time knows that the effective interest rate will come out differently given different days of grace where you charge no interest.

What the gentleman is arguing is that we ought to get some credit for the time we are applying no rate at all.

So this comes out to what the effective interest rate is.

Honest to goodness, Madam Chairman, that is the crux of the whole matter. It is just as simple as that. If you insist on making the rate 18 percent then I think that you may be doing that—I am not sure about this—but what you might be doing is establishing that everybody is going to pay 18 percent, although there are many people who are not paying 18 percent right now.

What would you say to that?

Mr. BINGHAM. Could I ask, is the gentleman referring to the 18 percent requirement in our bill? Or is that full disclosure of the annual interest rate?

Mr. HANNA. On the usual revolving credit, the greater percentage of which—I think you will find this is true as the American Retail Federation has reported, that most of the people who are legitimate people that belong to this organization do charge and apply 1½ percent interest rate which figures out to be an annual rate of 18 percent. But they do that in a way in which they are continually giving the purchaser a difference of days of grace against which no interest is charged under that particular purchase.

Do you understand?

Mr. BINGHAM. I do. But I do not see there is any difference in their stating that they charge 1½ percent monthly credit charge and stating they charge 18 percent annual charge. Most people do not understand what 1½ percent monthly means.

Mr. HANNA. What you are saying is because they insist that you ought to give them some credit for their effective interest rate which is the fact that there are a variety of numbers of days in which the purchaser gets his purchases in there, that the effective interest rate against the total business they do with the client and the total credit they expend will affect it.

Mr. BINGHAM. They do not make that plain when they are talking about the figure 1½ percent monthly.

Mr. HANNA. They made it very clear. I did not know anything about this until I heard the testimony and that is when I heard it, from what they said. It seemed to me pretty clear and I am just saying I do not see the difference—I know what the difficulties are. I know what the differences are. I understand what you are doing. I think what you may be doing is cutting the customer out of the opportunity of getting any days of grace at all. I think they will then say, "You do not get any—we will have to involve our bookkeeping a little more instead of simplifying it."

Mr. BINGHAM. I would like to pursue this with you.

Mr. HANNA. I would like to pursue it with you. I am no expert. I just got educated recently on this thing. It is amazing that people start talking about two different things all the time.

Now, as the chairman has said, nobody has laid a glove on her.

Mrs. SULLIVAN. Mr. Williams.

Mr. WILLIAMS. Thank you, Madam Chairman.