your balance is under a particular amount, is a charge that the bank is making against you to put your money in the bank and the bank must state that at a percentage of annual interest that it is charging?

Now, there is an analogy between the fact that what is called 1½ percent interest rate on a revolving account is a service charge comparable to the bank service charge for allowing people to use the credit machinery and is like holding the merchandise and having the use of it. Should the banks be required to put down the service charge on my checking account in the annual interest rate?

Would you feel like that you should be required to put down what your service charge is to let me have a checking account? If you look at that from one standpoint perhaps you are using my money and are charging me interest to use my money. But, you don't call it that. You call it a service charge. You are keeping my books for you, that is what you are doing.

Mr. BARBER. This is right. The bank service charge is justified, I think, as a payment or more accurately as a partial reimbursement for the service that the bank renders to the customer in doing his bookkeeping for him and in handling his checking account activity.

Mrs. SULLIVAN. Would the gentleman yield?

Mr. STEPHENS. Yes.

Mrs. SULLIVAN. Is it not true, though, that unless the banks have a credit card service, they are not in revolving charge? You are not charging 5 cents a check or 10 cents a check on a loan basis—you are providing a service, not lending money.

If they have a small amount in the account, you are going to charge them because you can't make an effective use of their money while it is deposited. But for those who maintain a certain balance in their accounts, you make no charges.

Mr. BARBER. That is correct.

Mrs. SULLIVAN. The charge you make on checking accounts is not for the loan of the money; it is for a service you are giving them for the handling of their checks.

Mr. BARBER. The banks are rendering the depositors a service for maintaining his account. If the customer in return leaves an adequate working balance, a portion of which the bank can in turn invest and earn on, then the bank would not make a service charge, if that balance is low enough that the bank would otherwise incur a loss, then the bank would attempt to levy a service charge to recoup its costs.

Mr. STEPHENS. And that service charge is the cost of servicing that account?

Mr. BARBER. That is correct.

Mr. STEPHENS. In that instance, that is a justification for starting out on the revelation of charges and the reason for a $10 charge not to be revealed as an interest charge. Under the disclosure plan here you have a finance charge of $10.

Merchants have appeared before this committee and in the Senate committee who use the revolving plan or don't and it is pretty well established according to their costs that the $10 charge is the actual cost of putting on the books an initial charge—whether it is an 18-month payment or a 12-month payment or whether it is paid off the first of the month. That would be analogous to the bank service charge more fully than otherwise.