

seeking here is a standardized percentage rate which everyone will use and therefore the consumer will be in a position to pick and choose between those who are seeking his business or seeking to extend credit to him. So that I would be the last to say what will actually come out of this, but I would hope what will come out of it will be a better understanding on the part of consumers as to the rates that they are paying.

Mrs. DWYER. In your statement at page 13, you say, in some situations there is a tendency for ceilings to become floors as well. I am sure none of us would like to see a Federal ceiling rate operate to raise borrowing costs. You say this here.

Mr. ROBERTSON. That is right. You see, this has to do with enacting a Federal usury law. That is really what it is, and yet it is unrelated, in my opinion, to the particular costs in small and medium-size and large transactions and to the particular conditions under which the credit is extended. I think it is very difficult for the Federal Government to set one rate, just one 18-percent rate ceiling and have it apply clear across the board. I think it cannot be done with impunity. I think there will be great difficulties involved in it and it may deprive a great many people, needy people, of needed credit.

Mrs. DWYER. We will continue most charge accounts—are they not every month at 1½ percent?

Mr. ROBERTSON. Many charge accounts are. It is hard to generalize in this field. But it is very difficult to say that any particular group will use one basis of setting their costs, but it is true that on many installment credits it is based on a 1½ percent a month or less—could be 1 percent a month. But on a monthly periodic basis.

Mrs. DWYER. Would not people begin thinking of 18 percent?

Mr. ROBERTSON. I do not believe so. But I would hope not.

Mrs. DWYER. Would this 18 percent be a proper rate?

Mr. ROBERTSON. No, I would hope not. Because really it would depend upon the type of credit. Competition should result in a much lower annual percentage rate for some kinds of consumer credit.

Mr. WYLIE. Would the gentlelady yield?

Mrs. DWYER. Yes.

Mr. WYLIE. What you are saying is that under the present system we are not required to disclose the interest. But if we require the disclosure of a specific interest rate, isn't everyone going to disclose the same interest?

Mr. ROBERTSON. I think the competition takes care of this pretty well. I think that there are people in the business who are seeking to increase their percentage of business and they will attempt to quote a lower rate than the next one. So that I think really, if you look to competition to correct this problem, this problem will be corrected.

Mr. WYLIE. One result of competition is lower interest rates on consumer purchases. Competition would be more likely to be reflected under the present system, would it not?

Mr. ROBERTSON. Well, you see, today if you are stating interest on a monthly basis it sounds like it is almost nothing. If it is 1½ percent a month it sounds ridiculously low but it does not happen to be low. If you stated 6 percent per annum on a 1-year loan, this is 6 percent.

Mr. WYLIE. But there is more than one firm in the community which is quoting an interest rate.