

We have joined together as a group to represent the noncomputer retail stores who are concerned about the unfair treatment that would be arbitrarily thrust upon them under the provisions of the truth-in-lending bill passed by the U.S. Senate, S. 5.

Because we are presenting the common views of six associations, we are prepared to discuss only the features of the bills that concern credit disclosure. We have not had time to fully study and reach inter-association agreement on the other provisions of H.R. 11601.

Our noncomputer stores are concerned about the revolving credit compromise which is a special formula that gives those who offer revolving credit a competitive advantage over those who sell on installment credit. In effect, S. 5 is a regulation of installment credit only and does not offer customers the opportunity to compare credit service charges offered under different credit plans. Our noncomputer stores are concerned about the way that S. 5 discriminates between two types of revolving credit.

In passing S. 5, the Senate defined three different types of credit and has given special treatment to one type of revolving credit plan—the plan used principally by our giant chainstore competitors. Most of our specialty stores, however, use installment credit and are forced to disclose an annual rate under the terms of S. 5. Even those of our specialty stores that do use revolving credit plans face a competitive disadvantage in that they typically retain title and have to disclose the annual rate while their large store competitors who do not retain title, are free to disclose the monthly rate of $1\frac{1}{2}$ percent. We agree with the statement Secretary Barr gave earlier in these hearings, that the special exemption given to revolving credit does discriminate against our small independent specialty stores.

In the minds of customers, rates of $1\frac{1}{2}$ percent a month and 18 percent a year are not identical. The difficulty of explaining the two different rates to customers is a practical one. Mr. A. G. Bassham in his testimony before the Senate in behalf of the National Retail Furniture Association related his firm's experience in explaining credit rates to about 200 new customers. In the study done in his store, some customers were told the credit service charge on the new account they were about to open would be $1\frac{1}{2}$ percent a month, while other customers opening new accounts under the same terms were told the credit service charge would be 18 percent a year. Each time the store's credit counselor quoted the 18 percent rate he was involved in a 30- to 45-minute discussion of what it was going to cost the customer, but when the credit counselor quoted the $1\frac{1}{2}$ percent rate it was quite readily understood and accepted by the customer.

We are convinced, therefore, that the definition of three different types of credit in S. 5 does not aid easy consumer understanding and does not permit the customer to readily understand, compare, and determine which credit plan is the cheapest. In fact, S. 5 does just the opposite. It really makes it more difficult for customers to compare credit costs.

In addition to the need for provisions in a truth-in-lending bill that will permit easier consumer understanding of credit charges, any legislation enacted by Congress should have universal application to all consumer credit transactions.

S. 5 would require annual rate disclosure for nearly all credit sales made in our smaller specialty stores but would barely touch the credit