

you are not. Would you introduce yourself for the record, and tell us who you represent?

Mr. CIANCA. I am a partner in the New York office of Touche, Ross, Bailey & Smart.

Mr. HALPERN. Mr. Cianca, if this customer was stopped at \$100 and she is paying $11\frac{1}{2}$ percent, isn't that 18 percent a year?

Mr. CIANCA. You are going to get me involved in the applied and effective rate. It is applied at 18 percent. The effective rate would be something different. All I say is, you take my $11\frac{1}{2}$ percent on the \$100, at that period—my billing is usually on the 17th of a month. When I get my bill on the 17th of the month, that $11\frac{1}{2}$ percent is applied to the balance. That is an applied rate, that $11\frac{1}{2}$ percent.

Mr. HALPERN. I would like to go back to Dr. Wooley if I may.

Dr. Wooley, I listened to your presentation and it may be that no one customer paid 18 percent per annum on their revolving accounts. How many of those customers actually paid $11\frac{1}{2}$ percent per month?

Mr. WOOLEY. I don't have that answer— $11\frac{1}{2}$ percent on their monthly balance? All of those but four who paid zero percent had some service charge account attached. Exactly how many payments I don't know. I can't recall. There are 40 records with a multiplicity of items.

Mr. HALPERN. Mr. Kimball, I would like—incidentally, I would like to thank Mrs. Newman for her emphasis on what is probably the major point to bear in mind in terms of annual rate on revolving credit accounts; that is, whatever arguments can be mustered against a statement of an 18-percent annual rate would apply equally to the $11\frac{1}{2}$ -percent monthly rate.

Now, Mr. Kimball, first, on what grounds can you suggest that $11\frac{1}{2}$ percent is more accurate when the validity of this rate will also depend completely on the time limit of purchases and payments and is it not true that if the purchaser is paying $11\frac{1}{2}$ percent a month he is also paying 18 percent a year?

If he is not paying 18 percent a year neither is he paying $11\frac{1}{2}$ percent per month.

Mr. KIMBALL. In answer to the first question, I think what we tried to do as merchants is to serve our customers and explain to them in the language they can understand. Now, we have many customers each day in our store and so does every store in the country, and they can find fault with the paper bags, they can find fault with the way zippers are put in, they can find fault with the way certain things last or garments wear, and we try to make every operation with our customer so that we don't get into any arguments with them.

By saying $11\frac{1}{2}$ percent per month, a customer can understand this. We tell them we are going to put a service charge on their account and whatever their ending balance is, we multiply that by $11\frac{1}{2}$ percent and we say service charge, 38 cents on a \$25 balance. This a customer can understand.

Secretary Barr came to the Senate hearing with a table like this. I don't think any of the Senate committee could ever understand it.

Mrs. SULLIVAN. Mr. Kimball, he didn't apply that to revolving charges. I want to keep the record straight.

Mr. KIMBALL. How can you explain to a customer that you are charging him 18 percent when you are not charging him 18 percent