

Mr. Wylie?

Mr. WYLIE. Thank you, Madam Chairman, and thank you, Senator Douglas, for being here this morning. It has been a real pleasure and an enlightening experience for me to listen to your testimony.

Mr. DOUGLAS. Thank you.

Mr. WYLIE. I think much has been said about this, but I would just like to hear from you for the record the definition of various terms which we are using in this bill.

The term "installment credit," for instance, takes on the aura of being a long-term credit arrangement on staple items like automobiles and so forth. The term "revolving credit," as I understand it, is applied to an account at the beginning of each month and usually it would be applied generally to soft goods—shirts, socks, underwear, and that sort of thing.

The "open-end account" is similar to "revolving credit arrangements."

Mr. DOUGLAS. The two are used almost interchangeably. "Open-end" is used almost interchangeably with "revolving credit."

Mr. WYLIE. Could you give us an example of the use of the installment credit plan and the use of the revolving credit plan and maybe an open-end account plan? You said revolving credit and open-end credit are used interchangeably. Using an interest rate of 12 percent annually, how that might work out, using an installment plan and a revolving credit plan?

Mr. DOUGLAS. Well, there is a certain amount of so-called freeloading which is now contained in revolving credit. Suppose a purchase is made on the 10th of May and on the 1st of June the balance owed is stated. The interest rate is then quoted for that month on the amount due on the 1st—on the amount which is owed on the 1st of June which means that the seller carries the interest cost between the time of purchase and the time of billing and if he charges a rate of 1½ percent per month from then on, both the Sullivan bill and the Senate bill which you gentlemen have adopted provide that the annual rate is just 12 times that monthly rate. So that if the present charge is correct, then the yearly charge is correct, disregarding differences in the number of days per month.

Mr. WYLIE. On the adjusted balance existing at the beginning of each month which you referred to, you can have a freeloading period each month?

Mr. DOUGLAS. That is right.

Mr. WYLIE. Not just the opening month?

Mr. DOUGLAS. Sometimes it may go up—it may be carried to the following month, but whenever the credit charge begins on revolving credit then the credit charge would begin under this bill but be taken as 12 times the monthly rate. That is the only difference. Both rates can of course be requested.

Mr. WYLIE. On an installment arrangement it is easy to figure an annual rate. I might suggest that what I would like to see is a statement as to the annual rate and the actual cost prior to sale. What would you think of that?

Mr. DOUGLAS. The annual cost?

Mr. WYLIE. On the installment plan and the revolving credit plan, the annual cost prior to sale.