

Mr. MEADE. Well, I have spoken—my information comes to me somewhat hearsay from conversations with certain retailers and certain bankers. My family are in banking, and particularly the banking I suppose is more appropriate the aspect here—they are in competition with finance companies which, under our small loans law in Massachusetts on certain small loans can charge as high as 33 percent a year on a sliding scale, whereas banks almost never go that high.

I am told that certain people who can meet the requirements of loans from banks and credit requirements, but who formerly went to loan companies because they didn't think they could get a loan at the bank, or because they felt it was more convenient to go to the loan company on the corner—when they discovered they were being charged an effective annual rate of 30 percent, say, decided they would at least check with the bank and see if they couldn't do a little better, and the banks in Massachusetts—I think that the ad that the Provident Institution for Savings had that Dr. Willett introduced here has drawn business to lenders from people who in effect are shopping for credit, and this is the purpose of the Massachusetts legislation.

Mrs. DWYER. I have been hearing so many hearsay reports from many rank and file retailers in Massachusetts, that the law, as far as it involves annual rate for revolving credit, is working primarily because consumers ignore the erroneous 18-percent figure. Have you ever taken a scientific poll?

Mr. MEADE. No; I haven't. I wouldn't be surprised that it might be true in many instances, that the persons are saying that they are really only interested in dollars they have to spend rather than the rate. But part of the effort that is necessary in the area is consumer education, and once the facts are available to the people, that is, the rates are sent out and disclosed to them, then the other facet of the job is to educate them in the use of these particular rates. The law doesn't do this. But this is part of the problem.

Mr. KLEIN. May I comment on that?

Mrs. DWYER. Yes; you may.

Mr. KLEIN. For more than a generation consumers have had to buy their installment credit without any knowledge of the annual rate. You cannot expect them suddenly to take cognizance of it. But, I referred to a study in my oral statement—I think it is in my written testimony, too, a random selection of Consumers Union subscribers, in a poll, were asked the details about their recent credit dealings and the poll showed that a certain number of them, despite all the difficulties, because they are wily people, otherwise they wouldn't read Consumer Reports, had accurately determined the interest rate on their credit. These people are sensitive to credit rates. The population, or a fair percentage of it, will become sensitive to interest costs—and shop accordingly—as they are told the rates. Hardly anybody can really be sensitive to those costs now.

Mrs. DWYER. Are you advocating the sale of Consumer Reports?

Mr. KLEIN. Any time.

Mrs. DWYER. One quickie for Mr. Smith.

Even though your store is mostly installment contracts, have you noticed very many customers going to their banks or credit unions since the law was passed?

Mr. SMITH. We do offer a bank plan to the consumer if the consumer desires it. We act as an agent for the bank at bank rates. But