

"The American Retail Federation is committed to the principle of honest, reasonable, and meaningful disclosure by all parties to consumer transactions, and to the vital freedom of choice among credit methods.

"The American Retail Federation is opposed to federal regulation of credit which would limit the consumer's choice or add significantly to the cost of providing credit or decrease competition by standardizing the methods of doing a retail credit business.

"The American Retail Federation is opposed to legislation creating standby authority to impose price, wage, and other direct economic controls."

These policies were reaffirmed at the Annual Meeting of the Federation on May 15, 1967.

With respect to H.R. 11601, the association members of the Federation are opposed to some of its disclosure provisions and most of its regulatory provisions.

The Committee also has before it H.R. 11602 which is identical with S. 5 as passed by the Senate. On this bill the membership of the Federation is not in complete agreement. While most believe that the bill represents a real step toward a workable disclosure bill, some feel that their own particular lines of business, or their own credit methods will suffer a competitive disadvantage.

#### DISCLOSURE

H.R. 11601 provides for a single yardstick of rate disclosure, an annual percentage rate. Insistence on an annual percentage rate for all credit was the stumbling block which delayed passage for so long in the Senate because it is simply impossible to state a truthful and meaningful annual rate on revolving credit.

Efforts to devise a formula which would produce such a rate for revolving credit have been made for seven years by government and industry alike, but the impossibility of doing so was acknowledged in the final draft of S. 5. Thus, H.R. 11601 represents a backward step. It moves toward the Massachusetts example which as you know is currently being challenged in the courts.

Because of what was said Monday, with respect to revolving credit, I feel that I should make some explanations in addition to my prepared statement, which I hope will shed some light on the matters discussed by both Mr. Barr and Governor Robertson.

First, I hope that everyone on the Committee understands very clearly that the "exemption" spoken of for revolving credit contracts is by no means an exemption from the requirements of the bill. There will be disclosed, under S. 5, a full and complete statement of dollar cost of credit for every retail transaction. No one will be ignorant of what he is paying. From the questions asked, as well as some of the answers given, it appeared that some members of the Committee were under the impression that anyone offering revolving credit need make no disclosure statement at all. That, of course, is not the fact.

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 1½% monthly revolving charges not being 18% 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 common sense.

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, and Smart who will explain to the Committee why is it impossible to annualize a monthly charge in revolving credit.