

with open-end credit plans, and if this lack of standardized procedures is what makes the rates directly incomparable, their objection is valid. Yet, since it seems not to trouble them with respect to annualized rate disclosure on savings, why should it on credit?

Most of us are familiar with the varieties of systems in use by banks and savings institutions—daily interest, days of grace, early withdrawal privileges, payment to date of withdrawal, etc. But most of us, at least I, had not been aware of the variety of revolving credit systems. I call your attention to the six methods described on pp. 26–27 of my *Truth-in-Lending* pamphlet. You will note the costs range from \$2.28 to \$5.44. The same 1½% per month rate is applied to the same six-month account. The disclosure of 18% is not what causes these discrepancies, for each charges 1½% per month on every penny *subject to a credit charge under that system*. Nor are these discrepancies attributable to inaccuracies. They are a result of the billing system.

It is true that one customer could get his credit service at \$2.28 while another at about twice this. Likewise, one customer could save at one bank and earn \$0 while another would earn \$5.09.

I do not propose that this Committee consider legislation to standardize banks' methods of paying interest on open-end savings accounts, nor do I propose standardization of open-end credit accounts. But this would be a way of meeting the ABA's concern for the inaccuracies of annualized rate disclosure on open-end accounts. Is standardization what they want?

Since we are concerned here with a matter of public policy, I think it only fair to point out that the so called, "adjusted balance" system employed by Penny's and, according to previous testimony on 40% of revolving credit, is lower in cost because they credit every dollar in cash payment or in returned goods, as though it had been paid as of the first of the month; whereas other stores credit such payments only if sufficient to pay up in full that month's beginning balance. The retailers have submitted testimony to prove they lose money on such accounts. I raise the question of whether this type of *loss leader* is desirable. It seems to me that this places the small businessman, whose access to replacement capital is more limited and at higher cost at a disadvantage. Should the cash customer subsidize the slow and deliberate-paying customer? This observation has nothing to do with the 18% disclosure, *per se*. Yet, it should give cause for concern to those who believe the 18% disclosure would be unfair to stores with liberal credit policies. Whereas in fact, they might better be concerned about how unfair such policies are to cash customers and the implications for small business.

10. My last point relates to the argument that this is a matter for the states to regulate. According to an American Bankers Association executive, well over 50 percent of all consumer credit is extended by lenders which are not subject to Federal regulation. So even if all Federal authorities adopted the provisions of H.R. 11601, most credit would not be covered. I believe wholeheartedly in the preservation of state's rights. But now that we have such tremendous inter-state retail organizations as Sears, Wards, Penney's and credit institutions which span the United States or vast sectors of it, it is idle to believe that individual states can exercise effective and desirable authority without conforming to other states. I have lived in New Jersey for 16 years, Ohio for 2, Wisconsin for 3, Illinois for 3, Iowa for 4, California for 2, Florida for 8 and Kansas for 12. Many others have moved more than I. Why should we learn 50 different concepts of interest, finance charges, service charges, with one set of terms applied to motor vehicles, another to real property, another to cash loans, another to household goods. "A pound is a pound the world around" the saying goes; isn't it time we define for every day use throughout these United States the annual percentage rate? In 1964, a target date of 1966 was set for developing a final draft of a uniform or model credit law. In 1967, there seems little prospect of a single annual percentage rate disclosure from that source. The only alternative is passage of H.R. 11601.

RECOMMENDATIONS FOR IMPROVEMENT OF H.R. 11601

I submit for your study a memorandum giving nineteen recommendations that I believe would improve an excellent bill. It is my MEMORANDUM dated August 5, 1967. In addition, I wish to commend you for not adopting all the provisions of S. 5:

1. The instalment open-credit provision would have made no sense to the consumer. Her need for an annual rate does not change whether the item she buys