your then current billing schedule) commencing with the second monthly billing date following the date of purchase * * *."

Professor Morse, being an expert on such things, was able to show that a certain six-month series of transactions costing $2.28 in service charges at Penneys could cost $2.74 at Sears or Wards and upwards of $5 at some other stores. Most people wouldn't get the message right away. A number of them, including a professor of economics and a professor of philosophy, have written to CU within the past year or so. One person wrote: "I hate to admit after many years of using my Sears account that I was never aware of paying such a high rate of interest."

One of the main areas of confusion plaguing consumers has to do with the amount of his balance due to which the revolving credit service charge rate is being applied. The following letter from a Consumer Reports reader eloquently expresses the confusion, which in this instance led to an unfair but nonetheless understandable presumption of unethical treatment:

"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 and giving me credit for the balance. 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.

"When I complained to the credit manager, he first lied to me and then explained that he had done me the service of crediting my account with only $10.00 of the amount I had paid. The balance was applied as credit that I could use later. 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."

R. N.,
Bowling Green, Ky.

A number of similar letters are appended to this testimony. They keep coming in quite regularly, and in our opinion they should be a cause for concern both to the retail community and to this subcommittee.

The point, of course, is that hardly anyone can fathom the billing methods of revolving charge accounts. Help is needed, and the need will become more and more pressing as banks and stores, spurred on by the availability of computerized billing systems, contend for revolving credit business. H.R. 11601 would put revolving credit back under full-disclosure provisions. With slight amending, it could assign the Federal Reserve Board to tackle the billing problem.

We recognize that it would be no simple problem in rules making. But it must be solved. J. C. Penney, now claims, in a suit aimed against the Massachusetts rate disclosure law, that "Despite the difference in actual finance charge rates charged by the Plaintiff [Penneys] and certain of its major competitors, all are required to state the identical 'simple interest per annum rate.' The Plaintiff thereby suffers substantial injury to its business by reason of the misleading and distorted rate which results from the use of the statutory formula, the statement of which misleads Plaintiff's customers and prevents them from being informed as to the substantial savings to be gained by Plaintiff's regular charge account plan."

It would seem to be in Penney's best interest as well as its customers' to have some simple yardstick for pricing the revolving credit at competing stores and banks. Consumers Union is convinced that a satisfactory way can be found to solve the problem. Several come to mind: a single standardized billing system for all revolving credit accounts would be one approach, though certainly not the most desirable from the standpoint of innovation. Another approach might be a thorough statistical analysis of the various billing methods, with an eye to establishing their relative cost to the borrower. Perhaps the most logical avenue of attack, however, would be to view the matter the same way any well-managed retail business must already be viewing it—in terms of its yield. Testi-