annual rate of 18 percent, the customer can nevertheless gage which gives him the better break on free or grace periods, or on the crediting of payments or returns? In other words, does H.R. 11601 provide sufficient leeway for the Federal Reserve Board to issue regulations which allow, or permit, or encourage, full disclosure of these differences within an identical annual rate?

And now I want to ask Mr. Margolius: In your column you always make it clear to consumers that paying cash is usually a preferable way of buying because credit costs the store money and somebody has to pay for it. How do you get for the cash customer some of the benefits of the savings he affords the retailer? I've heard many complaints from people who resent paying the same amount for a restaurant check, for instance, as the party at the next table which charges it, thus forcing the restaurant to pay 7 percent to the credit card company to collect.

Should the cash customer complain—and what good does it do?

Finally, Mr. Margolius, what was the name of the bank in Buffalo which was financing the freezer deals you mentioned?

If you two will answer those questions when you get your transcripts, I will appreciate it.

(The following information was submitted:)

KANSAS STATE UNIVERSITY,
DEPARTMENT OF FAMILY ECONOMICS,
Manhattan, Kans., August 18, 1967.

MRS. LEONOR K. SULLIVAN,
Chairman, Consumer Affairs Subcommittee, Committee on Banking and Currency, House of Representatives, Washington, D.C.

DEAR MRS. SULLIVAN: I. You have asked whether I would agree with the reply given you by the ABA witness.

Yes, I agree that 1½% for a period, which is 1/12 of a year, regardless of when that period starts, is at an annual rate of 18%.

To underscore this I quote from my statement on S. 5:

"The nominal annual rate expresses the periodic rate multiplied by the number of periods in a year. The annual rate is—

"twelve times the monthly rate;
"fifty-two times the weekly rate;
"four times the quarterly rate; or
"three-hundred-sixty-five times the daily rate.

"The equivalent annual rate, so conceived, is just as informative and real as the motorists knowledge that he is traveling at a rate of 60 miles per hour by looking at the speedometer, regardless of whether he travels the full hour at this rate or goes the full 60 miles."

II. Your second question asks whether H.R. 11601 provides sufficient leeway for the board to issue regulations which allow or permit or encourage full disclosure of the differences within an identical annual rate.

I see no need for a change in H.R. 11601 in this respect. Section 203(d)(2)(C) and (D) and Section 203(d)(3)(H) explicitly require disclosure at the outset of the method of fixing the charge, and with each billing, notice of the opportunity for free credit. Furthermore Section 204 authorized the board to establish procedures under (a)(2) whereby the required information be set forth conspicuously and clearly.

However, should the committee follow my recommendation No. 11, they may wish to also give the Board authority to set a minimum or fixed amounts as finance charges. However, I believe the Board would have this authority under Section 204 (c) since such cases would be of a special class of creditors.

Another alternative would be to authorize the board to stipulate the method of assessing charges, but I do not believe this authority is advisable or needed at this time.

Respectfully submitted.

RICHARD L. D. MORSE, *Professor and Head.*