

Mr. MORSE. It is clear in the writings, very clearly stated that the nominal annual rate is different from the yield rate or effective rate.

Mr. WYLIE. It would be more accurate, though, if interest payments could be stated on a shorter period basis. That is the point I am making. If the interest rate is based on a monthly rate so the banker would say "the interest rate is 0.41 percent plus"—you divide by 5 percent by 12.

Mr. MORSE. You put me into a bind, Mr. Wylie. Let me ask, for example, are bananas sold at 15 cents a pound, when I don't really buy exactly a pound of them, any more accurate than the actual price that I really pay for the bananas? I never really pay 15 cents. Bananas just don't come to weigh out exactly on the nose to be a pound. Or gasoline at 30 cents a gallon; is that inaccurate?

Mr. WYLIE. You brought the subject up. I don't think you are being any more accurate when you say interest paid at 5 percent per annum than it would be on the revolving credit if you required the retail stores to say we charge 18 percent per annum. That is the point that I am coming to, of course.

Mr. MORSE. I didn't—in answering your question I did not come up with this—the question of accuracy was raised by the bankers themselves and not by me.

A penny an ounce is 16 cents a pound, and a penny an ounce is no less accurate than 16 cents a pound is.

Mr. WYLIE. Isn't the customer more interested in the dollars and cents charged rather than the interest rate charged?

Mr. MORSE. Is the customer?

Mr. WYLIE. How much money he pays out on his account in interest or service charges?

Mr. MORSE. Depends where the customer is in the stage of his decisionmaking.

Mr. WYLIE. Then——

Mr. MORSE. If I may explain—when I am looking for gasoline I read the big billboard sign that says 30 cents a gallon, and if another one says 32 cents a gallon and if I am looking for lowest priced gas, I will drive into the station posting the lowest price per gallon. Now I still don't know how much I am going to buy or pay. He is not going to be satisfied, and I am not going to be, and we will not have reached an accommodation until I get the gas and he gets paid for it.

Mr. WYLIE. But there is no analogy there. That is like comparing apples and oranges. If a man goes in and buys 5 gallons of gas at 35 cents a gallon, you know how much the cost will be in cash. But if he has a revolving charge account, he doesn't pay cash—he can pay off part of the amount due. If he doesn't pay off the full amount interest is added and you got an entirely different situation.

Mr. MORSE. I know that the rate is $1\frac{1}{2}$ percent a month or expressed at 18 percent a year whenever I have to pay it.

Mr. WYLIE. But you don't know how much interest you are going to get on your bank account even though it says 5 percent annually. I have had the same situation. I have had to withdraw, put in and withdraw from a savings account. I don't know whether I am going to get 5 percent, $4\frac{1}{2}$ percent or what in actual yield. But at the end of the year the bank will tell me how much I have gained in dollars and cents.