

ing them from going further and saying that this rate is based on—not on our opening balance, but on your opening balance with a credit for any payment you might have made during the month. So that the distinction that one of the other gentlemen drew between J. C. Penney and Sears, Roebuck, where Sears computes it on the beginning balance—on the opening balance and Penney computes it on the opening balance with a credit for any payment made, that can be disclosed. Nothing prohibiting that. It is not required.

Mr. WYLIE. They cannot disclose in advance—at the beginning of the year what the actual annual rate might be on a revolving account, can they?

Mr. MEADE. Surely. It states very simply that the rate is $11\frac{1}{2}$ percent per month, 18 percent a year. But the 18 percent will only become effective on the amount of credit that you use. For example, if they have a 30-day account, 30-day free rider period, they can put in there—they have to put it in, if it is $11\frac{1}{2}$ percent per month, that it is 18 percent a year. If you pay your account in full in 30 days there is no interest charge.

Mrs. SULLIVAN. What is the status of the Penney lawsuit?

Mr. MEADE. Well, it is pending in our courts. It is sort of cooling for the summer. Penney has filed a complaint, of course, as I assume you know. Our office has filed what we call a demurrer to it as well as an answer to the complaint.

It is our position that Penney's is complaining that they cannot do something and we say they can do it if they want to. It is up to the court.

Mrs. SULLIVAN. Mr. Klein, would Consumers Union regard S. 5 as passed by the Senate as an effective law to guide the consumer, if that were all we could pass?

Mr. KLEIN. It would be better than nothing, Madam Chairman.

As I said in my opening testimony, both the Senate bill and your bill would tend to open up this large breach and it would tend to encourage many, many lenders to go into a revolving credit type of billing, and I think the purpose of the bill would be defeated. I think we must have revolving credit under the bill, and most preferably in the fashion that I have suggested.

Mrs. SULLIVAN. Thank you.

Mr. Bingham?

Mr. BINGHAM. Thank you, Madam Chairman.

I would like to thank all the witnesses this afternoon, particularly these three who have come down from the State of Massachusetts to tell us about their experience. To them I would just like to address one question, if they have any wisdom for us at all on the proposal in the Sullivan bill for a prohibition of garnishment?

Mr. MEADE. We don't have that in Massachusetts, so I can't speak on the basis of any experience. I am somewhat leery of making a national law that would prohibit it. I don't believe in Massachusetts most reputable retailers do seek this form of relief. But I think that lacking the experience on the State level, I will refrain from giving any off-the-cuff answer to your question, if I may.

Mr. BINGHAM. Thank you. I can understand your position.

Mr. Klein, I devoted quite a considerable time going over your statement in some detail. I must say I am very impressed by it. I hope Mr.