Superior Court of New Jersey
Appellate Division

Docket No: A 3379-03T1

HILDA PEREZ, on Behalf of Herself and All Others Similarly Situated, *Plaintiff-Appellant* vs RENT-A-CENTER, INC., *Defendant-Respondent*	CIVIL ACTION ON APPEAL FROM A FINAL JUDGMENT OF THE SUPERIOR COURT, LAW DIVISION, CAMDEN COUNTY Sat Below: HON. RONALD J. FREEMAN, J.S.C.

REVISED BRIEF OF AMICUS CURIAE
CONSUMERS LEAGUE OF NEW JERSEY

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TABLE OF CONTENTS

TABLE OF CITATIONS

Cases:

Other Authorities:

Statement of Interest

The Consumers League of New Jersey (CLNJ), 60 South Fullerton Avenue, Montclair, N.J., is a nonprofit, membership organization which was founded in 1900. For over one hundred years, the Consumers League has educated consumers about the opportunities and dangers in the marketplace, and has advocated for the rights of consumers in the New Jersey legislature and in Congress, see, Suzanne Nussbaum and James Boskey, "The Consumers League of New Jersey and the Development of Occupational Disease Legislation," 4 Seton Hall Legis. J. 101 (1979). The Consumers League of New Jersey is a member organization of the National Consumers League and the Consumer Federation of America. The CLNJ has been granted the status of amicus curiae in many cases, including *Perth Amboy Ironworks Inc. v. American Home Assurance Co.*, 118 N.J. 249 (1990) and *49 Prospect St. Tenants Ass'n v Sheva Gardens,* 277 N.J. Super 449 (App. Div. 1988).

The Consumers League of New Jersey has no financial interest in this suit, and no relation to any party therein.

The Consumers League does have a special expertise as to the rent-to-own controversy, however. The issue as to whether rent-to-own stores may with impunity violate N.J.S.A. 2C:21-19, New Jersey's 30% Criminal Usury Law, is a matter of great public interest, and has been a special concern of Consumers League for many years. The Consumers League was granted the status of amicus curiae in *Green v. Continental Rentals, Inc.*, 292 N.J. Super 241

(Law Div.1994), where the Court held that rent-to-own contracts were disguised credit sales, usurious, unconscionable, and violated the N.J. Consumer Fraud Act, N.J.S.A. 56:8-1 et seq.

CLNJ won a grant in a national competition by the NCCE-AT&T Consumer Credit Education Fund to educate consumers about the dangers of rent-to-own sales. CLNJ published pamphlets, posters and the "Rent-to-own RAP," a public service announcement in the form of a rap song. These materials are published at www.consumersleague.org.

The records of the N.J. Legislature show that the rent-to-own industry has lobbied the Legislature since 1988 for special interest bills which would have explicitly exempted rent-to-own sellers from the Criminal Usury Act and exempted rent-to-own from the Retail Installment Sales Act, N.J.S.A. 17:16C-1 et seq. The provisions of those bills would have declared rent to own contracts as leases. Several of the bills would have allowed unlimited charges (what CLNJ deems the interest) and some of the bills would have imposed a price control by a formula allowing a cash price to be doubled for a maximum credit purchase price. The Legislature rejected all those industry-sponsored bills, including A.3666 (1988), A.2721 (1990), A.1988 (1992), A.2700 (1997), S.2062 (1997-98), S.1343 (1999). CLNJ, along with the N.J. Public Interest Research Group, the former New Jersey Public Advocate, and the N.J. Division of Consumer Affairs, testified against these bills to legalize loanshark rates for rent-to-own

sellers. On May 10, 1990, the current President of Consumers League, Patricia Royer, testified against the industry's rent-to-own legalization bill as Governor Florio's Director of the N.J. Division of Consumer Affairs.

To its credit, the Legislature has *not* passed any of the bills cited to exempt rent-to-own from the Criminal Usury Law and the Retail Installment Sales Act. The Legislature also did not enact bills, supported by Consumers League, to *clarify* that rent-to-own is covered by such laws. The brief of Rent-a-Center, by suggesting a legislative intent from the Legislature's inaction on pro-consumer bills, while neglecting to discuss equally the legislative inaction on the industry-sponsored bills, is intellectually dishonest and misleads the Court.

While CLNJ supported the bills to clarify the issue, CLNJ has always maintained that rent-to-own contracts are now and have always been credit sales, under the existing Retail Installment Sales Act, limited to a maximum 30% by the Criminal Usury Law, see Points II, III, IV. This is the issue which the Court must decide.

