

operated under just such a law as the disclosure sections of H.R. 11601 and found that it works without any hardship on business except to tell the customer what he has a right to know.

Now, Mr. Smith, as the businessman in this group, as the credit manager on the firing line of truth in lending, will you tell us what the reaction of your customers is when you tell them 1½ percent a month service charge is 18 percent a year, or an installment contract may be 12 percent, or whatever you charge? What is the reaction?

Mr. SMITH. The reaction by the consumer is not of any great importance right now. Because the consumer is asking only one question, how much do I have to pay a month? This seems to be their prime question. However, we believe in full disclosure and when we state that it is 1½ percent a month—equal to 18 percent a year—it seems to be accepted as a way of life and there is no derogatory reaction of any sort whatsoever.

Mrs. SULLIVAN. When this first went into effect was it a shock that it was 18 percent and not 1½ percent?

Mr. SMITH. It took off very slowly—the only people who showed an interest were the professional men—accountants, executives, business people. There was a smile on their faces that they seemed to realize that the moneys had not changed—that they are paying the same amount of money regardless of whether it says 6 or 12 percent simple interest. As a result, there was no shock whatsoever and no sales loss.

Mrs. SULLIVAN. Mr. Smith, do you utilize garnishment in collecting debts from your customers?

Mr. SMITH. We do not.

Mrs. SULLIVAN. Dr. Willett, on Friday, Father McEwen testified before us and noted a very direct relationship between credit abuses and the riots which have occurred in our cities. Your testimony also points to that fact. Would an 18-percent ceiling on finance charges be effective in cleaning up the worst aspects of credit practices?

Mr. WILLETT. I think that it might very well be of considerable help. I am not necessarily agreeing that 18 percent is or is not the best exact number. It seems to me at the present time to be. I think the important point, though, the law does require in Massachusetts that the true interest rate be revealed and that this in itself brings confidence and helps the situation considerably.

Mrs. SULLIVAN. Would either of you gentleman have any idea on a better figure than 18 percent as the ceiling?

Mr. WILLETT. If I may interject, I think that 18 percent is an excellent figure and would be very happy to agree with it. However, I haven't done any work or research into whether some specific number is the best. I think in Massachusetts the outstanding feature of the law is the fact of reviewing the true rate and that this in itself is a tremendous boon.

Mrs. SULLIVAN. Could you give us any idea of what has happened in Massachusetts among the outfits which charged high credit costs? I am not talking about revolving credit now or the legitimate stores that you have dealt with. What happens in some of these other stores where you were never quite sure of the charges for some of the large-ticket items such as refrigerators, TV sets, and so on. Are the consumers getting better deals or are there still sharp practices going on?