may put us at a disadvantage since there are some lenders that have a lower rate than is available from many credit unions. We think this is good. If an individual can get a better rate elsewhere after comparing all the facts, we think he should go elsewhere. As a matter of fact, some surveys we have taken indicate that many members do just that. This has led some credit union people to believe that our educational endeavors may be just a little bit too good.

In expressing our support of this bill, we do it with the realization that credit unions will be able to comply without much difficulty. We have substantiated this in previous hearings and we continue to hold this view.

In supporting this bill we also admit that, generally speaking, most credit unions quote an interest rate on a monthly percentage basis. Historically, we believe that this practice originated with the recommendations of the Russell Sage Foundation. We have not changed to an annual rate because of the confusion which exists in the mind of the credit user concerning the cost of consumer credit. There have been occasions when credit unions have switched to an annual interest rate but had to go back to the monthly rate because it proved to be too difficult to explain to the members the difference between the annual rate charged by the credit union and the discount or add-on rate used by other lenders. Regardless of these experiences, we remain convinced that if all lenders and creditors are required to disclose the interest rate on a uniform basis, then the consumer will be in a position to make a knowledgeable comparison.

We want to make it quite clear that while we have adhered to a monthly rate, we have made no attempt to hide the annual percentage rate. Many of our publications clearly disclose the annual rate. In educating our members, we constantly use the annual rate since we have found from experience that it is the only adequate means of comparison. Moreover, since the Department of Defense has issued its directive (DOD Directive 1344.7) requiring on-base lenders to disclose an approximate annual percentage rate, we have complied and we have no evidence that this compliance has adversely affected credit union service. We must admit, however, that in complying with the directive we deemed it necessary to include a statement to the effect that "a 12 percent annual rate means that you will pay approximately $6.50 per year per $100 balance owed." This proved necessary for reasons indicated previously.

We recognize that the growth of consumer credit has been a big factor in the expansive growth of the Gross National Product (GNP) from which every consumer and business in America benefits. Our credit and the American economy have grown together. We point this out because we believe that the consumer credit industry is still in its infancy. We believe that an analysis of the present age distribution of the population of the United States indicates that consumer credit will be growing substantially in the next 25 years. According to a recent article in *Banking Magazine*, by 1980 there should be approximately 14,800,000 families in the 25 to 34 age group, an increase of 62 percent over 1965. In the same article, it is pointed out that between 1960 and 1963, 67 percent of the families in this age group had personal debt.

While speaking of the 25 to 34 age group, we would like to point out the fact that the people in this age group have an entirely new concept of debt. To these people, debt is actually becoming a form of thrift. When these people borrow, they must set aside a certain part of their income to pay for property they have already acquired. As you know, under the old concept, debt was considered to be somewhat immoral so consumers would try to save money first and then use this money to purchase property. This changing concept of debt has been recognized by our own credit union managers and by many other lenders.

This is an important concept. If the contemporary consumer looks upon debt as a form of thrift, then it seems absolutely necessary that we have available the means to compare this new concept of thrift with the traditional concept of thrift. In both instances, the consumer is setting aside a portion of his income. When practicing thrift according to the traditional concept, he is quoted a simple annual rate. But when practicing thrift according to the contemporary concept he is quoted a discount, add-on or monthly rate. A meaningful comparison is obviously difficult.

Because of the substantial growth expected in the consumer credit field; because of the changing concept of thrift; and because of the lack of meaningful disclosure of interest costs in the consumer credit industry, we think the time has come to provide the consumer credit user with the facts necessary to make an intelligent decision. We believe it is time to destroy the 6 percent myth. The myth serves no useful purpose in our contemporary economy.