Because Consumers League has "done the math," it feels compelled to speak up for consumers who do not know how badly rent-to-own has cheated them. Where rent-to-own interest rates exceed New Jersey's 30% criminal usury limit, N.J.S.A. 2C:21-19, CLNJ believes that the Courts have a police-power duty to enforce existing laws to protect New Jersey's poorest consumers.

Procedural History

Consumers League relies on the Procedural History as set forth by the Appellant. The record, Plaintiff's Appendix, indicates that over 1,500 pages of materials were before the trial Court for consideration. However, the trial Court's brief oral opinion contains no mention of any of the plaintiff's evidence, such as several expert reports. Rather the Court confined itself to a reading and construction of the "four corners" of the rent-to-own contracts. Transcript, January 14, 2004 Decision, T4-15. The Court then decided that summary judgment was appropriate and dismissed plaintiff's entire suit.

Statement of Facts

CLNJ relies on the Statement of Facts as set forth by the Appellant's Brief. To summarize, Hilda Perez, a low income cook, Pa735-6, who receives food stamps, Pa 737-8, went to Rent-a-Center to buy these items: washer-dryer, furniture, DVD-video, television, computer. Pa754, Pa 1019,Pa1040, Pa1048, Pa1030, Pa1059, Pa1049. It is quite clear that Ms. Perez intended to buy the goods, not rent them, since Ms. Perez paid a total of **$8,159.72** to Rent-a-Center for these items. Pa1021, Pa 1041-1047, Pa 1032, Pa1062, Pa1052. Plaintiff's expert James Hunt calculated the effective interest rates at over **80%** per year. Pa1081. Plaintiff submitted evidence that for three of the items, Ms. Perez has paid an amount greater than the cash price plus 30%

interest, hence Ms. Perez should own them now. Pa1082. Plaintiff alleges that Rent-a-Center emphasizes the "Own" rather than the "rent" in inducing low income consumers to enter rent-to-own contracts and that these contracts are in substance installment sales at high interest, not temporary leases.

The Court below disagreed, and granted Rent-a-Center's motion for repossession. Therefore if this decision stands, Hilda Perez will lose all these household goods as well as the $8,159.72 she invested to buy them.

Questions Presented

Did the Court below err by failing to give all "legitimate inferences" to plaintiffs's proffered evidence on motion for summary judgment?

Did the Court below err by failing to consider substance over form as to the true nature of the rent-to-own contract?

Is a rent-to-own contract, in which the consumer will become the owner by making all the payments, in a sum which greatly exceeds the cash price of the goods, a retail installment sales contract within N.J.S.A. 17:16C-1(b)?

Should rent-to-own contracts in which the effective interest rate exceeds the 30% limit of the New Jersey Criminal Usury Law, N.J.S.A. 2C:21-19, be enforced as written or declared unconscionable?

Point I

THE COURT BELOW ERRED BY FAILING TO EVALUATE ANY OF THE PLAINTIFFS'S PROFFERED EVIDENCE ON MOTION FOR SUMMARY JUDGMENT.

This is a complex case which deserves careful consideration. The record exceeds 1500 pages. Instead, reading the trial Court's brief oral decision, we do not see any indication that the Court considered any of the evidence offered by the plaintiff. There is no mention of the plaintiff's expert report calculating that Rent-a-Center charged 80% interest. There is no mention that plaintiff Hilda Perez paid over $8,000 for the household goods, but is going to lose them all to repossession. There is no mention of plaintiff's contention that Ms. Perez should be deemed the owner of some of the goods, having paid the cash price plus more than 30% interest. There is no mention of any facts which the plaintiff has offered, nor any discussion of the plaintiff's legal theories. In sum, the trial Court has failed in its duty to consider all the evidence in the record and to give the defending party "all legitimate inferences" from that evidence. N.J. Court Rule 4:46-2(c):

> "The court must accept as true all the evidence which supports the position of the party defending against the motion and must accord him [or her] the benefit of all legitimate inferences which can be deduced therefrom, and if reasonable minds could differ, the motion must be denied." *Brill v. Guardian Life Insurance Co. of America,* 142 N.J. 520, 535 (1995).

The one-sided Summary Judgment entered against the plaintiff thus must be reversed.

Point II

THE COURT BELOW ERRED BY FAILING TO CONSIDER SUBSTANCE OVER FORM AS TO THE TRUE NATURE OF THE AGREEMENT.

