

What S. 5 does not require, however, is disclosure in terms of an annual rate. The reason is simple—it cannot be truthfully done on revolving charges. The only real yardstick in this area is the dollar cost. This must be disclosed under S. 5—and we do not object to such disclosure.

Now let me turn to another statement of Mr. Barr's, which was reiterated in substance by Governor Robertson. This was the comment which he made, under questioning, that we retailers are right about our $1\frac{1}{2}$ monthly revolving charges not being 18 percent a year if you assume that the credit is extended at the time of the sale.

Let us look at the assumption itself. This is precisely the situation based not on artificial assumptions but on plain commonsense.

When a customer walks from the store, any one of our stores, with a purchase under her arm for which she has not paid, this is either a credit sale or shoplifting. Without money in hand, it is not a cash sale. If it is not a cash sale, it is a credit sale. If it is a credit sale, credit has been extended as of that moment.

From this simple reasoning, I think it is clear that credit is extended to the customer at the time of the transaction. The Barr assumption to the contrary is a fallacy and the conclusion is, therefore, erroneous.

I should now like to introduce Dr. James Wooley of the international accounting firm of Touche, Ross, Bailey & Smart, who will explain to the committee why it is impossible to annualize a monthly charge in revolving credit.

Dr. WOOLEY. My name is James Wooley. I am testifying as a technical witness for the American Retail Federation in regards to truth-in-lending bills before this committee. My purpose is to illustrate for you the annualized interest charge, service charge on revolving credit accounts. The principles I will use are those principles which are taught early in schooling around the sixth and seventh grade, depending where one attends school, to deal with the principle, time rate equal interest, WRT equally, and the variances thereto.

I have a large graph which illustrates this for you. However, you have a copy in appendix A of the printed testimony which has a duplication of this graph.

I would like to stand up and run through this illustration with you and make some comments.

This is an actual customer account taken from a department store which demonstrates the annual service charge rate and is involved—what is involved in preparing this calculation.

The period which is involved runs from February 1, 1966, to January 31, 1967.

The columns are as indicated—there is a purchase column indicated without bracket and payment column with bracket.

In addition to the monthly service charge, charges to the account during the year are placed in the appropriate month and appropriate date when the charge was made. The balance of the account is also shown at each day on which there is a transaction occurring throughout the entire year. This information is in essence what appears on the customer's charge card and on his charge record.

You will note that there is a total service charge of \$2.14. These last two columns, number of days and dollar days are simply taking the