

Are you saying that the First National Bank is not telling the truth in this ad?

Mr. WILLIAMS. I will leave that up to the representatives of the American Banking Association.

Mr. WALKER. I never disagree with my friends.

Mr. MINISH. Let us hear from Mr. Walker on that.

Mr. WILLIAMS. I am asking you to put something in the statement which will reconcile the fact that a large department store company is complaining that they are actually getting 8.426 interest as against 18 percent.

Father McEWEN. Mr. Williams, there was one other factor in here that you mentioned but that I forgot to mention and that is the question of whether these charges are levied on the opening of the month balance, the middle of the month average balance, or the close of the month balance. And my information—and maybe Dr. Walker has something that he knows about this practice—I guess it is obvious that if you charge on the opening balance of the month you get more than if you charge on the average or the closing balance of the month—my information from Massachusetts is that some of the firms that had originally been charging on the closing balance have switched to charging on the opening balance, because there is nothing in the law that prohibits them from doing so.

Now, I don't really know whether Penney is on the opening or closing balance. And it may be that they are doing one practice that is different from some of the others. And that is part of why they are complaining about the uniform method of stating it, making them look worse than—or making them not look as good as they really are.

But I don't think you can get away from the fact that one and a half cents per month is levied when and if the period for charge arises. And that is as simple a statement of the fact as I think you can ever get. And that one and a half cents per dollar per month is an 18 percent annual rate of charge.

Mr. WILLIAMS. You are talking about certain adjustments which would eventually mean 18 percent a year—you say you have looked at this appendix A an actual customer account of a department store demonstrating the calculation of annual service charge rate, you say?

Father McEWEN. I look at that.

Mr. WILLIAMS. And do you agree with this?

Father McEWEN. I agree that that is an actual fact, that account actually took place. And when figured out with a slide rule that they have used for this, including every minute of free time and every minute of charged time, those figures are probably true.

Mr. WILLIAMS. So that at the end of the year the actual interest or charge rate was 11.49 percent?

Father McEWEN. That is correct. Actually it is a result though, of charges when incurred being levied at a rate of one and a half percent a month or 18 percent a year.

Mr. WILLIAMS. Which resulted in an actual charge of 11.49 percent for the year.

Mrs. SULLIVAN. Would the gentleman yield for a moment?

Father, would you say that that is the way—maybe some of you other gentlemen could answer it—do you think that is the way every