The trial Court apparently believed that all it had to do was read the "four corners" of the contract, and if the contract says it is a lease, then it is. T4-15. This is the victory of form over substance, and a dereliction of the Court's duty to consider all the facts and the law.

The law instead imposes a duty on courts first to determine the actual facts, that is, what is the substance, the essence of the transaction. *Green v Continental Rentals Inc.*, 292 N.J. Super 241, 252-53 (Law Div. 1994) correctly applied "substance over form" analysis to rent-to-own sales:

> "Adherence to these principles requires the court to adopt the approach applied in those cases that view these transactions in a realistic and common sense way. It is appropriate to look beyond form to identify the substance of the transaction. It is appropriate to penetrate the technique and reach the economic verity of the transaction. The substance of these agreements requires that they be viewed as sales agreements, not leases. The expectation of the customer is that he will make all the required payments and own the property. The economic incentive is ownership. The plaintiffs are entitled to the protections of TILA [Truth in Lending Act] and RISA [Retail Installment Sales Act], so that they can clearly understand the cost of their intended acquisition."

Green v. Continental Rentals, Inc. thus contains the correct principles which we urge this Court to adopt.

After the facts and substance of a transaction are determined, a Court must examine a challenged contract to

determine whether the contract violates the law or the public policy of New Jersey. It is emphatically *not* the law of New Jersey that every contract will be enforced exactly as written, no matter what it says, no matter how it injures consumers in their person or their purse. In the classic *Hennigsen v. Bloomfield Motors, Inc.*, 32 N.J. 358 (1960), the Supreme Court invalidated a contract clause which prevented a car purchaser, injured by a defective auto, from suing the manufacturer. *Hennigsen* held that courts "...do not hesitate to declare void as against public policy contractual provisions which clearly tend to the injury of the public in some way." *Id.* at 403-04. *Hennigsen* noted that in the modern era, consumers do not write any of the terms of the contract of adhesion:

> "From the standpoint of the purchaser, there can be no arms length negotiating on the subject. Because his capacity for bargaining is so grossly unequal, the inexorable conclusion which follows is that he is not permitted to bargain at all. He must take or leave the automobile on the warranty terms dictated by the maker." Hennigsen, supra at 403.

Since Hennigsen, the courts have invalidated many contracts due to unconscionability. The Legislature recognized the courts' right to do so in N.J.S.A. 12A:2-302 (sale of goods) and N.J.S.A. 12A:2A-108 (leases). The Legislature declared unconscionable contracts to be illegal by enacting N.J.S.A. 56:8-1 et seq., the Consumer Fraud Act. The Supreme Court of New Jersey invalidated a clause in a gas station lease where the lessor could terminate

the contract on ten days notice. *Shell Oil Co. v. Marinello*, 63 N.J. 402 (1973). A real estate broker's contract making the seller pay a commission when the sale fell through was voided in *Ellsworth Dobbs, Inc. v Johnson*, 50 N.J. 528 (1967). In *Vazquez v. Glassboro Service Ass'n*,83 N.J. 86 (1980), the Supreme Court held unconscionable an employment contract for migrant workers. In *Kugler v. Romain*, 58 N.J. 522 (1971), the Supreme Court showed special concern for contracts entered by "the poor, the naive and the uneducated consumers who have yielded unwittingly to such high pressure sales tactics. The Legislature has decreed that they are a class of persons to whom the courts should give special protection." *Id.* at 538. In Kugler, a contract to sell "educational" goods was declared unconscionable due to high price, unenforceable, and a violation of the N.J. Consumer Fraud Act, N.J.S.A. 56:8-1 *et seq.:*

> "We have no doubt that an exorbitant price ostensibly agreed to by a purchaser of the type involved in this case--but in reality unilaterally fixed by the seller and not open to negotiation--constitutes an unconscionable bargain from which such a purchaser should be relieved under Section 2." Id. at 544-5.

If exorbitant price makes a contract unconscionable and unenforceable, *Kugler v. Romain*, *supra*, so too exorbitant interest exceeding the criminal usury limit makes a contract unconscionable and unenforceable, *Green v. Continental Rentals, Inc., supra.*

Point III

RENT-TO-OWN CONTRACTS, IN WHICH THE CONSUMER MAY BECOME THE OWNER BY MAKING ALL THE PAYMENTS, IN A SUM WHICH GREATLY EXCEEDS THE CASH PRICE OF THE GOODS, ARE IN SUBSTANCE AND BY DEFINITION RETAIL INSTALLMENT SALES CONTRACTS WITHIN N.J.S.A. 17:16C-1(b).

