mony by retail executives at the Senate hearings leaves no doubt that they know approximately how much of their charge account volume consists of purchases on revolving credit. To that volume they can apply an annual rate to project their gross service charge revenues. If, as appears to be the case, the actual cost of revolving credit varies significantly from store to store, then there must be different rates of yield. Each store presumably has a fair idea of its own yield, and probably shares with others in the trade a good understanding of how various billing methods would affect that yield.

May I quote an excerpt from the "Financial Rate Translater and Guide to Legal Installment Sales Rates," published by the Financial Publishing Company of Boston for their use by the credit industry:

"Traditionally the return on money invested is stated as annual interest rate on the funds actually in use. For monthly payment loans the interest rate per month is 1/12 of the annual interest rate. In these tables we shall call this *annual* interest rate the actuarial rate * * *. The *actuarial* rate expresses the true return on investment * * *."

Gentlemen, we submit that the consumer shopping for revolving credit, or any kind of credit, should be allowed to share the knowledge belonging to those doing the lending. As so often is true, the consumer is the only participant in the transaction who is deprived of full information. He very badly needs that information. One unwise deal, after all, means little to a business conducting transactions by the thousands. But one unwise credit deal can be ruinous to the individual across the counter.

Plainly, if the present Congress does not set the Federal Reserve Board to work on the problem of differentiating amount actual revolving credit rates, you will be leaving unfinished business for some future Congress—business that needs attending to right away.

CLOSING OTHER LOOPHOLES

Consumers Union is especially pleased to see that H.R. 11601 closes other loopholes left in the Senate bill as it treats rate disclosure. We will mention here a few of the failings of S. 5.

First mortgages on houses are exempt from disclosure regulations. It is true that mortgage interest is already stated as a true annual rate. But certain fees are usually left out of the rate picture—such as mortgage placement and appraisal fees, credit report fees and points, or discounts, paid by the purchaser. According to recent figures from the Federal Home Loan Bank Board, just the placement fees and points on conventional new-home mortgages are now averaging almost 1% of the amount of the loan. In effect, the interest rate is higher than it looks. It should be fully disclosed. H.R. 11601 only partly remedies the situation. In our opinion, it should count appraisal fees and credit reports as part of the finance charge on a mortgage.

Premiums for credit life insurance would not be considered as finance charges or included in the annual interest rate. Yet many lenders and credit merchants require you to buy insurance for their protection. Unless the option to buy is the borrower's, credit life insurance premiums should be counted as part of the interest rate. H.R. 11601 does the job.

Insurance commissions earned by used car dealers when they sell an accident policy as part of the credit package on a car sale would not be counted in the interest rate. Some dealers have close ties with insurance agencies and pad the price of car financing with overpriced premiums. If accident insurance is part of a car deal, the dealer's take should be included in the interest rate. H.R. 11601 does not include it.

There is no regulation of credit advertising. Familiar and phony slogans like "low bank rates" and "no money down—easy monthly payments" would continue to gull the unwary. Massachusetts law requires credit merchants to post the true annual interest rate in any advertisement making reference to credit terms. Federal law should follow suit. H.R. 11601 does the job quite admirably.

If the finance charge is $10 or less, the lender doesn't have to disclose his annual interest rate. Example: A vacuum cleaner salesman knocks on the door with an offer of an $80 machine for $10 down and 12 monthly payments of $6.65. The payments total $89.80. The finance charge is $9.80 for $70 for one-year installment credit. The well-concealed true annual interest is 25%. Truth-in-Lending should apply to small deals as well as big ones. H.R. 11601 does the job.