To the uninitiated, the wide difference between 1½% and 18% would cause decisions to be made in favor of large mercantile stores over principal competitors. The end cost to the customer is the same. To the small business man, the independent specialty store owner, the result could be disastrous. He has neither the personnel nor the time nor the technical knowledge to convince customers that the annual percentage rate and the monthly percentage rate result in the same cost. Even more seriously, the different forms of disclosure could actually mislead the customer who is denied the information she needs for making a wise choice of credit terms. We urge you to abandon this approach.

SOLUTIONS TO THE PROBLEMS OF DISCRIMINATION

Although we want to point out the discrimination contained in S. 5, we did not come here today merely to talk about what we don't like. We are here to suggest solutions to the problem of discrimination between revolving and instalment credit and discrimination within revolving credit itself. There are four basic methods for elminating the discrimination between revolvng and instalment credit and, at the same time, eliminating the discrimination between the various types of revolving credit. Each method provides for the universal application of a single disclosure method for all consumer credit transactions.

One solution is dollars and cents disclosure, or a variation in the form of dollars per hundred or cents per $10 per month. Customers readily understand credit service charges that are expressed in dollars and cents. It has been demonstrated that disclosure in dollars and cents can be written into a credit disclosure bill. In Illinois, for example, the Governor recently signed into law a bill that requires disclosure of credit service charges in dollars and cents. Section 27 of the new Illinois statute stipulates the amount in dollars per hundred per year that can be charged on various dollar levels of credit. Section 28 specifies the amount in cents per ten dollars a month that can be applied as a credit service charge on revolving charge accounts.

If the Committee decides that a percentage rate should be disclosed, in addition to dollars and cents, our second suggested solution is a monthly percentage rate for all transactions. A monthly rate can be computed for instalment credit simply by *dividing* the annual rate by 12.

The third solution we suggest is a combination of monthly and annual disclosure for all transactions. This is the type of disclosure that S. 5 now requires for the so-called "instalment open-end credit plans"—the revolving credit plans with title retention. Here, the annual rate is determined by *multiplying* the monthly rate by 12.

Our fourth solution is the one least understood by customers—an annual percentage rate for all transactions.

SUPPORT UNIVERSAL APPLICATION OF DISCLOSURE

As I stated at the opening of my statement, the non-computer stores represented by the Associations I speak for today are sympathetic to full disclosure of credit service charges on consumer credit transactions.

There should be no discrimination in disclosure requirements against retailers who sell under conventional instalment plans and in favor of retailers selling the same goods under various forms of revolving credit plans.

No segment of retailing should be given by law a competitive merchandising advantage over any other segment selling similar goods by being allowed to disclose credit service charges in a more favorable manner.

If Congress really wants consumer understanding of credit terms . . .

If Congress really wants meaningful disclosure . . .

If Congress really wants to eliminate discrimination in the marketplace . . .

If Congress really wants to provide equitable treatment for small independent merchants as well as for the huge national mercantile establishments . . .

then, we believe, this Committee will not accept the discriminatory provisions of S. 5, but will require all consumer credit transactions to disclose credit service charges on a similar basis.

Our six Associations, and the more than 45,000 members we represent, will support any credit service charge disclosure proposal that requires the universal application of either dollars and cents or an identical rate for all credit grantors whether it be monthly, monthly and annual, annual, or any other rate that will enable customers to compare and determine which is the cheapest rate available in the marketplace.