The "substance over form" analysis of *Green v. Continental Rentals, Inc., supra* shows that rent-to-own contracts are really credit sales. But even if one assumed for the sake of argument that the agreements are leases, the Retail Installment Sales Act, N.J.S.A. 17:16C-1(b) *applies* to certain leases:

> "Retail installment contract" means any contract, other than a retail charge account or an instrument reflecting a sale pursuant thereto, entered into in this State between a retail seller and a retail buyer evidencing an agreement to pay the retail purchase price of goods or services, which are primarily for personal, family or household purposes, or any part thereof, in two or more installments over a period of time. This term includes a security agreement, chattel mortgage, conditional sales contract, or other similar instrument **and any contract for the bailment or leasing of goods by which the bailee or lessee agrees to pay as compensation a sum substantially equivalent to or in excess of the value of the goods, and by which it is agreed that the bailee or lessee is bound to become, or has the option of becoming, the owner of such goods upon full compliance with the terms of such retail installment contract.** (Emphasis added).

The plain language of this statute applies to the Hilda Perez rent-to-own contracts. Although nominally a "lease," Ms. Perez has signed contracts in which she agrees to pay "a sum substantially equivalent to or in excess of the value of the goods, and has the option of becoming the owner of such goods..." N.J.S.A. 17:16C-1(B). This statute includes "bailment and

leasing" in the definition of retail installment sales, because to call a credit sale a "lease" is an ancient dodge intended to avoid consumer protection laws. The Legislature by including the words "any contract for the bailment or leasing of goods" obviously intended to close such loopholes.

Point IV

RENT-TO-OWN CONTRACTS IN WHICH THE EFFECTIVE INTEREST RATE EXCEEDS THE 30% LIMIT OF THE NEW JERSEY CRIMINAL USURY LAW, N.J.S.A. 2C:21-19, SHOULD BE DECLARED ILLEGAL, UNCONSCIONABLE AND UNENFORCEABLE.

In the 1960 Retail Installment Sales Act (RISA), the Legislature established maximum interest rates for the "time price differential," in credit sales of autos, appliances and furniture. Former N.J.S.A. 17:16C-41 (1960)(first paragraph) set interest rates of 7 to 13 percent for cars and 10 percent for "all other goods" such as appliances and furniture:

> "A retail seller and a motor vehicle installment seller, under the provisions of this act, shall have authority to charge, contract for, receive or collect a time price differential as defined in this act, on any retail installment contract evidencing the sale of goods which shall not exceed the rates for the respective classification as follows:
>
> Class I. New motor vehicles, an amount not to exceed $7.00 per $100.00 per year;
>
> "Class II. Used motor vehicles of a model designated by the manufacturer by a year not more than 2 years prior to the year in which the sale is made, an amount not to exceed $10.00 per $100.00 per year;
>
> "Class III. Older used motor vehicles of a model designated by the manufacturer by a year more than 2 years prior to the year in which the sale is made, an amount not to exceed $13.00 per $100.00 per year;
>
> "Class IV. On all other goods, an amount not to exceed $10.00 per $100.00 per year."

Time price differential is an old name for finance charge in

retail credit transactions, *i.e,* the interest.[1] By setting maximum interest rates in the 1960 RISA for autos, appliances and furniture, the Legislature *abrogated* the common law "time price" fiction for retail installment sales. Interest on credit sales became regulated in 1960 at rates of 7 to 13 per cent. Thus much of Rent a Center's brief is misleading. A time price fiction holding there is no interest ceiling for installment sales cannot survive a statute setting interest ceilings for installment sales. In *Turner v. Aldens, Inc.*, 179 N.J. Super 596, 602 (App. Div. 1981), the Appellate Division held that "We have no doubt that the chief evil sought to be remedied by N.J.S.A. 17:16C-1 et seq. is the charging of excessive interest to New Jersey consumers" and compelled an out-of-state credit seller to obey New Jersey's RISA limit on interest.[2] Hence from 1960 until the

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[1] For example, the federal Truth in Lending Act classifies time price differential as a finance charge, 15 U.S.C. 1605(a)(1). Rent to own claims an exemption from the 1969 Truth in Lending Act, which primarily mandates disclosure of the interest rate. But TILA never sets a usury ceiling- this is left to the states. The 1960 N.J. Retail Installment Sales Act, as amended by the Criminal Usury Law, does set a substantive 30% interest ceiling. In this case, it is undisputed that the rent to own contract did not disclose the effective interest rate of 80% (calculated by plaintiff's expert, supra) to Ms. Perez. CLNJ believes this concealment of sky-high interest is another factor proving unconscionability. But whether or not federal law requires disclosure of the interest rate, New Jersey law governs the maximum rate which credit sellers may charge.

