Mr. WILLIAMS. I do not want to intrude further on your time. I just want to make a concluding observation, that what you are showing here today would indicate that your charge would not be 18 percent.

Dr. WOOLEY. That is the purpose of illustrating it.

Mrs. SULLIVAN. Mr. Stephens?

Mr. STEPHENS. Thank you very much for coming back today and as our chairman told you, we are sorry you had to stay over.

I would like to make one observation on the question that Mrs. Sullivan asked about how this kind of transaction began. I think partially responsible for this type of transaction is the practice that had developed where a small store owner did not have the capital to carry a lot of credit accounts. He would take to a bank a bunch of accounts that he felt reasonably certain were going to be paid off over a period of time. He had been carrying such accounts for 3 months on the basis of payment without any charges. When he took these accounts down to the bank, he was getting paid the full amount by the bank and he was paying interest himself on the amount of money that he was borrowing from the bank. He was using his credit to borrow rather than the purchaser's credit to borrow. Finally he decided that he would just put that interest charge on the purchaser because he was borrowing it for him so he could carry it for 3 or 4 months. I think that is partially the way it got started and then when a company had enough capital to carry these accounts they decided they would charge you the interest rate, themselves, so to speak, rather than go to the bank and let the bank charge it and become part of the cost.

Let me ask one question I think would throw some light on some differences in treating a revolving fund and installment credit fund.

Could you point out why they are treated differently in S. 5; that is, the revolving fund and an installment credit contract? Why?

Mr. DESHAZOR. Why are they treated differently? Where you have, and perhaps Dr. Wooley should answer this, but I will attempt to, and if I make any mistakes you correct me.

Where you have a closed-end installment contract I think all of us in this group would have to say that you can figure the annual rate, and we don't contest that. In our company we have that type of contract. In fact, we are dedicated to a policy of trying to gear our different credit plans to the needs of our customers. So therefore we have both types. Some of them prefer one—down in Texas, for example, time payment contracts are very popular. They have been all the time. In the Southeast that is true and a heavy percentage of the business done is done on that type of contract. In other areas the reverse is true. When you get into the revolving charge our position has been for 7 years that if we do state it as has been discussed, that we then are not stating the truth. That precisely is our position as this illustration bears out.

Mr. STEPHENS. You say it is a closed end. You mean there is the same payment each month on that installment contract except usually at the end where you have a small one?

Mr. DESHAZOR. It could be the same payment each month. Now, in time payment contracts some companies have time payment con-