obligation. In the future, and in the absence of any arbitrarily imposed stricture under Federal law, bank plans may well afford even more liberal terms. The typical "mix" in a bank revolving credit account involves customer purchases varying from automobile gasoline or low cost department or chain store items to refrigerators, television sets or airplane tickets.

In view of the fact that the majority of existing bank revolving credit plans provide payment terms of 20 months or longer, these bank plans do not meet the 60 percent, 12 month pay-out requirement under Section 3(h). The maximum pay-out under a 20 month bank plan would be slightly under 5 percent per month on the declining balance in the account. Most bank plans would not even closely approach the 60 percent pay-out requirement in Section 3(h). The 60 percent figure is truly arbitrary. The result would be that under this provision practically all existing bank revolving credit plans would be subject to an annual disclosure rate whereas competitors who may offer less flexible revolving credit terms would be able to quote a much lower *monthly* disclosure rate.

It is also to be noted that many bank revolving check credit and credit card plans permit the taking of a security interest in property which a customer may charge to his revolving credit account. This feature, which is a growing development in bank revolving credit, provides definite and ascertainable benefits for the consumer. It means that the consumer need not seek an installment loan, with its attendant higher acquisition and servicing costs, on, for example, the purchase of a television set, but instead may charge the set to his revolving credit account. Acquisition and servicing costs in a revolving line of credit are substantially lower than in individual installment loan or sale credit transactions where a new loan account must be set up for each transaction. As indicated in our testimony of June 23 before the Senate Committee, if banks are placed at a competitive disadvantage because they have to quote an annual rate in cases where security interests would be taken in revolving credit loans, many banks may restrict this economical form of credit.

Many retailers, including small retailers who are not able to offer revolving credit terms on such items as furniture, television sets, or major home appliances, but who typically make such sales under installment credit arrangements involving security interests, would be also subject to discrimination in that they would be restricted to annual rate disclosure while some of their larger retail competitors would be able to quote monthly rates.

The net effect of the "installment open-end credit plan" in Section 3(h) is that banks, because of their flexible revolving credit terms, and many other extenders of credit who are restricted to installment credit transactions, would be discriminated against without legitimate foundation. The end result is that the consumer is ultimately bound to suffer.

It is paradoxical that the Senate Committee report on S. 5 supports the arguments of the banking industry and many other extenders of credit in behalf of uniform disclosure even though, despite these views and the urgings of industry, the Committee chose to retain this extremely discriminatory provision.

In elaborating upon the different practices which have developed historically in the consumer credit industry and in stressing the need for standardized legislative requirements, the Committee report makes the following statement:

"No one segment of the industry can afford to reform itself by disclosing the simple annual rate without incurring a competitive disadvantage. Clearly, the only solution is to require by legislation that *all creditors use the same method in computing and quoting finance charges* including the statement of an annual percentage rate.

"*The committee believes that by requiring all creditors to disclose credit information in a uniform manner* and by requiring all additional charges incident to credit to be included in the computation of the annual percentage rate, the American consumer will be given the information he needs to compare the cost of credit and to make the best informed decision on the use of credit." [Emphasis supplied.]

Despite these commendable statements of principle, the Senate Committee voted to retain the controversial and discriminatory provision in Section 3(h).

A.B.A. representatives at the June 23 hearings urged the Senate Committee to consider placing all consumer credit on a uniform monthly disclosure basis. Our reasons for this recommendation were that installment and revolving credit charges may be accurately calculated and disclosed on a monthly basis. Credit unions historically have used the monthly charge for rate calculation and dis-