I am very much opposed to the statement of an annual percentage rate, as it confuses the shopping public between the words "service charge" and "interest." Even the Internal Revenue Service claims that only one-third of the service charge can be used as an interest deduction on individual income tax returns. Under revolving credit, we supply our customers with extra service for which there is a just charge made. This charge discourages excessive charging, and it also has the tendency to make customers pay their bills more promptly. For example, we can send seven invoices to a customer for the purchase of one $30 dress.

I show you the chart here:

PURCHASE MADE APR. 5, 1966

Invoice date	Payments on account	Balance due	Service charge
May 10, 1966	$5.00	$25.00	$0.38
June 14, 1966	5.00	20.38	.31
July 19, 1966	5.00	15.69	.23
Aug. 23, 1966	5.00	10.92	.17
Sept. 27, 1966	5.00	6.09	.09
Nov. 1, 1966	5.00	1.09	
Dec. 6, 1966	1.09		
Total			[1] 1.18

[1] 3.9 percent of sale.

You can observe by the chart that she bought a dress on April 5 for $30, and we sent out statements every 35 days. The customer made regular payments of $5, the total service charge of this transaction was $1.18, or 3.9 percent of the sale cost. Thus Kimball's does have a unique system working on a 10-month annual plan. The above transaction necessitated sending this customer seven separate bills. The cost to the store was at least 25 cents per invoice or a total of $1.75. We charged our customer $1.18 or 3.9 percent of the actual sale. It actually cost the store 57 cents more than the customer paid in service charges.

Over 50 percent of my customers want and use revolving credit. They have little or no objection to the service charge, such as we use. They only expect it to be expressed in a language they can understand. They know what their ending balance is, and they can multiply this figure by 1½, and know that their service charge has been accurately computed. If they do not want to pay the charge, they always have the option of paying the bill within 35 days, and thereby avoiding any charge.

H.R. 11601 would take me into a proven nonworkable area by insisting on inclusion of the annual rate disclosure for all types of credit transactions.

The NRMA endorses, as stated in H.R. 11602, the exemption prescribed for the closed-end or installment credit from annual rate disclosure transactions in which the total finance charges do not exceed $10. This feature originally recommended by the Federal Reserve Board will be a definite assistance to the smaller or specialty store where they are forced, for reasons of economics, to maintain only an installment-type of account. This feature is not included in H.R. 11601.

Other areas not relating directly to specific credit transactions have been included in H.R. 11601. Areas such as advertising of credit