[2] Apparently the *Aldens* Court was unaware of P.L. 1981, c.104, enacted after the *Aldens* case was argued, since footnote 2 of *Aldens* does not discuss the recently enacted 30% criminal usury limit.

1981 amendments, credit sales of furniture had a ten percent maximum interest rate.

In December 1980, national interest rates reached their highest point in the last fifty years. The Federal Reserve Board reports that the prime rate was 21.5% on December 31, 1980. www.federalreserve.gov/releases/H15/data/ww/prime.txt. With banks paying high interest rates to depositors, lenders petitioned the Legislature for relief from usury ceilings which had become too low for the lenders' liking. The result was a pair of linked laws: Laws of 1981, chapters 103 and 104. In chapter 103, the Legislature replaced all the former consumer-credit interest ceilings in with language such as "agreed rate" or, in the case of N.J.S.A. 17:16C-41, "amounts agreed" by the seller and the consumer. Chapter 104, enacted the same day, was an amendment to the New Jersey Criminal Usury Law, N.J.S.A. 2C:21-19, setting a uniform ceiling of 30 per cent:

> "For the purposes of this section and notwithstanding any law of this State which permits as a maximum interest rate a rate or **rates agreed to** by the parties of the transaction, any loan or forbearance with an interest rate **which exceeds 30% per annum shall not be a rate authorized or permitted by law**, except if the loan or forbearance is made to a corporation, limited liability company or limited liability partnership any rate not in excess of 50% per annum shall be a rate authorized or permitted by law." (Emphasis added)

Governor Byrne's statement (see Appendix) on signing the pair of laws on the same day indicates that they were a package deal, in which all the laws amended got equal treatment: "Under this bill,

interest rates for loans such as installment credit, retail credit, education loans, credit cards, second mortgages, overdraft accounts, car loans and others may be set according to market conditions." Gov. Byrne Statement. Note that RISA installment contracts, the first item on the list, are deemed "loans" with "interest." The Governor goes on to say that he and the Public Advocate, while agreeing that economic conditions justified an increase in interest rates, did not wish New Jersey to have completely unregulated interest for consumer credit. The new 30% annual percentage rate limit of the Criminal Usury Law was demanded by the Governor and passed by the Legislature, Laws of 1981, ch. 104, providing undeniable legislative intent to replace the individual interest rate ceilings in each credit law that had been amended the same day by L. 1981 ch. 103– including the Retail Installment Sales Act. As to appliances and furniture, RISA's former 10 percent ceiling, *supra*, was replaced by a 30% criminal usury ceiling. This balancing by the Legislature gave credit merchants a higher ceiling, but not an unlimited ceiling. Rent to own wants no ceiling -- a judicial exemption from the carefully crafted Legislative balancing of interests.

In this case, the expert reports submitted by plaintiff prove that all the rent-to-own contracts of Ms. Perez exceed 30% annual percentage rate, with some as high as 80% annual percentage rate. The defendant didn't challenge the math (except to argue that the interest is not interest). Since the math

cannot be reasonably denied,[3] summary judgment therefore can be entered in favor of the plaintiff: Rent-a-Center's contracts with Hilda Perez all violate the Criminal Usury Law. Insofar as the Criminal Usury Law is a statement of public policy, it also sets a benchmark for a declaration of unconscionability.

When the Supreme Court found an unconscionable price for goods sold to low income citizens, it voided the contracts, *Kugler v. Romain*, supra. Usurious interest is the functional equivalent of exorbitant price, and so *Green v. Continental Rentals, Inc., supra*, correctly voided the rent-to-own contracts.

It is only fair to make rent-to-own sellers obey the same laws which other merchants obey. Consumers and competing merchants lose if one company may thumb its nose at the law. This particular company, Rent-a-Center, has been on notice since 1994 (*Green v. Continental Rentals, Inc.*) that exceeding the 30% limit is illegal in New Jersey. Indeed, in 1997 summary judgment was entered against Rent-a-Center in the *Robinson v. Thorn Americas, Inc., Rent-a-Center, et al* Superior Court, Law Div., Camden County, No CAM-L-3797-94, establishing that Rent-a-Center was subject to the N.J. Retail Installment Sales Act. Collateral estoppel should prevent relitigation of that issue. Yet Rent-a-

[3] It is quite easy to calculate credit interest via a Texas Instruments calculator, or software. All you need to know is the cash price, the periodic payment, and the number of payments. Enter these three terms, and the calculator or software provides the interest rate.

