Mr. WOOD: We have to precalculate it. It is the only way, and it is very simple to put it on a machine. Our records show that it is 21.72 per cent per annum, that is, for a $500 loan.

Mr. SCOTT: You have now told us the dollar cost and the annual interest rate. Why is it confusing to tell the customer that?

Mr. WOOD: Because he cannot understand how 21.72 per cent can be, let us say, $11 in actual cost.

Mr. SCOTT: But surely that is his problem, not yours?

Mr. WOOD: But he comes back to us with this and says "Why should it be?" He needs clarification. He does not understand. The only thing that clarifies it and the only concern to him is the dollar cost. It is when you tell him that the dollar cost is $11 or $11.50 or whatever it might be, that he understands. He always needs to be told that that is the cost, that that is what he gets and that is what he pays.

Mr. SCOTT: That is part of your policy of not confusing your customer?

Mr. WOOD: That is correct.

Mr. SCOTT: And once you have told him the dollar cost and the interest cost, surely that is maximum disclosure, so that he is the least confused of all?

Mr. WOOD: I would have to disagree. You cannot help confusion. There might be certain people who would understand, but in the broad spectrum I would say no, that it will confuse.

Mr. SCOTT: Should the committee come to the conclusion that both rates should be shown, in your opinion what ecoomic results would flow from that vis-à-vis your business?

Mr. WOOD: We have not made a study of what the economic results hight be but I would have to feel that if indeed there is an increase in cost to the lender, to the credit grantor, or to whoever else might come under such regulations, either this cost will be reflected in the charge to the customer or, if it cannot be as under certain controlled rates, then it will reflect in another way, and that will be a reduction in the unprofitable type of loan. The customer will suffer, if there is an increase in cost occasioned by such a requirement, in my opinion, but I have made no supporting study.

Mr. SCOTT: So you do not think the company would suffer: it would only be the customer?

Mr. WOOD: I think it will be the customer. We will have inconvenience and higher costs, and if we cannot pass these on to the customer we will suffer too.

Mr. SCOTT: But that is the only consequence you foresee at the moment?

Mr. WOOD: At the moment.

Mr. HALES: Mr. Scott mentioned $500. But supposing this $500 loan was made from a credit union where you borrowed $500 but have to keep $100 on deposit, how are you going to establish the rate and the dollar cost that will be the same across the board and that all loaning companies will be on an equal basis? Here is the problem.

Co-Chairman Senator CROLL: If the law is that the companies must be on an equal basis—if the law is that—then they become on an equal basis and they have to conform, they have to change their method of doing business in order to conform. These gentlemen had to do a similar thing in 1956 when the act was amended. They conformed and changed their method to some extent and they went out and diversified themselves in order to pick up in another field what they thought they might lose in the field they were then occupying.