

the 1½ monthly service charge amounts to \$8.40 for a year on an original balance of \$100. This provides the store credit personnel a convenient way to explain to the customer that this credit charge is less than the \$10 per \$100 per year on the original balance charged by competing stores on instalment credit sales.

To meet the purposes stated for both H.R. 11601 and S. 5, therefore, it is important that credit service charges be disclosed in an equitable and identical manner that will meet the one basic test: consumer understanding.

UNIVERSAL APPLICATION

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. If disclosure of the credit service charge as a monthly percentage rate is to be required for one type of revolving credit plan, then all consumer credit transactions—including other types of revolving credit plans and instalment credit plans—should be required to disclose the credit service charge as a monthly percentage rate.

The Senate passed bill S. 5, however, does not have universal application to all types of credit, but discriminates against the small non-computer stores.

S. 5 permits the large stores using revolving credit to quote their credit service charge as a monthly rate, but forces small stores using installment credit to quote an annual rate. As a result, the effect of S. 5 is one of regulating installment credit solely, while permitting certain types of revolving credit to disclose their credit service charge in monthly terms that the customer cannot conveniently compare with alternative sources of credit that are required to be disclosed in annual percentage rates.

COMPARISON OF CREDIT SERVICE CHARGE DISCLOSURE REQUIREMENTS UNDER THE S. 5 "COMPROMISE"

Type of credit plan:

Installment Credit—with or without title retention, 18 percent a year.

Revolving Credit—without title retention, 1½ percent a month.

Installment Credit—with or without title retention, 18 percent a year.

The Senate itself recognized the discrimination contained in the bill, but because of the delicate political "balance" that had been arranged to get the bill out of committee and to the Senate floor, the Senate was not able to make changes in the bill. However, several Senators, including some members of the Senate Banking and Currency Committee pointed out the discrimination during the Senate floor debate. One of them, Senator Thomas J. McIntyre of New Hampshire pointed out the discrimination in S. 5 by saying:

"... almost every witness before the Committee indicated that creditors disclosing in monthly terms will be given a competitive advantage over the others ... I think that it is unfortunate that those merchants generally able to qualify for monthly disclosure will be the large, well-financed enterprises who will be directly competing, in some product lines, with the small, poorly financed, local small businesses such as furniture stores, auto accessory dealers, and others who will be required to disclose in annual terms. I think that this is truly unfortunate consequence of the present bill."

Another member of the Senate Banking and Currency Committee, Senator Charles H. Percy of Illinois, called attention to the discrimination within the two types of revolving credit "in the hope that some solution will ultimately be worked out, as the bill proceeds through the legislative process." The Senator pointed out that S. 5 defines two different types of revolving credit—revolving credit plans in which the title to the merchandise passes to the buyer at the time of the purchase, and revolving credit plans in which the seller retains title to the merchandise until the customer has made the final payment for it. Under the provisions of S. 5, the seller using a revolving plan without title retention is permitted to disclose a monthly percentage rate, while in an identical transaction under the same repayment terms, the seller using a revolving plan with title retention will have to disclose an annual percentage rate.

Senator Percy gave this illustration:

"This is an area in which the customer will have great difficulty trying to compare credit charges. On one side of the street, for example, a . . . (large merchantile) . . . store could state that the finance charge on a \$300 sofa would be 1½ percent per month, while across the street a . . . (specialty) . . . store selling the same \$300 sofa on the same repayment terms with the identical