

A retailer I spoke to the day before I came down says he still runs a 90-day credit. He says to them, "If you pay this off in 90 days there is no charge, no interest charge. If you go over 90 days there is a charge of so much levied."

Now, I don't see why competition among lenders can't be just as effective if you specifically express the number of free days—tell the people how many free days you give them before you start to run charges and then at what rate do you levy an interest or service charge? And I think that will keep the competitive truthfulness in existence so we will get both, we will get truth and competition.

I couldn't agree more with the American Bankers' position expressed in these two statements that the prime requisite is a single uniform standard imposed on all grantors of credit on all transactions. I must say I do fully agree with that and I think it is a mistake to let anything out. And I am happy to say the Massachusetts legislators rejected these pleas to let things out and as you will get testimony and as I can attest—and I have sent students all around the city and the State looking for evidence of this—there is no problem as a result of the total inclusion of everybody in the laws.

Mr. WALKER. May I ask a question there? I understand one major retailer had sued the State because the provisions of the Massachusetts law required it to disclose its revolving credit at a rate of, say—this may be the wrong figure—but I think 18 percent a year which was in view of the grace period it allowed and it claimed its rate was actually a smaller rate. I heard this and I don't have an actual fact of it. Is that correct? It seems to me if it is, you have a problem.

Father McEWEN. That is a court case that is going to be adjudicated, I trust, soon. But you are right in the way you expressed it. It is exactly that position by the company. But I think, as Mr. Bingham started to bring out yesterday, that this confuses the issue. When they do start to levy a charge they levy it at the same rate as everybody else and it only differs—the only difference is in the number of their free days.

Mr. WALKER. Don't free days make a difference? If I go into the store and on the one hand I buy a piece of goods on credit and the interest charge doesn't start for 30 days—am I not getting credit? I got the goods. I could have gone to a finance company or bank and borrowed the money and bought the goods with the money and certainly I would have been paying interest over that period. Don't I have credit when I get the goods? That is how I define it in my economics classes.

Mrs. SULLIVAN. Is there is any reason why, in the original contract the person signs when they contract for the credit, that all of this could not be explained, including the number of days of grace?

Mr. WALKER. Yes; it can. I think the argument people make, particularly some of these retailers, is the truth-in-lending provision—is it truth in lending to say the rate is 18 percent a year when the average on these accounts is actually 7, 8, 9, 10 percent a year?

I have a revolving credit. What rate do I pay? I use it zero. I use it like an open account and pay it off during the grace period. So they say, "Is this truth in lending in the objective you make?"

Uniformity is the key because there is no question but what the Penney amendment—let us call it by that name—that the Penney