Mr. BINGHAM. I understand what you are trying to get at. Wouldn't you agree that as a practical matter, referring to page 4 of your memo, on your suggestion for a blended rate, depending on the amount of the balance during the previous month, that the blended rate given to the consumer might vary from month to month? I would suggest that would be probably a system that would not be workable.

Mr. MORSE. It varies now month to month. They would merely post a schedule of single rates that would apply as I suggest here, if the balance is over $500, it is the 18-percent rate. Actually for computer operations it automatically gets sorted into its proper rate category. They might find it simpler not to have such a complicated system as I suggest here.

Mr. BINGHAM. That is my point.

Mr. Margolius, what do you think about the graduated rates? Do you feel the pressure should be on them to do away with them?

Mr. MARGOLIUS. In the case of small loans?

Mr. BINGHAM. A certain percentage, if the balance is $500 or less and so on.

Mr. MARGOLIUS. Yes. The Pennsylvania State Labor Federation has made a particular point of that. They point out that unbeknown to the consumer the lowest rate part of the debt is paid off first and the highest rate part is paid off last. So there is concern about that.

Mr. BINGHAM. Do you want to add to your comment?

Mr. MARGOLIUS. I haven't given it enough thought.

Mr. BINGHAM. I mean Mr. Morse.

Mr. MORSE. I caught onto this in reading the testimony of the New York State Banking Department. Their study alerted me to the problems that are a result of graduated rate system. It gets just too complicated to paraphrase here, but discussion begins on page 14, with respect to step rates in my pamphlet No. 18, "Consumer Credit Computation." You may wish to look at that discussion, for it gives the reason for my concern.

Mr. BINGHAM. Do I understand that that is the general practice, that the highest charge, highest rate is the last to be paid?

Mr. MORSE. Yes.

Mr. BINGHAM. Thank you very much.

Mrs. SULLIVAN. Thank you. I have two questions that I would like to read into the record for you, Professor Morse—and you can answer them later—and two for you, Mr. Margolius. Unfortunately time does not permit your answering now, so I will just read them into the record.

First, it seems to me, Dr. Morse, that the American Bankers Association would probably be as good an authority as any on monthly versus annual rates, since their members deal in this subject everyday. And the ABA witnesses told us, in answer to my question, that once the basis is determined by the store on how it assesses its charge of 1½ percent, that particular charge is at an annual rate of 18 percent. It covers a specific 30- or 31-day period—one-twelfth of a year—regardless of when that period actually starts.

Would you agree?

Next, does H.R. 11601 require any amendment in your opinion, Dr. Morse, to provide a means for the retailer to compare and contrast his revolving charge system with a competitor so that, while both cite an