

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 in 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          |                     |             | \$1.18         |

13.9 percent of sale.

You can observe by the chart that she bought a dress on April 5th 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% 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¢ per invoice or a total of \$1.75. We charged our customer \$1.18 or 3.9% of the actual sale. It actually cost the store 57¢ more than the customer paid in service charges.

Over 50% 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 one and one half, 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 non-workable 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 ten dollars. 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 terms, standby controls, ban on garnishment of wages, usury and a National Commission of Consumer Credit, should not be considered as part of a bill of this nature. As brought out by previous witnesses before this committee, including Miss Betty Furness, the President's advisor on consumer affairs, Undersecretary of the Treasury Joseph W. Barr, and J. L. Robertson, vice-chairman, Federal Reserve Board, most of these items are already under study by separate groups.

In conclusion we must state that we are opposed to H.R. 11601. It encompasses many areas which in our opinion are not truly related to truthful and accurate credit disclosure and its powers of enforcement given to the Federal Reserve Board far exceed normal needs. The Board itself has said many times that it does not want this authority.

H.R. 11602 eliminates all of these additional and unrelated proposals and in the area of enforcement leaves the major part to civil suits, limiting the Board's responsibility to regulating methods of disclosure and establishing reasonable tolerances of accuracy.

In addition we must continue to oppose H.R. 11601's requirement for full disclosure of an annual percentage rate for revolving credit. As previously described at length this provision would create false and misleading information thus creating a situation which we believe would be completely contrary to the desires of the Congress.