

Mr. BINGHAM. When we speak of interest rate per annum that does not mean we are talking about a full year's payment of a fixed amount.

Mr. DIXON. Or a varying amount that may vary from month to month.

Mr. BINGHAM. It can be that but it is still a rate per annum.

Mr. DIXON. That is what I thought.

Mr. BINGHAM. It seems to me to make a further comment on that, that every criticism that the businessman addresses to the annual-rate question they could equally well address to their now current custom of using the monthly percentage rates. Because if it is an inaccurate rate annually it is inaccurate monthly.

Do you agree with that?

Mr. DIXON. I tried to say it. You said it so much better than I did.

Mr. BINGHAM. Finally, I would like to make this comment. I am beginning to wonder, having seen some of the material that we are going to be presented with next week, whether some of these retail establishments are not really concerned about the annual interest rate, not because of the difficulty of translating a monthly rate to an annual rate, but because their annual rate in effect is a lot higher than 18 percent. We are going to have to have information presented here showing that the way they do their billing in some cases, they are not giving credit for payment made during the monthly period and the net effective annual rate in many cases is up in the sixties and seventies and I think this is going to be a shock to us.

Thank you, Madam Chairman.

Mrs. SULLIVAN. Mr. Greenberg, I think you might be interested in this letter that just came from Kansas City. This is from a small business firm and they have no revolving charge. They say:

Please be advised that we are not in favor of S. 5 as it now stands. We urge support of any credit service charge disclosure proposal that requires the universal application in either dollars or cents or in identical rates for all credit, whether it be monthly, monthly and annual or any other rate that will enable customers to compare the terms and see which is the cheapest rate available in the marketplace. We feel that the S. 5 bill as it now stands does just the opposite.

To sum up—and this is addressed to both Mr. Dixon and Mr. Greenberg—you both made a good case for full disclosure of finance charges in consumer credit. But I would like to take you back to S. 5 as it passed the Senate and see if we understand exactly what that bill would do and would not do.

First, it would leave out first mortgages, the biggest credit transaction which most families ever experience—and one which most families now do experience—and would require no disclosure of the percentage rates of finance costs or of other costs in a first mortgage, right?

Mr. DIXON. Right.

Mr. GREENBERG. Right.

Mrs. SULLIVAN. Next, it would exempt from the requirement to give an annual percentage rate any purchase or credit transaction in which the credit charge is \$10 or less, meaning usually items costing up to around \$100; is that not right?

Mr. GREENBERG. That is right.

Mr. DIXON. That is right.