Mrs. SULLIVAN. Mr. Halpern?

Mr. HALPERN. Thank you, Madam Chairman.

I want to compliment our distinguished panel for its valuable contribution to the deliberations of this committee on this very important legislation and I am sure that their contributions will help us come up with a meaningful and effective bill.

Mr. Walker, I wonder if you could clear something up for me about the annual interest rates. If you put $100 in a savings bank with an interest rate of 4 percent, and at the end of the year you will have $4, is that not right?

Mr. WALKER. $104, yes.

Mr. HALPERN. If you had $100 in the bank.

Mr. WALKER. They compound more often, but if there were no compounding within the year you would get $4.

Mr. HALPERN. Now, if you instead withdraw the money after 3 months, you will receive 1 percent interest or $1 and if you withdraw the money after 1 month you will receive one-third of 1 percent or about 33 cents as mentioned in your colloquy with Mrs. Sullivan, is that correct?

Mr. WALKER. Yes, depending on the rules of the institution. The principle is correct.

Mr. HALPERN. I would like to press this a bit further. Do you feel that people with savings accounts are being misled by the annual rate into thinking that they will get 4 percent interest or $4 after 1 month?

Mr. WALKER. No, sir, I don't think so.

Mr. HALPERN. You do not think so?

Mr. WALKER. I think most people recognize what it is.

Mr. HALPERN. In favoring uniform disclosure of credit charges on a monthly basis for purposes of comparison, are you not also logically compelled to favor disclosure of monthly rates on savings accounts, bank loans and savings bonds and so forth?

Mr. WALKER. The point that I made earlier——

Mr. HALPERN. In fact on every financial instrument which might conceivably be used as a substitute for consumer credit?

Mr. WALKER. I would have no great objection to this. What the bankers would do is to state both the annual and monthly rate. But in that connection I would emphasize that the great value—I know the Treasury makes the argument that what you want is something so the consumer can say, "Should I borrow or should I take money out of my savings account?" I don't think many of them are going to look at it in that way. I think surveys have shown that a great majority of the people who borrow on consumer credit do maintain savings accounts as liquid reserve at the same time. The big advantage of legislation of this type, if it can be properly shaped, is that it gives the consumer a shopping comparison for the credit among different vendors and lenders and he can decide, shall I buy from the retailer? Shall I borrow from the bank and buy the TV set? How shall I do it—and the automobile particularly—exactly how much it costs. I do not give any great value to the ability to compare the income on a savings account and what it costs on a consumer loan. This is desirable but I don't think this is of very great social significance.