CONSUMERS UNION EXHIBIT.—J. C. PENNEY REVOLVING CHARGE ACCOUNT—SERVICE CHARGES AND INTEREST RATES ON A $100 PURCHASE SERVICE CHARGE OF 1½ PERCENT

	Opening balance	Payment	Balance due	Service charge	Ratio of service charge to balance due	Monthly interest rate (percent)	Annual interest rate (percent)
1st month	$100.00	$10.00	$90.00	$1.35	$1.35/$90.00	1.50	18
2d month	91.35	10.00	81.35	1.22	1.22/ 81.35	1.50	18
3d month	82.57	10.00	72.57	1.09	1.09/ 72.57	1.50	18
4th month	73.66	10.00	63.66	.95	.95/ 63.66	1.50	18
5th month	64.61	10.00	54.61	.82	.82/ 54.61	1.50	18
6th month	55.43	10.00	45.43	.68	.68/ 45.43	1.50	18
7th month	46.11	10.00	36.11	.54	.54/ 36.11	1.50	18
8th month	36.65	10.00	26.65	.40	.40/ 26.65	1.50	18
9th month	27.05	10.00	17.05	.26	.26/ 17.05	1.50	18
10th month	17.31	10.00	7.31	.11	.11/ 7.31	1.50	18
11th month	7.42	7.42					
Total				7.42			18
Average							18
This type of billing method applies service charge rate to the balance due. There is no service charge if payments and returns equal the opening balance. The interest rate is the same regardless of the size of any part payment. For example	100.00	50.00	50.00	.75	.75/50.00	1.50	1

Mrs. SULLIVAN. Thank you, Mr. Klein.

Mr. Willett, please make your statement next, and then Mr. Meade, followed by Mr. Smith. Then we will question all of you.

STATEMENT OF DR. EDWARD R. WILLETT, CHAIRMAN, CONSUMERS' COUNCIL OF THE COMMONWEALTH OF MASSACHUSETTS

Mr. WILLETT. Thank you.

My name is Edward R. Willett. The purpose of my appearance here today is to give testimony on the truth-in-lending laws of the Commonwealth of Massachusetts. I have the honor of being the chairman of the Consumer's Council which is a statutory body in the executive government of the Commonwealth of Massachusetts, I am also chairman of the Department of Finance and Insurance at Northeastern University, Boston, Mass. Finance has, for the past 20 years, been my area of specialization in the field of economics with special interest in investment and personal finance.

The Massachusetts Consumers' Council, the first statutory body of its type in the country, functions as the advocate of the citizens of the Commonwealth on all matters pertaining to consumer interest. In essence the council acts as an ombudsman in the area of consumer protection. It is this council, in cooperation with the legislative leaders of the Massachusetts General Court, which led the fight for the successful enactment of the first truth-in-lending statute in the country.

Mr. Dermot P. Shea, the executive secretary of the council, who is here with me today acted as the council's legislative agent during the 2-year fight for the enactment of this legislation. Actually the truth-in-lending legislation is covered by two chapters, "An Act Regulating Certain Retail Installment Sales and Services" (acts, 1966—ch. 284) and "An Act Requiring the Disclosure of Finance Charges