

you pass a bill that exempts this form of credit from the disclosure provisions pertaining to annual rates.

The following is a summary report given me by a graduate student who personally interviewed the owner, manager, or credit manager, of 19 representative firms in various lines of business.

## (A) GENERAL SUMMARY

The results of the survey showed:

1. no problems exist in handling disclosure under the legislation.
2. no additional time is necessary to explain the credit side of the transaction.
3. the legislation is in no way a deterrent to sales.

## (B) BREAKDOWN BY TYPE OF RETAIL OPERATION

## (1) Automobile (New)—5 firms

*Comments:* Approximately 75% of customers do not read the installment contract. Those that do, ask no questions. Absolutely no problems as these dealers see it. Legislation has had no effect. Customer is concerned with what he can afford to pay back per month. No dealer in this group opposed this legislation.

## (2) Automobile (Used)—one firm

*Comments:* No discussion of credit with the customer. After agreeing to buy, customer is sent to a finance company for credit arrangements. No customer comment one way or the other, with respect to finance charges at time of sale.

## (3) Appliance—TV—4 firms

*Comments:* Majority of customers do not read the credit agreement. No problems encountered. Customer concerned only with dollar per month repayment.

## (4) Specialty Shops—two firms

*Comments:* No problem. Bill has had no effect.

## (5) Home Repair and Modernizing—one firm

*Comments:* No problem. No effect.

## (6) Discount (Multi-Product) three firms

*Comments:* With the exception of \* \* \* no problems encountered. Legislation has had no effect. Customer does not read credit agreement; is concerned only with what he can afford to repay per month.

At \* \* \* was told the following:

- a. disclosure does represent a problem. Many customers do not understand (or do not believe) that the "new" method of disclosure does not represent a change in company lending arrangements.
- b. Time consuming at first, but now felt to involve no additional delays or expense.
- c. Deterrent: On installment sales, about 25% question the rate. Of this group, about 20% will go elsewhere for more favorable credit arrangements (e.g. banks)—then return and purchase. Approximately 1% of such sales in this group are estimated to be lost.

## (7) Furniture—two firms

*Comments:*

1. *disclosure* Rarely does a customer question the retailer about the credit arrangements. When questioned, however, extremely difficult to explain legislation to the customer's satisfaction.

2. *problems*

(a) *Interest rates:* difficult to explain to customer what percentage of the finance charge he's entitled to when a loan is prepaid. Customer looks for a proportionate rebate.

(b) *conditional sales contracts:* since passage of the legislation, rates on such contracts sold to banks have increased from 7 to (maximum) 10%. Effect: Banks more willing—finance companies less willing to purchase such contracts.

(c) *deterrent:* no effect on sales.

3. *position:* both firms favor the legislation, admitting that unscrupulous elements in this industry have been guilty of defrauding the public.