

ing credit. That is equivalent to what the consumer should be told is an annual rate.

I would like to point out——

Mr. BINGHAM. If I may interrupt you, that would not correspond to the actual experience with any given consumer, so I do not believe now that would be any better than the 18 percent.

Mr. KLEIN. It has been pointed out that consumers use these revolving charge accounts at random, their times of purchase and payments do vary. But over the course of time the interest rate paid will generally resemble the store's yield. I think this is a workable approach. But I suggest that I am not the person to say that. I am just a journalist. You have people at the Federal Reserve Board who are highly competent to work this out, and it is workable, I am sure.

Mr. BINGHAM. Have you considered the revised language governing this problem, the annual percentage rate on revolving credit, that was proposed by Professor Morse in his memorandum?

Mr. KLEIN. I have not had a chance to study it.

Mr. BINGHAM. Will you study it and give us your comments for the record? I think he has a rephrasing of this that gets around the difficulty of trying to state an annual percentage rate while preserving the essence of what we have in the bill. Would you do this and let us have it for the record?

Mr. KLEIN. I will.

(The material requested follows:)

CONSUMERS UNION,
Mount Vernon, N.Y., August 23, 1967.

MR. PAUL NELSON,
Committee on Banking and Currency,
Rayburn House Office Building,
Washington, D.C.

DEAR MR. NELSON: At hearings before the Subcommittee on Consumer Affairs August 14, 1967, I had the privilege of presenting the views of Consumers Union on H.R. 11601. The Consumer Credit Protection Act. At that time Congressman Bingham asked us to submit later, for the record, our comments on revised language, as proposed by Dr. Richard L. D. Morse, concerning disclosure of the annual percentage rate on open end (revolving) credit plans. We are happy to comment herewith.

On page 6 of his memorandum, Dr. Morse raises an objection to words in Sec. 203(d)(2)(C) seeming to sanction the use of minimum or fixed finance charges for revolving credit. He notes that the practice can "be treated better by regulatory authority." "The use of minima and fixed charges could be so abusively used as to render the rate insignificant," he states.

Consumers Union concurs and would support Dr. Morse's revision of this subsection.

Also on page 6 of his memorandum, Dr. Morse proposes revised language for Sec. 203(d)(3)(E); this subsection lists items to be disclosed in monthly or periodic billings of revolving credit plans. Dr. Morse would add a requirement that the periodic percentage rate be disclosed at each billing, along with the annual percentage rate.

Although Consumers Union would endorse this proposal, we wish to make clear our belief that it does not solve the disclosure problem for revolving credit charge accounts which we brought to the attention of the subcommittee.

That problem is to disclose the fact that finance charge rates on revolving credit accounts could and would differ from store to store even though all stores were disclosing the same periodic and/or annual percentage rate. We illustrated the problem with a comparison of actual interest charges, the customer would pay to Sears, Roebuck or Montgomery Ward, on the one hand, and to J. C. Penney on the other. The example was of the retirement of a single \$100 credit purchase. Paying installments as prescribed, the customer would have paid