

payment would go to interest, \$9.50 would be credited against principal, so your balance at the end of that transaction would be \$90.50. That is all we are talking about. Every subsequent transaction will be treated in precisely the same way. This is the U.S. rule.

As I say, it has been supported by a Supreme Court decision, going all the way back to 1839. It is one that we use in the Treasury, it is the one that is used in all major financial transactions.

The bill recognizes the two major forms of credit: closed-end or contract credit, and open-end or revolving credit.

Contract or closed-end credit is characterized by a schedule of payments as specified in the contract. The disclosure requirements for this type of credit are clearly set forth in sections 203 (b) and (c). We estimate that for 95 percent of these cases there is no practical problem whatever in determining the annual rate. Mr. Gushee, of the Financial Publishing Co. of Boston, in testifying before the Senate committee, estimated that less than 1 percent of these transactions could not be handled routinely.

With respect to open-end credit, section 203(d) seems to me to be straightforward. I appreciate the fact that many creditors now quoting a monthly rate of $1\frac{1}{2}$ percent would prefer not to quote 18 percent. But if this is a requirement for all, its impact on any one creditor will be fair. It does not grant favored treatment to a particular class of creditor or a particular type of transaction. I am not convinced by the argument that this higher rate disclosure will affect their sales. So far as I know, there is no evidence that full disclosure requirements in any area have adversely affected the interests of legitimate businesses engaged in that area. Nor do I believe that quoting the annual rate leads to any inaccuracy. We, in Treasury, are regularly quoting annual rates on 90-day bills and other instruments that are never intended to run a full year. So we see no problem with quoting 18 percent on revolving credit accounts which charge $1\frac{1}{2}$ percent per month. Of course, if the $1\frac{1}{2}$ percent is inaccurate, so also would be the 18 percent. But that is entirely another matter. The bill goes into this only to the extent of requiring the creditor to specify clearly the balance on which the charge is imposed and how it is imposed.

Attached to my statement are copies of the one-page Defense Department rate table as well as examples illustrating its applicability to all types of consumer contract credit. I also have available a limited supply of the Treasury Department annual rate tables and matching sets of examples. I would be happy to go through these examples with you. Or, if you wish, I will illustrate how these tables can be used to compute the rate for any type of credit transaction suggested by the committee.

In conclusion I would like to urge this committee to proceed without delay on the truth-in-lending provisions of H.R. 11601. As I said before, I believe this legislation is needed and needed now.

(The table and examples referred to may be found in the appendix, p. 905.)

Mrs. SULLIVAN. Before we go on to Miss Furness, I just wondered—taking that last table and the example that you were speaking of—is there any businessman who cannot do this, or who could not easily get quick help from his bank or the local Small Business Administra-