Center has persisted in violating the laws of New Jersey. Contracts which violate the Criminal Usury Act are illegal, unconscionable, and should not be enforced, *Green, supra*. To operate in New Jersey, Rent-a-Center needs to obey the laws of New Jersey, to keep its effective interest rate under 30%, just like Sears and other merchants do.

The Criminal Usury Law is a law enforcement matter. The citizens of this State have a vital public interest in ensuring that their Courts enforce that law, and stop rent-to-own sellers from charging loanshark rates of interest. The ancient usury laws were the first consumer protection laws. The Retail Installment Sales Act of 1960, supplemented by the Criminal Usury Act amendments of 1981, was intended to protect consumers by setting a 30% ceiling. Such laws highlight a primary duty of government: to protect its citizens, not to help companies fleece them.

Conclusion

Therefore CLNJ submits that the trial court's decision should be reversed and the case remanded for further proceedings, with instructions to enter a partial summary judgment in favor of plaintiff, declaring that:

- rent-to-own contracts are covered by the plain language of N.J.S.A. 17:16C-1(b), the Retail Installment Sales Act,

- contracts subject to the Retail Installment Sales Act are limited to 30% annual percentage rate of interest, as stated in

the Criminal Usury Act, N.J.S.A. 2C:21-19, because on the same day in 1981 that N.J.S.A. 17:16C-41 was amended to insert an "agreed amount" of time price differential, N.J.S.A. 2C:21-19 was amended to set a maximum rate of interest, notwithstanding consumer credit statutes which stated that an "agreed" rate of interest could be charged,

- since the effective interest rates on each of Ms. Perez's contracts exceeded 30% annual percentage rate, these contracts are illegal, unconscionable, and unenforceable,

-the order for repossession of all these household goods from Hilda Perez, notwithstanding her payment of $8,159.72, is reversed.

Respectfully submitted,

Date:

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APPENDIX:

Legislative History of
Laws of 1981, chapters 103 and 104

STATEMENT OF GOVERNOR BRENDAN BYRNE

IN SIGNING S-3005 AND S-3101

Senate Bill No. 3005, which I am signing today, removes State mandated ceilings on interest rates on a wide variety of loans. Additionally, lenders will be able to offer borrowers variable interest rate loans. I am also signing S-3101 which lowers the definition of criminal usury for loans to individuals from 50 percent per annum to 30 percent per annum.

Under this bill, interest rates for loans such as installment credit, retail credit, education loans, credit cards, second mortgages, overdraft accounts, car loans and others may be set according to market conditions. Interest rates may fluctuate provided the lender gives full disclosure to the borrower and advance notice in writing of any change. On most loans, the change in interest may not be more than three percent in any year and no more than six percent from the original rate.

Interest on credit cards and retail charge accounts could vary immediately for new indebtedness provided there is both adequate notice to the borrower and agreement by the borrower to the new rate. There is no limit on the amount or timing of rate increases.

On the other hand, a lender may not alter the interest rate during the first three years of the loan. Although the language in the bill could be clearer, I read it to restrict a lender's right to alter interest rates until the loan is at least three years ol

Credit has become a commodity in our society. At the same time, continued inflation has made credit more expensive like other items. Recently, as inflation has driven up the cost of credit, yesterday's interest ceilings have dried up credit, thereby quieting significant sectors of our economy. I believe that market forces and not the State should regulate the cost and availability of credit. Other states have already moved in this direction.

Some believe that this bill will ruin many consumers. I disagree. I expect that our banks and other lenders will behave responsibly; competitive pressures should prevent lenders from setting artifically high interest rates. Similary, I believe that most New Jersey consumers will avoid excessive indebtedness. I share the concerns of the Public

Advocate about possible overreaching by second morgage lenders. The concern he voiced was the principal reason why I would not sign S-3005 without the lowering of the criminal usury rate to 30 percent. Strict adherence to that law will be demanded.

The Commissioner of Banking and I will be watching the effects of this bill closely. If lenders abuse their new freedom of fixing unrealistic interest rates or by taking advantage of the disadvantaged, I shall adress them swiftly.

# # #