

Then on the right-hand side, No. 4, it defines the service charge— $1\frac{1}{2}$ percent of the balance at the beginning of the monthly billing period. Also indicated is a minimum charge and what the monthly balance is.

When I deal with this merchant I have two choices. I can either pay off during that period when I am not going to have a charge imposed or I can decide that I am going to take advantage of the credit plan.

If I don't have the cash I have further choices to make. Should I use the merchant's credit plan or should I take the money out of the savings account or borrow the money from a credit union and pay before the credit period starts?

In order to make an intelligent decision on these alternatives I have to know the relative cost of these procedures. If I am getting only 4 percent from my savings and loan institution it would be foolish to pay 18 percent for the use of the credit at this store. But how would the ordinary consumer compare 4 percent advertised by the savings institution with $1\frac{1}{2}$ percent stated by the store.

Here are two figures he looks at. What consumer could easily tell whether it is cheaper to take a loan at an add-on rate of \$5 per hundred or pay $1\frac{1}{2}$ percent a month on the revolving credit account?

A former vice president in charge of finance for the Ford Motor Co. testified once at a Senate hearing, and I quote:

The variety and complexity of finance and insurance arrangements, and the charges for them, are such as to almost defy comprehension. It is impossible for the average buyer to appraise the rates offered, as compared with alternatives available elsewhere.

Members of the committee, there are over \$5 billion of revolving credit now outstanding. To give the fastest growing segment of consumer credit preferential treatment would not only be discriminatory legislation—including a Montgomery Ward and exempting Sears, Roebuck; including a bank but exempting a department store—it would strike a blow at the very heart of the protection this legislation should be extending. Disclosure must be on a uniform basis for all types of credit, so that the consumer can make easy and accurate comparison between different types of credit available to him.

H.R. 11601 differs from S. 5 also by including those transactions in which the credit charge is less than \$10. The National Consumers League is opposed to the exemption of such transactions. We have no figures to show what proportion of credit sales would be included in this arbitrary exemption but, as has been pointed out already in these hearings, it would be very easy to break down larger purchases into a series of contracts each of which would be exempt.

Actually, fairly large items would be exempt, up to about \$100. For many consumers, a large proportion of their purchases would thus be exempted from the disclosure. For instance, take the purchase of a \$50 chair and a \$30 appliance bought for \$10 down and 12 monthly payments of \$6.60. The buyer will pay \$89.20—\$10 down plus \$79.20 in monthly payments. The finance charge is \$9.20. The rate of interest on the \$70 credit comes to over 26 percent, but since the total interest charge is less than \$10, this rate would not have to be disclosed under the provisions of S. 5.