

from the date of purchase for the next 364 days that it does not figure necessarily to make 18 percent because they have this particular free ride in there. In fact, they are saying it never would work out to be 18 percent.

Mr. WILLIAMS. I think you will find the way I stated it, is what their case avers. I am not positive but from the testimony I have seen—I have not actually read the case itself—I think that their contention is that if they are forced to say 18 percent a year and it does not come out to that, and that is the very point they are objecting to, and if they are forced to say it, then in your answer, I do not think you have said they do not have to say 18 percent a year.

Mr. MEADE. They do have to say 18 percent a year. All I am saying is that that is in fact true, that from the time that interest begins to run on any one of their accounts, it is at 1½ percent a month, and if you multiply that by 12 you come out to 18. Now, the purpose of the law is to allow a customer to do some shopping for credit, an informed customer, if he wants to.

If the informed customer knows, and there is nothing to prevent his knowing on the agreement that he has a 30-day free ride period, he gets that anyway, it is at the end of the free ride period when interest begins to accrue. It is at that point that he can shop around, and if he can get a bank loan for 12 percent a year, pay off J. C. Penney account at the end of the 30 days, then he is doing better from that point on. He gets the 30 days anyway.

Mr. WILLIAMS. Let me say after your explanation and my somewhat limited knowledge of this case, you are talking about interest-free periods, other adjustments that are being made where it does not add up to 18 percent, then I do think some merit exists in the J. C. Penney argument. I do not think we are going to develop more information while pursuing that subject.

Mr. Smith, what business is the Lechmere Sales engaged in?

Mrs. SULLIVAN. Would the gentleman yield a moment? I have the wording of the Penney testimony in the truth-in-lending hearings before the Senate this year, and let us see if Mr. Meade could just answer this statement by the Penney board chairman, Mr. Batten.

He says:

Our attorneys have advised us that we cannot run this ad in Massachusetts. It would violate the truth-in-lending act which prohibits any statement in advertising other than the one prescribed in the law. In other words, the law requires us to lie to our customers, then prevents us from telling them we cannot tell them the truth. To us the entire situation is intolerable and we are therefore challenging the law in the Massachusetts courts.

Mr. WILLIAMS. That is the part. I think after that it has an exact statement as to what they are averring, this does appear.

Mr. Smith, in what business is the Lechmere Sales Co.?

Mr. SMITH. We are hard-line merchandisers, retail distributors, TV's, refrigerators.

Mr. WILLIAMS. You are a distributor?

Mr. SMITH. Retailer—hard-line merchandising.

Mr. WILLIAMS. What could be referred to as big ticket items?

Mr. SMITH. That's correct.

Mr. WILLIAMS. You are not talking about the kind of thing we would have, say, in a normal department store?