

Mr. BINGHAM. Would the chairlady yield on that point?

Mrs. SULLIVAN. Yes, Mr. Bingham.

Mr. BINGHAM. It might be of some help in preparing an answer if you look at pages 18 and 19 of the Senate committee report, because they do indicate there the purpose of giving the 5 years grace on that which will allow the States to change their usury laws.

Personally I do not feel there is any problem in this interpretation, that this could be used to excuse a discount rate.

Mrs. SULLIVAN. Maybe you can clarify that when you get the transcript.

(The material referred to follows:)

#### REPLY OF SMALL BUSINESS ADMINISTRATION

It appears to SBA that section 4(i)(1) of Senate-passed S. 5, which allows disclosure of a "dollars per hundred per year rate of the average unpaid balance" in certain cases, could not be used to quote a discount rate of \$6 per hundred per year when it is actually a 12 percent rate. This is so because the dollars per hundred per year rate must be computed on the "average unpaid balance", and such balance would reflect any initial discount or declining balance during the period over which the credit is extended.

#### REPLY OF FEDERAL TRADE COMMISSION

FEDERAL TRADE COMMISSION,  
Washington, D.C., August 18, 1967.

HON. LEONOR K. SULLIVAN,  
*Chairman, Subcommittee on Consumer Affairs, Committee on Banking and Currency, House of Representatives, Washington, D.C.*

DEAR CHAIRMAN SULLIVAN: As you suggested, having had an opportunity to read the testimony which I gave before your subcommittee on August 9, 1967, concerning H.R. 11601, I reviewed the answers to the questions which you pounded to Mr. Greenberg and me with reference to S. 5 as it passed the Senate.

You first asked if that bill would leave out first mortgages, which you classified as the biggest credit transaction most families ever experience.

In reply I said that you were right. There is no question but that subsection 4 of section 8 of the bill does specifically exempt from its provisions extensions of credit secured by first mortgages on real estate. As to whether such mortgages constitute the biggest transaction most families ever experience. I do not know. I presume that's true, but have no particular knowledge in support of the belief.

You next asked if S. 5, as passed by the Senate, would exempt from the finance rate any credit transaction in which the credit charge is \$10 or less, and further, whether this does not mean usually items costing around \$100. Section 4(b)(7) does specifically exempt such credit charges. I would assume that a finance charge of \$10 or more would usually apply to purchases of \$100 or more, but I have no specific knowledge to sustain this assumption.

Your third inquiry is whether S. 5 as passed by the Senate would not require an annual percentage rate disclosure on open end credit plans such as department store revolving charges and gasoline and other credit plans. That bill would not require disclosure of the annual percentage rate on revolving open end credit plans, but only a disclosure of the percentage rate per period (section 4(d)(1)(C)). Unquestionably, this exemption would apply to revolving charge accounts usually employed by department stores. However, as to whether the exemption also would apply to gasoline and other credit card plans, I have no knowledge, and while this probably is true in most instances, I am not in a position to say it is accurate as to all such plans.

Fourth, your inquiry as to whether the exemption of the requirement of disclosure on annual percentage rates on open end credit plans would only leave "large ticket items, installment transactions like automobiles, television sets, sizeable loans, second and third mortgages, and so forth." You further added as to none of these items would the annual percentage rate have to be given "until July 1972."