

You are familiar with the argument on the side of companies that use revolving credit plans, that if they are required to translate the 11½-percent charge into an annual rate it would be 18 percent, but that it would not be a true reflection of the transaction. They have provided charts which show that in a great number of instances the actual annual rate after the year is over amounts to 10 or 11 percent, and that in only one instance out of 40 different items the rate would go over 18 percent, based upon an actual way the accounts are paid.

Wouldn't that then be a burden on the man who has the revolving credit plan to require him to say that 18 percent is true when he is not charging 18 percent?

Mr. GREATHOUSE. As I understand most of these plans—there is no charge for the first 30 days, and after that 30 days the interest rate is 18 percent a year or 1½ percent per month.

Now, in most cases the original price is a cash price if the price is paid within a 30-day period. But once they start to charge interest they then charge interest at the rate of 18 percent per year.

Now, this can be clearly stated that after the 30-day period is over you then pay interest at the rate of 18 percent per year.

Mr. STEPHENS. They would have to put 18 percent on and they would have to explain that 18 percent only pertains if you carry this all the way through the entire year, provided you pay a specific amount and provided you do several other things, and you add a considerable amount to the bookkeeping and to the explanation and would it help the creditor any?

All you have done is cause the man who is using this type of credit to think he is paying 18 percent when he is not actually paying 18 percent. So you don't have truth-in-lending.

Mr. GREATHOUSE. I don't want to argue with you, but it seems it can be simply stated by saying that you pay at the rate of 18 percent a year after the first 30 days, which is really what you are doing. You pay an annual rate of 18 percent after the first 30 days.

Mr. STEPHENS. Not necessarily—depends on how much you pay back.

Mr. GREATHOUSE. But you are paying at the annual rate of 18 percent.

Mr. STEPHENS. No, if you figure it out, it may come out to 10 percent.

Mr. GREATHOUSE. If you pay 1½ percent a month, once you start paying it, that is at the rate of 18 percent a year, even if you only have the money for 6 months.

Mr. STEPHENS. If it goes for 12 months.

Mr. GREATHOUSE. You are paying it at the rate of 18 percent even if you only pay it for 2 months.

Mr. STEPHENS. It won't figure out that way if you only have the credit for 10 days.

Mr. GREATHOUSE. As I said, I don't want to argue with you, but once you start paying interest, if you pay at the rate of 1½ percent per month, you are paying at the rate of 18 percent per year, and I don't care whether you pay it for 1 month or 12 months, out of the year.

Mr. STEPHENS. Mathematically, though, it doesn't figure out that way.

Mr. GREATHOUSE. I think it does.