

of credit cards is increasing this still further, and there is every prospect that this trend will persist. The rate now charged is almost uniformly $11\frac{1}{2}$ percent a month on the amount due at the beginning of a monthly billing period. In spite of all the hairsplitting this is the equivalent of 18 percent a year, and there is no legitimate reason for not quoting this rate alongside and with the monthly rate. The same amount of free riding on credit purchases within the previous billing month which is now granted under revolving credit would still be accorded the buyers—but no more and no less. If this practice is proper now, it would be proper then, and industry opponents cannot condemn this feature of the Sullivan bill without condemning their present practices. As is now true, credit would be measured from the date the service charge begins and not from the date of purchase. The existing freeloading of credit up to the time that the service charge is made is probably already reflected in a higher price. It would be wrong to charge customers twice, in interest as well as price, for the same service.

Therefore, friends, let the nonsense cease. There are 12 months in the year, as any kindergarten child knows, and a monthly rate of $11\frac{1}{2}$ percent is an approximate 18 percent yearly rate and an approximate yearly rate is all the Sullivan bill requires. There is no point in attempting to refine the percentage to a thousandth of 1 percent or even to a hundredth of a percent. A tenth of a percent would be enough and even the nearest quarter of a percent. I believe this is all that the Sullivan bill requires.

A further powerful objection to the exemption given certain forms of revolving credit is that it would favor some mercantile establishments at the expense of others. Thus Sears, Roebuck would be exempted, but Montgomery Ward and Spiegels included. The furniture industry would be covered, but department stores would not. I think you will find many business and financial groups favor including all forms of consumer credit rather than merely including some types and excluding others. These views are stated in "Revolving Credit Provisions of Truth in Lending," a hearing before the Committee on Banking and Currency of the U.S. Senate, during the 90th Congress, first session, on S. 5, June 23, 1967, page 65.

I should like to present a further brief summary if I may of 12 reasons why I believe revolving or open-end credit should be included without any exemption.

(1) A monthly rate is inherently misleading. It tends to minimize the cost of credit. A rate of $11\frac{1}{2}$ percent a month sounds a lot cheaper than 18 percent a year.

(2) A monthly rate for revolving credit prevents a consumer from comparing the cost of revolving credit with alternative sources of credit which would be quoted on an annual basis. Why shouldn't a housewife know that her credit is costing her 18 percent a year? Perhaps she could borrow somewhere else at a cheaper rate.

(3) A monthly rate on revolving credit prevents a direct comparison with the interest earned on savings accounts. It might be more profitable to use savings which are only earning 4 percent a year rather than using the store's credit at 18 percent. A monthly rate obscures these comparisons.