Mrs. SULLIVAN. The next witness is Dr. James Wooley to discuss the approximate annual percentage rate on revolving charge.

STATEMENT OF J. W. WOOLEY, NEW YORK, N.Y.

Mr. WOOLEY. Thank you, Madam Chairman.

First let me apologize for appearing again. My colleague who was due to appear was unable to come and I'm a last minute fill-in. Therefore, I do not have a prepared statement and I am sorry for this.

Mrs. SULLIVAN. You are welcome to explain the chart, which is a different one from the one you presented last week.

Mr. WOOLEY. I would like to read a couple of paragraphs and summarize with it.

My testimony is restricted to the problems of calculating an annual effective percentage rate for service charges under the terms of the bill. In order to determine the applicability of this provision of the bill to actual customer transactions, a sample of 40 customer accounts was drawn from a department store.

The annual percentage rate under the bill was calculated on the basis of the customer's balances, periods of time covered and service charges imposed. A year's history was developed for each customer, covering transactions from February 1, 1966, to January 31, 1967.

The illustration which I used last week was drawn from one of these 40 accounts selected from this sample.

The sample was randomly selected, with about 20 customer records taken from the beginning of the alphabet and the remaining records chosen from the alphabetical segment beginning with the letter R. The initial sample included 42 records, one of which was eliminated because no transactions were conducted during the year and another was eliminated due to an apparent machine malfunction in calculating service charges. This left 40 usable customer records.

Finance charges are one and a half percent a month calculated on the opening monthly balance.

The finding of the calculations were arranged by annual service charge rate. They reveal some interesting findings. For example, there is a wide "scatter" of rates, so that no single rate can be deemed "representative." The range is from 19-plus percent for one account to zero finance charges for four accounts. The latter are due to the use of the 30-day option privilege to eliminate finance charges.

Looking at the annual service charge rate incurred most often, there is again no clear picture. Five customers paid 16-plus percent, while four customers paid 17-plus percent, four paid 14-plus percent and four did not pay any finance charges.

The impossibility of pinpointing one true annual service charge rate for all customers is reflected in this sample and supported by the following points:

Mrs. SULLIVAN. When people don't pay any rate at all, that is perfectly understandable—they pay their bill on time and don't have to pay a service charge.

Mr. WOOLEY. I would agree with you.

Mrs. SULLIVAN. But if it is a charge of 1½ percent and it is for 1 of 12 months in a year it is still 18 percent.