Mr. HALPERN. As to whether 18 percent is or is not accurate, it seems to me that one can only emphasize again that 18 percent is the rate at which the finance charge is calculated and 18 percent per year is no more inaccurate than one and a half percent per month. If you want to include 30-day grace period to which the finance charge refers and if payment is being made after 60 days, it is my—it is by this calculation that you are only paying 9 percent per year. But by the same token you are only paying three-quarters percent per month, is that not so?

Mr. WALKER. It is correct, but if you remember the original purpose of the legislation, it was to provide truth in lending on the basis of a simple annual interest rate to every borrower. You cannot do this on revolving credit with a grace period operation. As I said before you came in, I have a revolving account. What rate do I pay? Nothing. I pay it off every month. Yet, they have got to tell me the rate is 18 percent a year. I don't think this is insurmountable or a big problem. But it is not truth in lending as Paul Douglas originally envisioned it and the way I talked to him about it in the years gone by.

Mr. HALPERN. Is not the figure one and a half percent equally inadequate?

Mr. WALKER. Inadequate for what? If you want to know the yearly basis just multiply by 12.

Mr. HALPERN. As you pointed out earlier, and I cited an instance where you would only be paying three-quarters percent per month and yet you say 1½ percent.

Mr. WALKER. You have this ambiguity either way. If you go the monthly rate you avoid a lot of disadvantages. The ambiguity is there as long as you have grace periods.

Mr. HALPERN. With regard to the problem of including the free periods of the revolving accounts, it has been suggested that some people tend to look only at the interest rate and not notice the benefit of the free period.

Now, if I am buying a TV set and I go to two stores and I see one TV set for $150 and one in the other store for $250, is that all I look at? Do I not look to see that one is a color set and one is a black and white, one has remote control and the other does not, and so forth?

Therefore if I am applying for credit would I not check if one store gives 30 days' grace period and the other gives 60 days and would I not therefore take this extra benefit into account?

Mr. WALKER. The rational consumer would. I have a feeling that the large portion of borrowers will not. I do not think they shop that much. I wish they would because quite frankly we have the lowest rate lenders in the business and we will get a lot more business if they will.

Mr. HALPERN. Farther, in considering the credit problems of the poor one runs into a paradox. On the one hand these people need credit badly and to prevent them from getting it seems in some instances to be inhumane.

On the other hand we have to come to realize that the more often credit is given without proper investigation of the backgrounds, the more important it becomes and the more deeply the borrower gets into debt.

How do you feel about this problem of extending or withholding credit, the ease or stringency of background investigations and the availability of credit relative to the risk of the borrower?