

of the fact that the person is only paying off \$10 a month. This again, as I say, I think this is almost exactly an illustration of an installment purchase or purchasing.

Mr. KLEIN. No, sir, it is not. I have the Sears bill right before me, account balance of \$10.01 to \$100 a month, make a payment each month of \$10.

Mr. WILLIAMS. How do Sears and Montgomery Ward adjust their financing or interest rate or service charges in order to meet the Massachusetts law after it was passed, or is this what they are still doing?

Mr. KLEIN. The Massachusetts law recognizes 18 percent.

Mr. WILLIAMS. You are showing 23.8.

Mr. KLEIN. I think the Massachusetts law allows a bit of variance from the truth.

Mr. WILLIAMS. You mean to tell me that under the Massachusetts law somebody can charge 5.8 percent more interest a year and get away with it? You are showing a monthly interest rate of 1.67, 1.82, 1.92. What kind of law is this?

Mr. KLEIN. Well, it is not good enough. It is a pioneering piece of consumer legislation and, as such, we at Consumers Union have praised it highly. But, like most innovations, it needs to be further improved.

Mr. WILLIAMS. Thank you, Madam Chairman.

Mrs. SULLIVAN. Mr. Klein, in our bill if life insurance is optional, is it not counted as a part of the annual rate?

Mr. KLEIN. In your bill I think it is; yes.

Mrs. SULLIVAN. Mr. Willett, do you set a ceiling of 50 cents per \$100 on life insurance without counting it as part of the finance charge?

Mr. WILLETT. Yes.

Mrs. SULLIVAN. How did you arrive at the 50 cents?

Mr. WILLETT. The banking department suggested this 50-cent figure as being the correct one, and I would have to rely on them to give you the reasoning that they used to derive this particular figure, unless someone else here knows more about the history than I do.

Mr. MEADE. I understand that they took the national average—I understand it came out to the cost of credit life, 39 cents per \$100, the difference between the 39 and 50 allows the company a reasonable return on this particular type thing.

Mrs. SULLIVAN. We have not had much information on average insurance charges, and yet this is a big part of the finance charges in many credit transactions. I think before the week is out we will have someone scheduled to come in and explain this because we need more information on that particular item.

Is the advertising of credit terms included in the Massachusetts law?

Mr. MEADE. Yes; it is, Madam Chairman.

I might also say that I think you asked me a question previously that I never did answer about J. C. Penney's ad that they wanted to run.

The banking department in Massachusetts and I, as a representative of the attorney general's office, have seen this ad, and if they had gone to the banking department or the attorney general's office we would have given the ad our blessing. They could have run it. They can run it.