the percentage rate basis is from this dealer or that dealer, or this loan company or that bank, all of them will have to give it to you on a comparable basis.

Mr. FANNING. Now, Mrs. Sullivan, does the legislation fix any actual percentages?

Representative SULLIVAN. No. No. It does not say that you can only charge five per cent or ten per cent. Whatever charge the bank, the loan company, the installment house or the department store makes, that's up to them. We fix no charges.

Mr. FANNING. It just gives the consumer the opportunity, then, to compare the actualities of what it's going to cost at one place as opposed to another?

Representative SULLIVAN. That's correct. That's exactly right.

Mr. BARR. Wally, this is not inconsiderable, however. As I indicated to you, this consumer credit area is about a hundred billion dollars a year. Consumers pay back about seventy-five billion a year. For every taxpayer in the United States, one dollar out of every six they earn goes in to repaying installment debt. Our disposable personal income—that's the income we have after taxes—is about five hundred and five billion; seventy-two billion was used to pay back or make payments on consumer debt. This figures out to around 15 per cent, 16 per cent, or one dollar out of every six. So this is not a small and inconsequential part of the budget of any American family; it's a big amount. One thing people ask me all the time, as Under Secretary of the Treasury, is: "Don't you think the country is so deeply in debt that things are going to blow up?" Well, as I said at the start, we're in debt to each other to the tune of a trillion, five hundred billion dollars. But what is the proper level of debt? I'm sure they said the same thing to Alexander Hamilton when he went out and borrowed \$30,000 to pay George Washington and the Congress, and the same thing's been asked ever since; "What is the proper level of debt?"

I tell people that you shouldn't ask an Under Secretary of the Treasury to answer this; you ought to ask a psychiatrist. As long as the American people have good, hard, common sense, and there's no indication to show that they haven't, then the amount of debt that they're willing to contract should be left to them.

Representative SULLIVAN. Well, may I say this, Mr. Moderator, and gentlemen, frankly, the idea of buying on credit, buying on time, is good if it's used intelligently. But we have found that there are so many uneducated people who have not had the opportunity to understand the ins and outs of credit, but they have their desires and their wants just like everybody else. We've got to find some way to help them to understand what they are doing, and to perhaps try, sometimes, to protect them from the "oversell." This is the danger that is behind the personal bankruptcies today; most of these people have been sold things that they should have known, and the man who sold it to them certainly knew, that they'd never be able to repay. One of the bad things is that this credit is not cleared the way it should be. In some of these places, with the uneducated person, the only thing the seller of goods wants to know—whether it be a department store, furniture store, or what—the only thing they want to know is, does this person have a job? "If they have a job, we'll give them credit, because if the buyer doesn't pay, we'll garnish his wages."

Mr. FANNING. Is it really, mainly, basically, a class problem, do you think?

Representative SULLIVAN. In the misuse of it, yes; it is a problem of the under-educated—the person who hasn't been reasoned with or talked with in order to know when they should stop buying. I don't think that they go into this deliberately, knowing that they're not going to pay their bills. But I

think they've simply been oversold on something.

Mr. FANNING. They've been used.

Representative SULLIVAN. That's right.

Mr. BARR. It's been a class problem. I do want to add one thing, in the little time that's remaining: It is that had it not been for a real crusader, like Leonor Sullivan, I don't think the Treasury could have carried this legislation; I don't think the bankers could have carried it, the President couldn't have carried it—nobody could have carried this legislation. The President tried, I tried, the bankers tried, everybody tried, but I want to make it very clear as we close up here, that the lady to my left is the real heroine in this whole effort.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Is there further morning business? If not, morning business is concluded.

AMENDMENT OF THE NATIONAL SCHOOL LUNCH ACT

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1049, H.R. 15398.

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. H.R. 15398, to amend the National School Lunch Act to strengthen and expand food service programs for children, and for other purposes, reported with an amendment.

The PRESIDING OFFICER. Without objection, the Senate will proceed to its consideration.

Under the previous order, the Senator from New York is now recognized for not to exceed 20 minutes.

MIDDLE EAST THREAT TO WORLD PEACE

Mr. JAVITS. Mr. President, the United States urgently needs a U.S. policy for the Middle East. The present policy is to extinguish conflagrations when they signal their presence by breaking out. We must end this dangerous policy of drift.

The Security Council resolution of March 24, adopted following Israel's reprisal attack on the Karameh terrorist base in Jordan, lacks evenhandedness but also unfortunately concerns itself with symptoms rather than cures for the crisis itself. What is important—indeed, what has now become most urgent—are measures to reverse the drift toward a renewal of war in the Middle East.

The looming dangers are ominous indeed. Violence is again on a sharp upward curve and there is a danger that the cycle of violence will gain a momentum of its own which could carry it beyond the control, or the intent, of Amman, Cairo, Damascus, and Tel Aviv—or perhaps even of Moscow and Washington.

