

In an ordinary transaction there is no problem, but you have all kinds of combinations; skip payments and balloon notes and so on, and to me it just adds unnecessary difficulty.

If I note that it is going to cost me \$6.00 per contract here, and I can go across the street to XYZ Bank and get it for \$5.00 per hundred, it is as simple as that.

These people are taken advantage of and they don't know. In fact, I was amazed this morning when one witness said they didn't care what the rate was. If they don't care what the rate is, this legislation is for naught. I say that facetiously.

It is a heck of a lot easier to come up with a discount rate than a simple interest rate.

Congressman HALPERN. Considering merely the disclosure provisions of the bill, based upon your observation, do you not feel this bill is preferable in including revolving credit rather than excluding this one credit process, as does S. 5?

Mr. WATTS. We don't object to including the revolving credit.

Congressman HALPERN. Thank you very much.

The CHAIRMAN. Mr. Watts, would you mind answering one more question. When you speak of dollars per one hundred—

Mr. WATTS. Per annum.

The CHAIRMAN. I did not realize you were referring to a discount.

Mr. WATTS. \$6.00 per annum is 6 percent discount.

The CHAIRMAN. It is almost, did you say, 12 percent simple annual interest?

Mr. WATTS. Yes. The point is that in our opinion this gives the public an opportunity to compare costs.

If you standardize that we find it is a great deal easier to quote dollars per hundred per annum than try to convert that into a simple annual rate.

We can leave—this isn't any matter of life and death. It would be a great deal easier. This makes it a little more difficult to comply with.

The CHAIRMAN. At that point you do run counter to one of the basic ideas in Senator Douglas' mind all along, as he presented it to us the other day; that it isn't sufficient to give the discount rate, that it is necessary to have the simple annual rate in order to have a true picture.

Mr. WATTS. That has been his contention for years, and the fact of the matter is that the New York State Bankers Association has pretty much taken a lead in accepting and embracing the full disclosure as opposed to many other associations throughout the country.

If what we suggest accomplishes the purpose, then let's do it the easier way than to make it very difficult.

The CHAIRMAN. I don't want to pursue the matter any longer, but it is possible I am mistaken, but I think you will find that the intention in S. 5, where they used the term dollars per annum interest rate would be to include the simple interest rate.

Mr. WATTS. We made the suggestion that if the banks, for instance, incorporate a bracket in the note and say that the charges on this note do not exceed 12 percent.

Now, as long as you are sure it is not over 12 percent, you are within the law, but as it is now you have got to—it is a very nebulous phrase, within reason or something of that sort, from S. 5.

Lawyers, I don't think, are very happy with that kind of phrasing.

Even that would be a mechanism to protect the lender from violation in all instances.

The CHAIRMAN. Well, thank you very much, Mr. Watts.

I do appreciate your testimony and your appearance here.

Congressman HALPERN. I have one question that I think is pertinent on this question of dollars per hundred per annum.

Would you not state the dollars per hundred on the declining balance so that people would realize that as they repay over the year, that they have an average of \$50 to spend over the year, rather than \$100.

Mr. WATTS. Well, frankly, I am not an active banker, I am on the staff. I suspect this would make it rather awkward and complicated.

This brings up the question of refunds. I don't know if you are familiar with the method of refunds which follows this theory of declining balances, so that if you lent \$100 over a period of a year with monthly payments, actually you would only have \$50 outstanding.