

Mrs. SULLIVAN. That is the installment-type.

Mr. GARCIA. People were given books to come into the store and pay so much a week or whatever it may be. The other form of credit available at that time was the 30-day charge account. This was given to people who really didn't need credit. It was a convenience. These people didn't like to carry a lot of cash with them. These accounts were used primarily for everyday needs. They didn't require the long term. Now, there are other groups of people who wanted to buy everyday items but couldn't afford to pay for it in full—small items, soft goods. And this is where the revolving budget accounts, which is a takeover from the 30-day charge account—

Mrs. SULLIVAN. How long has that been in existence?

Mr. GARCIA. Since World War II, shortly after World War II. I think it was Wanamaker in Philadelphia who originated it.

Mrs. SULLIVAN. Mr. Williams?

Mr. WILLIAMS. Without making it appear that I either skipped the fifth or sixth grade which Dr. Wooley referred to, I would like to ask a question about this chart. First of all, you are starting out here, Doctor, with an already existing account?

Dr. WOOLEY. Yes, sir. This is an actual account.

Mr. WILLIAMS. So you do not show an account that is being started with a purchase.

Dr. WOOLEY. No. That is why you will note the monthly service charge here at the end of February is 48 cents. The balance at January 31 is here.

Mr. WILLIAMS. Is not the reason you started this way that you did not want to show that you were charging interest from the day the purchase is made?

Dr. WOOLEY. I really had no ulterior motives. I just chose an account which we felt was a typical account showing typical transactions throughout the year.

Mr. WILLIAMS. What you actually do is, you take all the transactions, new purchases or payments and whatever is owed by the customer the first of the following month, even though he has only had the use of that money for perhaps only a very few days. You are showing that you are making an interest charge on him already just exactly as though he had just had the use of the money for the entire month.

Dr. WOOLEY. I think you will note that the service charge is applied on the balance on the preceding month. For example, the \$26.74 is the balance on February 28. The 1½ percent is taken on March 31, one month later, on a preceding month's balance.

Let me illustrate what happens.

Mr. WILLIAMS. In other words, on any purchases made during the previous month you do not place any interest charge on the purchases made during that month?

Dr. WOOLEY. That's correct, in this particular store. In most stores this is the way it works.

Mr. WILLIAMS. Why did Mr. DeShazor say as soon as the purchase is made that the interest charge is started?

Dr. WOOLEY. He said as soon as the purchase is made the store is extending credit. He does not say that the store is charging for that credit at that point. There is a distinction—a distinction that the store is actually granting to the customer.