

bill reflects an *average store* practice of the store and an *average consumer* of that store. Hence, this proves that disclosure of 18% would not properly reflect the store's yield from this account.

I have no patience with such "average" reasoning; this bill is intended for the individual. Some customers use revolving credit and pay 0% while others pay 18%. If these customers were equally represented the average of 9% might prevail as the store's yield on its accounts receivable. Yet, 9% represents the practice of neither class of customers. It is useless information for the consumer.

If the bill were rewritten to apply to average experiences, individual consumers would have to think along such lines as: "Am I an average customer of Macy's?" "Am I the typical consumer of Federated Stores?" "Am I an average Sears mail order purchaser? . . . And if I am not average, how shall I interpret their quotations based on experiences of their average customers?" This is ridiculous.

4. If the store should choose to use a daily billing cycle (with monthly statements), they could comply with Section 203(d)(3), under the suggested amendment (Number 13) in my Memorandum of August 5, by disclosing the daily rate of .0315% and its equivalent annual percentage rate of 11.49%. The column now headed "Monthly Service Charge," would read "Daily Service Charge."

That is, if the dollar days of \$6,791.97 is multiplied by .0315%, the service charge will be \$2.14. Likewise, the same result would be obtained if we applied the daily rate of .0315% to \$41.26 eighteen times, to \$26.26 for 10 days, etc. Enclosed is an amended form showing the daily rate.

The legislative draftsman may question whether the daily billing cycle with monthly mailing of statements to consumers would be in direct compliance with the bill as written. This is a relatively minor detail. The major point is that if the retailers really want a mechanism whereby the 11.49% can be disclosed, I seriously suggest the mechanism of employing a daily periodic rate to obtain their objective. But I suspect this is not their objective.

5. Retailers were very firm and outspoken in their objection to S. 1740 and S. 750, which was very different from S. 5 and H.R. 11601. It required "disclosure of the simple *annual percentage rate* or rates *providing a yield equal to the financial charge imposed.*" Their exhibit shows clearly how they could have complied with S. 750 in that 11.49% provides a yield of \$2.14 equal to the finance charge imposed. It is difficult for me to understand why they propose for consideration now a mode of disclosure which they once claimed to be impossible.

I agree with the retailers that this provision of S. 1740 (S. 750) of disclosing an effective yield or rate was impracticable. So I am in no position now to support their plea for revision of H.R. 11601 to require disclosure of the effective rate. Nor do I have patience with their argument that H.R. 11601 would require the disclosure of untruthful information. The more they demonstrate the inequity of 18% disclosure when the effective rate is 11.49% the more convinced I am that they are opposed to any disclosure.

Attached herewith is my March 8, 1967 letter to Mr. McLean evaluating Mr. Vancil's testimony on S. 750. You will note that I not only concur with Mr. Vancil, but predict that if he were to testify on S. 5, he would favor it. You will note Mr. Vancil's support of S. 5 appears on page 487 of the S. 5 Hearings. It's one qualification to full endorsement of S. 5 was met by adding the words now in subsection (H) of H.R. 11601.

6. In summary, this document proves the need for H.R. 11601 to disclose how the service charges shown were figured. If their intention is to relieve stores from quoting 18% when in fact the yield rate is closer to 11.5%, they can comply under the bill by disclosing the daily rate of .0315% and its annual equivalent of 11.49%. Finally, if they object to disclosing the 18% nominal rate and wish to have the bill reworded to disclose the 11.49% yield, then they responsibly answer all their earlier objections to the disclosure requirements under S. 1740 and S. 750. The present bill meets their previous objections, and this is acknowledged by their prime witness against S. 750, Mr. Vancil. I am confused, therefore, as to what useful point is intended in their exhibit. It indicates to me how desperate they are for an issue to block the annualized periodic rate disclosure.

Sincerely yours,

RICHARD L. D. MORSE,
Professor and Head.

P.S. I am also enclosing selected pages (16-18) from my statement prepared for the S. 5 Hearings to clarify two points: (1) The first two Douglas bills made no provision for revolving credit. (2) The only hearings on revolving