phlet I show a most crazy case of irregular payments—on page 20 of the pamphlet—and show that if you start with the rate, then you can figure the cost.

You don't always have to start with the cost to figure the rate. You can start with the rate. The credit unions have done this for years. They have done it without machine calculation and they have been able to figure the cost. This is no mystery.

A point that I would like very much to call to the committee's attention is my fifth point concerning this matter of graduated or step rates. They have no place in a consumer credit disclosure bill. Maybe you don't know what I am talking about. I have here from the Consumer Finance News a sort of editorial of a Mr. Redfield—then president—detailing how, in 1963, some 12 States had changed their laws. As an example, the State of West Virginia's old law was 1½ percent on the first $180 and 3½ percent on the next $300 and up. This is a two-step rate. They now have $19 add-on on $200, $15 on $600, $12 add-on on $800 or 3, 2, 1, and a half percent step rates. It is a little bit like public utilities.

Mrs. SULLIVAN. Would it help after your No. 5 explanation that that be added?

Mr. MORSE. Yes; I would like to have it added.

It gives a historical perspective of what he calls progression, but I call it regression; that is, how the industry has been able to get into the various State laws—dollar add-on, precomputed and graduated rates.

Mrs. SULLIVAN. I think without objection we will have that added after No. 5.

Mr. MORSE. I am tempted to read this example here but it is in the text. In a sense it is like the gentleman or any one of us who would drive up to a filling station that uses three pumps running simultaneously, one at 30 cents a gallon, one at 24 cents a gallon, and one at 10 cents a gallon. After pumping a certain number of gallons, all pumps running at the same time, the cheap pump cuts out. Then after another certain number of gallons the next lower price pump cuts out, so then the high rate pump continues.

About this time, then, it is time to refinance so the debtor tends to stay in the high rate system, that is one thing. But secondly and more from the point of view of this bill, what is the price that you are paying for gasoline?

You drive up and ask your station attendant to run both the ethyl and regular gas into your tank at the same time and say what is the average price? It is pretty hard to shop intelligently when you have this kind of mixture of rates.

The textbooks would indicate that it is a horrendous problem—most difficult to figure what the blended rate is.

I give as one of my recommendations in the attached memorandum, dated August 5, how this could be done and I don't think it would be any great task to knock out the graduated rates, or if they want to use them let them use them but also let them make the blended rate known.

This is recommendation No. 6 on page 3 of my memo.