

Today the two plans are essentially the same. The principle difference between our specialty stores and the large mercantile stores is the size of the transactions, and in some cases, title retention.

SPECIALTY STORE REVOLVING CREDIT

Specialty store revolving credit plans (with title retention) today have all the payment characteristics of typical large mercantile store revolving credit without title retention. Specialty store plans require an initial revolving credit account agreement to be signed the same as on a large mercantile store revolving account. The customer has a free time period or "free ride" during which the account can be paid in full with no credit service charge applied. This free time can run from 30 days up to 59 days, or even longer. As in typical revolving credit plans, the credit service charge is payable and applied after the free time has expired, at a rate of typically 1½% a month. The customer may pay any amount she wishes each month, either the agreed minimum payment, which often is as low as \$5.00, or any larger amount. Many customers pay their accounts up well ahead of time, thus reducing their credit service charges. The store sets only minimum payments. These specialty store open-end revolving accounts are identical with large mercantile store open-end revolving credit with the single exception that they retain title until the goods are paid for. Otherwise, there is no distinction between them, and it is discriminatory to require disclosure of the credit service charge at an annual rate on a revolving account which has title retention, and permit disclosure at a monthly rate if the revolving account does not involve title retention. Title retention has nothing to do with disclosure of the cost of credit. Therefore, we recommend that any bill approved by your Committee have universal application to all credit transactions without regard for whether or not title (or any security interest) is retained until the merchandise is paid for.

Any treatment that is universally applied to all consumer credit transactions will eliminate the need for establishing false standards such as title retention, length of terms, and method of repayment; and at the same time will accomplish the goal of helping customers determine which credit plan is the cheapest.

Attached to this statement as Exhibit B is a copy of a monthly account statement used by one of our member stores, Breuner's, of Sacramento, California. The statement form has all of the characteristics of a statement of a typical large mercantile store open-end revolving account statement—except that under the Breuner Revolv-A-Count, the title to the merchandise remains with the store until it is paid for.

WHY SPECIALTY STORES RETAIN TITLE

Many questions have been asked about why our specialty stores do not just give up title retention and offer a revolving credit plan without title retention. This, we are told, would permit specialty stores to compete with large mercantile store revolving credit plans under the provisions of S. 5.

It would be impractical for us to do so. We are in no position to compete in this way with the retail giants who have the sales volume and financial resources to offer two or three types of credit plan.

Our non-computer stores are essentially small independent family-owned businesses that could not afford to install the kind of expensive bookkeeping and computer equipment needed to operate several kinds of accounts.

Our stores operate in a much smaller universe of credit than do the retail giants. Many large stores with open-end credit, some with large national chain operations, are able to "spread the risk" of their credit operation over a wide universe and into many various types of merchandise. Our stores, on the other hand, have a much smaller number of customers and a limited line of merchandise. Therefore, there is a much smaller universe of credit over which to spread the risk. As a result, our stores must maintain a more direct security interest in the merchandise until it is paid for.

In addition, if title retention was dropped many "marginal credit risks", the very people the Truth In Lending bills are designed to help, would be screened out and denied credit which is now available to them under title retention credit plans.

In general, the stores we represent have over a long period of time established a method of doing business that fits their type of merchandise and satisfies the customer by giving her what she wants. Such methods of doing business, carefully worked out in an industry, are not changed instantly merely by the enactment of a new federal law.