

with many years of seniority in a United States Steel plant, was a good credit risk. Yet on a loan of \$152 he paid an interest rate of over 71 percent. He was completely unaware of the charge and could have obtained the same amount at the local bank for much less interest.

There is no need for me to enumerate the various methods of subterfuge used by small loan companies and finance institutions to hide the true annual rate of interest. This committee is by now fully aware of them. As a matter of fact, nearly every member of this committee has introduced a rate disclosure bill. Let me, however, address myself to some areas of controversy.

(1) REVOLVING CREDIT PLANS

There is absolutely no reason why the open end or revolving credit plans should be exempt from coverage of the annual disclosure requirement. Claims have been made by retail associations that the rate cannot be translated into annual percentage terms. These claims have been refuted by reliable experts.

Most department stores charge 1½ percent per month on the unpaid balance. This equals 18 percent a year and the stores should be required to make such a disclosure. The family which is counting its pennies can ill afford to have its income sifted away at rates of 18 percent a year.

Despite arguments to the contrary, the so-called "free ride" period does not really represent free use of credit. During those periods, the lack of credit charge is reflected in a higher price of the article. Hence, the credit should not be measured from the date of the purchase, but from the date the service charge actually begins. H.R. 11601 rejects the spurious argument of the retailers that revolving credit charges cannot be calculated on an annual basis. We agree.

The bill introduced by Congresswoman Sullivan rectifies the compromise which the Senate made on this issue by requiring annual percentage disclosure of all charges incurred in these plans. I can concur, surprisingly enough, in the statement of the American Bankers Association that this category of credit should not be exempt from the same requirements which apply to other creditors. According to the ABA, a single, nondiscriminatory system of time disclosure should be uniformly applied to all creditors and all types of credit.

The competition which the banks are offering through bank credit cards could be beneficial to the consumer.

I would like to insert for the record an article pertaining to this that appeared in the Wall Street Journal.

Mrs. SULLIVAN. Without objection it will be made a part of the record. (See p. 762.)

Mr. ABEL. If we are interested in giving the consumer a real opportunity, then there's every reason why we should encourage wholesome competition among these creditors.

Furthermore, the Senate's version could become an escape hatch whereby installment or closed-end credit plans could be converted into revolving credit plans and thereby escape annual disclosure.

The "installment open-end credit plan" wherein the creditor retains a security interest in the property purchased and the borrower does not pay more than 60 percent of the unpaid balance within 1 year is