

amendment adopted in the Senate discriminates against bank revolving credit cards, because we cannot qualify under the 60-percent rule. Most bank credit cards are on a 1- or a 1½-percent-per-month basis, but we will have to disclose 12 or 18 percent a year while the major retailers disclose 1 or 1½ percent a month. We do not think that is truth in lending.

Mrs. SULLIVAN. Let us take the Penney amendment, as you call it. If they figure all of their revolving charges on the same basis and they find that the rate that they charge—1½ percent a month—comes out, on the basis of the free or grace period they get for so many days, to a lower actual figure, can't they say on their contract that by doing such and such—paying before a certain date—the 1½ percent monthly or 18 percent annual charge comes to only 14 percent or whatever it is?

Mr. WALKER. We say in our statement that these objections which have been raised are not insurmountable. Both S. 5 and H.R. 11601 permit other information, such as average rates, to be stated. If you will not take our monthly approach, which we think has a lot of advantages—particularly because it takes care of this revolving credit problem—we would favor complete annual disclosure across the board with this sort of revelation to indicate the compliance and the complications of the grace periods. But let us not say that we are being absolutely truthful in lending in stating an annual rate in revolving credit or with the Penney amendment because we are not.

Mrs. SULLIVAN. These are the things that, in my own mind, can be ironed out, if 1½ times 12 does not equal 18, because of certain conditions or circumstances in a particular situation.

I have held this too long. Let me pass this on to others.

Mrs. Dwyer?

Mrs. DWYER. I would like to ask Mr. Walker does ABA desire the retention of annualized interest charges on credit resulting in finance charges of \$10 or less because the cost to place on the books a \$100 loan resulting in perhaps \$9 interest is generally the same as the cost to place on your books a \$1,000 loan?

Mr. WALKER. Yes, ma'am, that is very much the case. Commercial banks and other lenders do make accommodation loans. Sometimes they are in installments. More frequently they might be single payment loans. They are very important to schoolteachers, farmers, and others on a seasonal or irregular income basis.

Just this morning, early this morning I made a little computation. Take a very simple case of a \$50 loan for someone for 1 month. The interest is \$5. Now, it normally costs above \$10 to put a consumer loan on the books with the most efficient lenders. I think Mr. Bailey can give you some figures. I had a banker testifying with me in the Senate—his figure for \$100 loans—it is no different than the \$50 loan—is between \$13 and \$14. Banks make these loans for accommodation purposes.

Now, I don't think many people would say, these are unreasonable dollar charges. I do not think many people would say the \$5 is unreasonable finance charge but that is an interest rate of 120 percent a year—\$5 on \$50 is 120 percent a year. Let us suppose, however, that the charge was \$5.50. Is that much more than \$5? I don't think any reasonable person would say there is a great deal of difference. You