

Mr. Dixon made a point, the Senate bill was called truth-in-lending and this bill we have has a slightly different title, "Consumer Protection Act." I think Mr. Dixon does have an excellent point. Whatever we do we have to be accurate or be truthful. It seems to me that much of the confusion that is revolving around these revolving charge accounts is resulting from the fact that in some types of credit transactions the interest is set before the transaction is consummated. So there is no difficulty in figuring the interest, say, on the first mortgage or second—first mortgage or something of this nature. But in these revolving credit accounts we are talking about computing in advance an interest rate on the basis of $1\frac{1}{2}$ percent for 12 months, but then the way it is being applied, the interest has got to be computed after the fact or at the end of the year, to see how much interest the customer has actually paid.

Now, one misstatement that has been made here this morning and one misstatement that was made by Mr. Barr of the Treasury Department is that the department stores on revolving charge accounts are charging $1\frac{1}{2}$ percent on the unpaid balance each month.

This is not a correct statement. In the testimony we heard this morning, if that testimony was accurate, and I questioned the witnesses this morning carefully to determine the way they are computing this interest cost and I heard no one raise any question about whether this was the actual practice or not on the part of the American Retail Federation.

Now, they are not charging $1\frac{1}{2}$ percent per month on the unpaid balance for that month. They are charging $1\frac{1}{2}$ percent per month on the unpaid balance of the previous month. In other words, if, on the 1st of July, a customer owes \$100, and even then if he pays the \$100 off during the month of July, in the statement the customer receives the 1st of August there is no service or interest charge at all. The interest or service charge would be \$1.50 for the balance outstanding as of the 1st of July. So you cannot say, you cannot apply to actual practice if the testimony we heard this morning is correct, that they are paying $1\frac{1}{2}$ percent per month and charging that amount on the unpaid balance. So what we have here is two separate factors, one, a type of transaction, first mortgages where you compute the interest in advance and know exactly how much you are paying and the other is the type of transaction where the interest rate cannot be computed and we can only come to the conclusion at the end of the year. So to say 18 percent per annum interest charge on revolving charge accounts is an incorrect statement if the testimony we have heard here is correct.

I want to say something else to you, Mr. Dixon.

You made the statement that some department stores are probably making as much money out of financing as they are out of the sale of products. I do not believe that is a correct statement. I believe the charge accounts were developed to increase sales volumes. I think the revolving charge accounts evolve from regular charge accounts in order to further increase sales volume. I do not believe that there is a department store or merchant in this country, if they could convert to an entirely cash operation tomorrow without reducing their sales volume, they would not be happy to do so. Because the greatest in-