month. There was an opening balance of $100, a payment of $10 and a balance due of $90, plus service charge. But the service charge on the Sears and Wards bills is $1.50, whereas on Penney's bill it is $1.35. Here is why: Sears and Wards charge 1½ percent of the opening balance, in this case $100. Penney's charges 1½ percent of the actual balance due after deduction of payments and credits, in this case an adjusted balance of $90. Sears and Wards actually charged me $1.50 on $90 due, or 1.67 percent or 20 percent per annum interest rate. What's more, as the balance of my account decreases month by month, Sears and Wards will be charging me a higher and higher rate, until, on my next-to-last payment the rate will be 39 percent. At the very least—assuming that new purchases restore each month's opening balance to very nearly $100, but no more than that—the annual rate will be about 20 percent. Penney's rate, on the other hand, is always 18 percent.

But that's only the most conservative way to make the comparison. Suppose that, when that first bill for $100 comes, I look in my checkbook and decide that I can afford to pay $50 on account—a good and thrifty thing to do, you would agree. But not Sears and Wards. They will penalize my thrift on the very next bill. Their service charge remains $1.50, no matter how much I pay them, short of the whole $100. That's $1.50 on a $50 balance due, mind you, and it comes to a 3 percent monthly rate, a 36 percent annual rate. Penney's would charge only 75 cents, the usual 18 percent per annum.

We at Consumers Union are not here to plug J. C. Penney or knock Sears and Wards. We are here to tell you consumers need full disclosure of the annual rate—the true annual rate—on revolving credit charge accounts. That 36 percent per annum example I just cited is not drawn from the rarefied atmosphere of an ivory tower. Let me quote to you but one of quite a number of letters from our readers:

> I have recently been the victim of unethical practices and I think your other readers might appreciate a warning in your magazine. As you know, Sears, Roebuck and Company charges an announced rate of 1½% interest a month on the unpaid balance. I discovered recently that the credit department in our local store was only applying a portion of the money I paid them. . . . For example (and this is exactly what they did to me), I had an unpaid balance of $80.00 and made a payment of $50.00. This left me a balance of $30.00—the interest on which should have been 45¢. When I got my monthly statement, however, I found my service charge was 3 times as much as it should have been * * *. This unethical practice meant in my case that they were, in effect, charging me an interest rate of over 5% a month or 60% a year. I have noticed that other chain stores (like W. T. Grant) will do this if they can get away with it. I certainly hope you will find some way of drawing this dishonest policy to the attention of your readers.

The way I figure it, they charged him 48 percent; not 60 percent. Let me hasten to say that the writer of that letter came to unfair conclusions about the way Sears, Grants, and others may be conducting their business. But it is not hard to see how he came to think that he was receiving unethical treatment. He is not alone in this harsh judgment. A number of similar letters are appended to our written testimony. They keep coming in, and in our opinion they should be a source of alarm both to the retail and banking communities and to the Congress.