Why was the 38 cents? And the average consumer can multiply the ending balance by one and a half—if they owed us $25, multiply that by 1½ and it comes out to 38 cents and they know they haven't been gypped at all. This is what they want to know.

Mr. WYLIE. But the point is they want to know the amount—38 cents.

Mr. KIMBALL. That's why on our invoice we tell them this.

Mr. WYLIE. They want to know how much they paid out, not the percentage.

Mr. KIMBALL. On the invoice we say balance due, $25, service charge 38 cents, new purse, something else. And the new ending balance.

Mr. WYLIE. I have just been handed a U.S. savings bond, a series E bond and on the back of it it says if you hold it to maturity you get $100. It is a $75 bond which returns an interest of 4.15 percent. But if you cash it at the end of the first half year you get $75; no interest, in other words if you cash the bond between the first half of the year to the first year, $75.84 is paid. That is meaningful. This amounts to 1 percent, approximately.

I don't think it would have much meaning if they just said 1 percent. I think we are getting more actual knowledge if we say how much you're actually receiving or how much you pay out in dollars and cents.

Mr. KIMBALL. We state to the customer what the service charge is each month and we tell them how we compute it.

Mr. WYLIE. Thank you, Madam Chairman.

Mrs. SULLIVAN. Mr. Bingham?

Mr. BINGHAM. Thank you, Madam Chairman.

First of all, I would like to join in complimenting the witnesses. I have great respect and admiration for Mr. Keyserling and have known him for many years and I think he is one of the most provocative and imaginative commentators on economics of our time.

I am also glad to see Mr. Edelman and Mr. Hutton here. They do a splendid job, and I have enjoyed working with them on various matters.

I would like to direct my questions to Dr. Wooley, however.

Dr. Wooley, I take it your position essentially is that 18 percent is not an accurate statement of an annual applied rate, but, if that is so, why isn't it just as inaccurate to say 1½ percent a month?

Mr. WOOLEY. We covered this in quite a bit of detail when I was here. But the point is, when you try to annualize a figure you are assuming a percentage rate on an annualized basis, the service charge is simply a charge applied at a point of time. It does not take into account what has occurred before or after that time—only as it applies to the balance at that point in time. One and a half percent on the beginning balance does not take into account what has occurred before that got to that balance or in most cases what occurred after it got to that balance.

That is an entirely different thing than stating 18 percent.

Mr. BINGHAM. I understand what you say. But the fact is that some of the stores refer to it as a 1½-percent monthly charge. I presume you would have to agree that 1½ percent doesn't represent the earned interest or the yield but it is the applied charge.