

That is the reason that the \$10 provision was written in. We scrutinized every part of the bill explicitly with reference to the particular point which the Senator from Florida is so right in raising.

If the bill were badly drafted and written, it could make it difficult for small business. But we are convinced that the pending bill will not make it difficult for small business.

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Mr. SPARKMAN. As explained in the colloquy on the floor of the Senate, initiated by the senior Senator from Florida [Mr. HOLLAND], we have tried to take care of small business and the different viewpoints as between disclosing dollars and cents and annual percentage rates; and we tried to take care of differing views of revolving credit. I believe we have worked out the best bill that can be worked out and, as I have said, a finely balanced bill.

Mr. President, I hope the bill will be accepted without amendment because I believe it is just that finely balanced.

(Congresswoman Sullivan subsequently submitted the following:)

CONSUMER AFFAIRS SUBCOMMITTEE STAFF ANALYSIS OF AN ACTUAL CUSTOMER ACCOUNT SUBMITTED BY THE AMERICAN RETAIL FEDERATION

The American Retail Federation (ARF) submitted to the Subcommittee, as a part of its testimony, "A Copy Of An Actual Customer Account From A Department Store Demonstrating Calculation of Annual Service Charge Rate." (Appendix "A". p. 233.) The form in which the submission of the account was made shows "dollar days" for various periods of time during which credit was extended to the customer. However, such "dollar days," as shown on Appendix A, are merely a device used by the American Retail Federation to illustrate a coincidental but erroneous conclusion.

The contract terms which govern the computation of service charges in the ARF example follow:

The service charge is determined by multiplying an adjusted balance on the 27th of each month by $1\frac{1}{2}$ percent. The adjusted balance is the balance in the account on the 27th of the preceding month, plus the service charge levied on the 27th of the preceding month, less the amount of any payments or returns, if such payments or returns are greater than half of the adjusted balance at the immediately preceding billing date. If the payments or returns are less than 50 percent of said balance, they do not affect the amount used to compute the service charge.

The assessment of service charges has nothing to do with "dollar days" or average daily balances or daily average service charges. Customers are charged $1\frac{1}{2}$ percent, and only $1\frac{1}{2}$ percent monthly on what is called an adjusted balance. The "dollar-day" concept, employed by the ARF, is developed only to demonstrate that the yield to the department store of the account as a whole is less than the 18 percent annual rate applied monthly to the adjusted balance in the account. However, despite this mathematical prestidigitation, the fact remains that a monthly rate of $1\frac{1}{2}$ percent is an annual rate of 18 percent.

The service charge *yield* from the account is different from the service charge *rate* applied to the account because the rate is applied to selected balances in accordance with certain stated contractual rules. The yield on the other hand will vary from account to account depending upon the billing policies of the retailers and decisions entirely within the power of their customers. A customer of *this* store can have considerable credit without paying any service charges so long as he pays, by the 27th of the month, the amount of the unpaid balance in his account at the beginning of the billing period.

In effect, the department store says in its exhibit, "We have granted \$6,791.97 'dollar-days' of credit." It does not say, what is in fact the case, "We have billed some of these 'dollar-days' and some we have not billed." To clarify the matter, the following is an analysis of the department store's account, as submitted by the ARF, precisely in accordance with the contractual rules set forth by the department store, showing both the "dollar-days" billed and the "dollar-days" not billed. In other words, the ARF computation of the annual rate includes days for which no credit charge was imposed. The staff analysis eliminates these "dollar days" not billed from its computations on the assumption that this so-called "free ride" period is the same for both cash and credit customers since payment during the "free ride" period is still considered as a cash transaction for billing purposes.