

Mr. WOOLEY. It is an applied charge, yes.

Mr. Hanna brought this point out last week.

Mr. BINGHAM. It is not the yield. In the same way, 12 times 1½ percent is the applied charge on an annual basis.

Mr. WOOLEY. I think Mr. Bingham, the problem comes in the other areas where you have an installment contract. What you are stating is an effective interest rate and this is what you are after.

If you want to be consistent you have got to be able to apply an effective rate for the revolving credit account, too. You can't state to the retailer, you have to state yourself on an applied rate while the others are establishing theirs on an effective rate. This will confuse the consumer, won't help him.

Mr. BINGHAM. This is what you want to do. You want to state the charge as an applied rate on a monthly basis but you don't want to multiply that by 12 because 18 percent looks a lot higher than 1½ percent.

Mr. WOOLEY. I am not saying that at all. We are using the applied rate, not an effective rate and if you make it appear that it is an effective rate rather than an applied you are going to confuse people, not going to help them.

Mr. BINGHAM. The bill can indicate that it is the applied rate that is required to be stated and I think it should and it shouldn't indicate anything about the actual yield. That is quite unpredictable—I agree with you there. You can't possibly state that either beforehand or after. But you can state accurately what the applied rate is.

Mr. WOOLEY. In that case Mr. Bingham, how is a consumer to compare interest rates? What possible chance can he have if he is applying in applied rate versus an effective rate on another contract?

Mr. BINGHAM. Between stores he can compare what he is going to be paying.

Mr. KIMBALL. What is my rate?

Mr. BINGHAM. As you indicated it is 1½ percent on a 35-day period. I don't know if that comes out equally or evenly for a year.

Mr. KIMBALL. There are 52 weeks in a year and we send out bills every 5 weeks.

Mr. BINGHAM. Why do you use a 35-day period?

Mr. KIMBALL. The principal reason we went into this was when the 3-cent stamp went into the 4-cent stamp and the 4-cent stamp went to the 5-cent stamp and now you people are taking it up to 6 cents.

Our billing costs are going up constantly. When you think how much it costs for the piece of paper and envelope and the girls' time to make the statement and do her posting, if I can send out 10 statements instead of 12 statements a year I think I have made a savings of almost 16 percent in billing costs and now you want to pass a law to make me tell my customers something that isn't true at all.

Mr. BINGHAM. My time has expired.

Mrs. SULLIVAN. Mr. Halpern?

Mr. HALPERN. Madam Chairman.

First, I would like to compliment our distinguished panel this morning on their valuable presentations which I am sure will contribute greatly to this committee's efforts to come up with meaningful legislation.