

erated by our company. In my opinion this record represents normal activity in a typical revolving budget account in a retail department store. I respectfully request that this statement be made a part of the record of the Subcommittee.

Very truly yours,

EUGENE B. SYDNOR, Jr.,
President.

Mr. FINO. Based on all of the charges made and payments made during the course of that year you figure that the service charge was 11.49 percent. Does that figure represent what it costs to maintain this service?

Dr. WOOLEY. In no way does it attempt to represent cost. All we are trying to do is to illustrate the impossibility of stating in advance an annual effective interest rate on an account. We are not trying to equate this with the cost of maintaining that account.

Mr. FINO. I am sure that the department store, whether it is small or large, is not going to run this business of customer accounts and service charges and what have you with additional employees unless they could pay for that through the customer. You are not giving them any extra benefit—you are not giving any extra benefit to the customer, are you?

Dr. WOOLEY. I think you are. You are allowing the customers to buy something without having to have the cash in his pocket to do this. This is a service.

Mr. FINO. But you are charging a service charge for that.

What I am trying to find out is, does the service charge of 11.49 percent cover the cost of that service?

Dr. WOOLEY. I know of no department store where the service charges cover the cost of running their credit operation and I recently completed a survey for a large store in the New York area which was contemplating going into the credit market and they in no way could expect to cover their costs of maintaining that credit operation by service charges. The only way they could do it is by increasing sales.

Mrs. SULLIVAN. Members of the committee, we are going to have to cut off this questioning. Before some of you came in we explained to the witnesses that because of the fact that we could not meet yesterday afternoon we set up this special hearing for them for 1 hour, from 9 a.m. to 10 a.m., at which time other witnesses were to be heard.

Mr. WILLIAMS. Madam Chairman, may I make a comment?

It seems to me that one of the most troublesome points of this bill are the provisions relative to the revolving charge accounts. It seems to me these gentlemen have an extensive background in this field and I would like to suggest that we ask them for any closing comments that they may have which would be helpful to us in our deliberations.

Mrs. SULLIVAN. I wanted you to know that there are other witnesses scheduled at 10 a.m.

Mr. WILLIAMS. I understand that. The other groups coming in I do not think have had the exact or had the actual experience with this particular troublesome question that these witnesses have. I would like to ask for a concluding statement from them of anything they might care to conclude with that may be helpful to us in our deliberations.

Mrs. SULLIVAN. I will ask them to do that, but again I want to explain to the committee members who were not here when we started