President Johnson—following his act of statesmanship in removing himself as President from the partisan political

arena—is now well positioned to seek a new United States-Soviet initiative for peace in the Middle East. I urge him to give this suggestion and its timing his most serious consideration. After Vietnam the Middle East situation poses the most serious threat to world peace.

Ambassador Goldberg's call for the positioning of United Nations observers along both banks of the Jordan River is a very practical and constructive suggestion. The presence of such observers would help to dampen cross river violence. It is most significant that observers are present along the Suez and in the Golan Heights region. It is clear that the presence of U.N. observers along the Suez cease-fire line helped to restore tranquillity there when renewed violence flared briefly last fall.

I hope that both Jordan and Israel will consider and agree to the positioning of observers on both banks. Existing Security Council actions provide sufficient authority for their deployment, once the two countries agree. It would be a magnanimous gesture for Israel to seriously consider accepting this proposal, despite understandable doubts resulting from its experience with the performance of the United Nations Emergency Force in the Sinai—which melted away at the crucial hour in May of 1967 at the first request from President Nasser—it could prove to be the best course.

I suggest that the United States adopt the following five-point policy:

First. New Security Council resolution.
Second. Middle East arms control agreement.

Third. Initiative in NATO.

Fourth. New international initiative on Arab refugees.

Fifth. New Middle East cooperative grouping.

I. NEW SECURITY COUNCIL RESOLUTION

The Security Council resolution of November 22, 1967, does, in my judgment, represent a suitable basis for negotiations between Israel and the Arab States. However, if—as now seems likely—this resolution proves inadequate to the task of getting real negotiations started among the nations involved, stronger inducements must be considered by the international community. The United States and the Soviet Union have the prime responsibility in this regard. Together they should jointly sponsor a new Security Council resolution which specifically calls for negotiations to implement the resolution of November 22.

The November 22 resolution provides an acceptable substantive basis for a Middle East settlement but is silent on how such a settlement is to be reached. Everything, thus, depends on the Jarring mission—surely the most awkward mode of negotiation in recent memory. Despite Ambassador Jarring's best efforts, no real progress is being made toward a negotiated peace settlement. In fact, the situation is deteriorating. The new resolution should refer to the November 22 resolution, reaffirm its principles and specifically call for direct negotiations among the parties involved to achieve stated aims of the November 22 resolution. This requires the assurance of a

balancing of conditions in the November 22 resolution as the outcome of negotiations; that is, secure and recognize boundaries, acknowledgment of the sovereignty, territorial integrity and political independence of all states in the area, and termination of all claims or states of belligerency; and, as dictated thereby, Israel withdrawal from territories occupied during the 6-day war. I wish to stress that only a "hard peace" can now be acceptable—peace which is "hard" in its viability and durability, though not necessarily "hard" in its terms.

No outside powers can, or should try to, dictate the terms of peace in the Middle East. Meaningful peace has got to be one which the countries of the area hammer out amongst themselves. It could be achieved at one time or in smaller parts—that is not the issue, what is essential is that negotiations get started. It is here that the Soviet Union has such a heavy responsibility for peace and such a fine opportunity for statesmanship. An urgent and determined joint United States-Soviet initiative, and only such a joint initiative, can get the parties to the negotiating table.

President Johnson at last has acted decisively to seek the beginning of an end in Vietnam. A most fitting next step would be for him to enlist the Soviet Union in the equally urgent business of bringing about a negotiated settlement to the problems of belligerency in the Middle East. He is freeing himself from the psychological thrall of Vietnam. I hope he will now direct an adequate measure of his creative energies to achieving a peace breakthrough in the Middle East.

II. MIDDLE EAST ARMS CONTROL AGREEMENT

The rising level of renewed violence in the Middle East gives new urgency to the need for a viable agreement to limit the supply of arms from outside the area. The possession of sophisticated weapons feeds the flames of violence, and violence in turn stimulates the search for sources of arms supply.

This vicious and highly volatile cycle needs to be broken. It is an urgent area for United States-U.S.S.R. initiative and cooperation. The lack of a Soviet response to the President's suggestions in this regard to Premier Kosygin at the Glassboro Summit last summer cannot be accepted as final. The matter should be pursued with new vigor. The glimmerings of a Vietnam peace breakthrough, and the United States-Soviet agreement on a draft nonproliferation treaty, suggest that there may be a new opening for agreement on the control of arms supply to the Middle East.

While the United States and the U.S.S.R. obviously are the major powers which must come to an agreement if it is to be at all meaningful, it is also clear that, to be really effective and reliable, a Middle East arms supply limitation agreement must also be subscribed to by France—new the world's third largest seller of arms—Britain—a traditional arms supplier for the Middle East—and the East European satellite countries.