

this is always intended or not. But if it is, I think it has very beneficial effects and I would like to suggest in the future when we have representatives before us from the various departments like Housing and Urban Development, Treasury Department or the Federal Trade Commission that we also have representatives of other associations before us such as the Federal Retail Federation—the American Retail Association so we can have a little more meaningful discussion and develop the points a little more clearly.

I have been listening to this discussion today about interest on revolving charge accounts which I think more correctly could be called service charges or charge rates. Because obviously there is a lot of administrative work involved in charge accounts that are not necessarily in other types of credit transactions.

Father McEwen, you were referring earlier to a matter of litigation up in Massachusetts involving a department store and I believe over in the Senate they offered testimony where they claim they are being forced to disclose an incorrect interest rate when they say 18 percent.

They say that this statement of the statutory simple interest per annum rate misleads the consumer, including customers of the plaintiff, because the plaintiff's true finance charge rates to its customers are normally much less than the rate which is required to be stated and depend upon the kinds and amounts of the customers' purchases and payments.

You were here yesterday to hear Mr. Bingham's comments. I think you also heard my comments relative to testimony which had been referred to at this subcommittee yesterday morning where they are now charging 1½ percent a month on the unpaid balance but rather this interest or service charge is being placed on the balance on the first of the previous month and if at any time during that month that balance is paid off there is no charge.

So that in effect the interest or service charge which is being paid on the revolving charge account can only accurately be computed at the end of the year unlike other types of credit transactions.

What is your reaction to that?

Father McEWEN. I did hear much of this testimony, Mr. Williams, and I took a look at the testimony of the retail representative, though I wasn't here.

I think there is a distinction between the actual, post-factum, to the decimal point, interest charge of a definite transaction such as was presented by that witness—

Mr. WILLIAMS. Dr. Wooley?

Father McEWEN. I don't think that was his name. At any rate, that interest charge resulted from a combination of counting every second free of charge and every second and minute covered by the charge, but it also resulted, as Mr. Bingham was pointing out yesterday, when the time for the imposition of the charge came, that charge was levied at the rate of 1½ percent a month, which is one and a half cents on every dollar in the balance.

As Mr. Walker's statement says, if it is accurate at that point, that is the 1½ percent charge, multiplying by 12 gives you an accurate annual charge.

Mr. WILLIAMS. That is not the way it was applied.