Professor Morse, if the Sullivan bill is passed there certainly will be an 18 percent annual rate and no free ride, is that statement true?

Mr. MORSE. No.

Mrs. DWYER. What is your answer?

Mr. MORSE. My answer is given in the literature that I have distributed as exhibits—if I can find my exhibit—here it is—Sears, Roebuck. This is my interpretation of your question applied to a specific company. I show, on page 20 of my truth-in-lending pamphlet, a Sears billing, and in my prepared statement I say essentially all that is involved is a printing problem. You will find it here. I think this Sears bill is tremendous. Look how much information Sears gives its customers. It tells them what they still owe—$56—they can go in hock another $34 and still pay $10 a month. With their credit rating they could borrow $194 more, but this will disturb their monthly payment pattern of $10. This is really disclosure of four critical decisions which the consumer has to make.

They give the service charge of 96 cents. But how is that figured? They don't tell. The bill—all the bill would require is to have printed: "Monthly service charge is 1½ percent (18 percent per year) of the previous balance." The previous balance is shown here in this top box, so they would have told how it was figured. That extra printing is all the bill would require.

Mrs. DWYER. If the consumer feels that he is paying 18 percent, wouldn't all the retailers be forced to make the 18 percent if they wanted to or not?

Mr. MORSE. Retailers are engaged in understanding their customers. I don't know how consumer will feel initially or over a period of time after being told they are paying 18 percent.

Secondly, I do not know how retailers will adjust to this attitude as manifested by the consumer. But I know retailing is capable of adjusting to the disposition of the people. I don't think there is any trickery involved here. I repeat to you that this is the same kind of message, this same kind of language, the same kind of communication that consumers now have, and the public has from quotations for savings accounts and on home mortgages.

Mrs. DWYER. What incentive would it give to a retailer to give any free ride at all?

Mr. MORSE. Yes, it would.

Mrs. DWYER. If the 18-percent charge goes into effect?

Mr. MORSE. They will just put on the statement, "Trade with us, don't pay for 30 days. Our credit doesn't start until 30 days after the billing." They will advertise this without deception—just as savings and loans are advertising now, "We pay daily interest." This advertising for savings got a little out of hand, as your recall.

In my Senate testimony I included a clarification on this point by the three agencies, FDIC, Federal Reserve Board, and Home Loan Bank Board as to what is meant by "simple interest." It had gotten out of hand.

But disclosure of 18 percent would not require cessation of the 30-day free ride. As a matter of fact, they might increase it to 60-day free ride. This is merchandising. They will do that which they think will best represent them to their customers.