

Miss FURNESS. I just bought a home. I cannot wait to hear the answer.

Mr. BARR. Mr. Stephens, I am advised that if this legislation goes into effect, IRS would consider whether the total of these finance charges should be allowed as interest deductions.

Mr. STEPHENS. That is the answer to that question. Thank you.

Now, the next thing I would like to ask you is this: When you come to your mortgage gentleman and he points out the closing cost—is it not true that you are going to get into the professional field of what lawyers can charge for closing out a loan and for title examinations? In other words, if we should try to set some closing costs, we would be running into what the lawyer says is his professional prerogative and decide whether they can charge 1½ percent of the value, and so forth. Is that one of the difficulties?

Mr. BARR. That is one of the difficulties. It is not the subject of our discourse today, but what I think, and what many people believe, is that an archaic system of practices has grown up around real estate. For instance, if you buy a home today, you pay for a title search. If you own that home a year or 6 months and sell it again, the next person who buys it is going to pay the same for title examination as you did. I am not going to argue with the lawyers, but it is a source of personal irritation. I have been involved several times myself in this area.

Mr. STEPHENS. That is how you come to the conclusion that you will try to arrive at in making your mortgage loans—more or less standard charges on the closing costs.

Mr. BARR. Mr. Stephens, I hope my statement was not misinterpreted. I do not recommend that this committee get into this area of standard charges. All I meant to say was that specific items could be included and clearly set forth as incident to the extension of credit while other items are not nearly that closely related. If there could be a national standard on the items that should be included as credit charges, people wouldn't get confused by being hit in one State with costs that don't apply in another.

I know the Congress is deeply interested in homebuilding; the administration has been engaged for over a year in attempting to devise some kind of mortgage or real estate instrument that can be traded widely as a U.S. Government security is traded widely—just as a stock listed on the New York Stock Exchange is traded widely. Unless we clean up some of these areas we are not going to have an instrument that is going to be traded that widely.

Mr. STEPHENS. I have one other question. From time to time as we proceed in this hearing we are going to run across terminology like you have used here in your page 4.

Mr. BARR. Yes, sir.

Mr. STEPHENS. I wondered if someone in the Treasury Department could define some of the things like we have listed here—let us have those within the next week, because we have to have some definitions that I know we are going to use continuously and will be used continuously by people who will appear before us. We have on page 4 what you call add-ons and you point out that they are sophisticated and confusing. Precompute, rule of 78's, service charges, finance charges, what is called interest—if you could get us some ideas—some