costs, and a 30 year mortgage calculated at 6¼ percent (not necessarily the annual rate as prescribed by the proposed statutes) involves an interest cost of $23,993.00 (S. 5 Senate Hearings 1967, p. 593). This total dollar interest assumes that the family involved can avoid such a charge by not purchasing the home. This is unrealistic. If the family continues to rent a home or an apartment, a significant portion of the monthly and annual rental is comparable "interest" on the landlord's investment. Since the Congress, through FHA and many other statutes, has endeavored to increase home ownership by individual families, total dollar interest charges on mortgages may, without detailed explanation, create substantial consumer misinformation. The annual interest rate alone would appear to be most helpful to the public, in comparing alternate sources of credit and whether to continue renting or to buy.

3. Intermediate sized transactions. Where the credit involved is intermediate in size—major appliances, clothing, home furnishings, musical instruments, and the like—there is maximum competition between credit grantors, both retail and financial agency, and the consumer has the greatest variety of alternate credit plans available. Full disclosure of all details which distinguish the credit service charge from the cash price are essential. Two questions of major importance then arise: (a) what method of stating credit service charges is most useful to the public; (b) what method of stating credit service charges maintains effective competition best and discriminates least between competitors?

Where a large group of items falling in the intermediate classification are purchased at one time, the credit is commonly multi-year and the likelihood of substantial prepayment small; such might be the complete furnishing of of a new home. Here the most appropriate statement of the credit service charge would appear to be some sort of rate. Percentages mean more to some people; dollars-per-hundred appear to mean more to others. And this technique does not appear to upset the competitive situations between retail credit grantors and financial institutions.

For the convenience of both customer and credit grantor, various types of revolving or "open-end" credit have been developed and have grown rapidly during the last twenty years. Characteristically, these give the customer a "free ride" or limited period after purchase without credit service charge; up to a credit limit, the customer can add-on purchases at her discretion; credit charges are calculated currently each month or billing period; the customer can pay in full during any month without credit charge for the month of liquidation.

In the case of the individual consumer, the monthly cost is vital because the consumer can avoid further finance charges during any month by paying in full before the next billing date. The annual equivalent rate may be helpful in some comparisons but is believed to be definitely secondary in this particular consideration.

When competition between credit grantors is considered, the major consideration is that each competitor (retailer or financial institution) be required to quote the consumer identically for the same credit offer. In dealing with people, in addition, identical offers have both factual and psychological sameness and differences. Rates of 1½ percent a month and 18 percent a year are not psychologically identical to consumers.

As Dr. Haring has pointed out, the difficulty of explaining the two different rates to customers is a practical one. Mr. A. G. Bassham in testimony on S. 5 in behalf of the National Retail Furniture Association related his firm's experience is explaining credit rates to about 200 new customers. He told the Committee that some of his store's more experienced credit counselors were asked to alternate their method of disclosing the cost of their credit plan to customers. Some customers were told the credit service charge on the new account they were about to open would be 1½ 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 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 1½ percent rate it was quite readily understood and accepted by the customer.

Another furniture store using a revolving credit plan has developed a small chart (attached as Exhibit A) designed to illustrate to the customer the amount of the credit service charge and how it is computed. The chart is a copy of a customer account card that shows the amount of the purchase, the monthly payments, and the amount of the credit service charge added each month by the store on a typical revolving charge account. By adding up the monthly credit service charges, which are listed in a special column, the store demonstrates that