

finance charge would have to tell the customer the finance charge would be 18 percent a year."

"The two disclosure requirements result from the fact that in one case the seller retains title to the merchandise until it is paid for and in the other case he does not. This kind of discrimination is to be regretted, despite the fact that the committee worked diligently to find a way to work out the most equitable answer to a truth-in-lending bill that is aimed at giving consumers the kind of protection that experience has found is required in our present economy."

The inequity of the use of title retention (security interest) as a characteristic in determining the method of disclosure is also pointed out by our economic consultant Dr. Albert Haring:

"Nothing about open-end credit plans or revolving credit plans, as methods of granting and administering credit, appear to be tied to passing title to the buyer immediately, to the size of the credit, or to the amount of the minimum monthly payment. Although certain stores commonly pass title immediately under their revolving credit plans, certain other types of retailers, mainly independent specialty stores do this less frequently. The same problems of "free ride" and monthly consumer choice about payment (above minimum) affect the equivalent annual interest rate. Regardless of what decision the Congress may reach about these problems, avoiding serious discrimination between credit grantors offering the public comparable credit arrangements should, it is believed, have a high priority.

"Large stores and smaller specialty stores are direct competitors in both merchandise and services, and credit is an important service. Customers who make frequent purchases in a store, because of the many departments within the store, have a high degree of interest in maintaining their credit rating with that store and, therefore, the need for title retention is greatly lessened. On the other hand, in specialty stores with a single line of merchandise, where customers purchase less frequently, there is a greater need for title retention. Stores with many departments often include a furniture department, an appliance department, a musical instrument department, a sporting goods department, a hardware department; each of these major departments can be considered as a specialty store within the large store (and sometimes such departments are leased to specialty store operators). The consumer knows this and shops at both the special departments of these stores and at the specialty stores. Should not both be required to quote identical credit terms for the same credit offer to the public?"

The economic advantage that the discriminatory provisions of S. 5 will give to large stores using revolving credit plans is confirmed in a recently completed study by a research firm that analyzed why the consumer buys where she does.

The \$120,000 study, commissioned by the National Retail Furniture Association and 17 other organizations in the home furnishings field, was conducted by three research firms: National Family Opinion, Inc., Toledo, Ohio; Social Research, Inc., Chicago, Ill.; and Arthur D. Little, Inc., Cambridge, Massachusetts.

The results of the study—reported at a special conference here in Washington, D.C., this week—demonstrate that the customer makes her decision on where to shop for home furnishings largely on the basis of store reputation. The study reveals that home furnishings shoppers will not visit a store that does not have a "good" reputation in the community. Thus, S. 5, which would permit large stores selling home furnishings to quote a monthly rate of 1½ percent would give furniture stores quoting an annual rate of 18% a reputation of being "bandits" who charge a high credit service charge, even though the actual credit charges are the same in both stores.

Retailers for many years have been divided into two groups, large mercantile stores and smaller specialty stores. The stores our Associations represent here today are in the smaller specialty group. Yet, both groups carry many of the same items for sale. Of the many competitive services offered, credit is high on the list. More and more specialty retailers are responding to customer demand by switching to revolving credit. If Congress permits stores to continue to respond to customers desires—and does not establish road-blocks to hinder this movement—I am sure that there will be even more progress in this direction in the years ahead.

Years ago the 30-day charge account was beset with the problem of paying in full each month and out of this problem grew the option to pay in full or monthly. So it took on aspects of the time payment instalment plan. The main difference was that the service charge was computed monthly. At the same time, the instalment sales plan moved toward an open-end plan with the service charge computed monthly.