

subject than I do. I am sure of it, and if he says there are abuses I take his word for it. It seems to me that the first mortgage area isn't the area in which the great abuses exist, because traditionally in this country closing costs are disclosed—they are simply not put on an annual percentage basis.

Mrs. SULLIVAN. There is another way in which first mortgages are really being abused, and that is in the case where a homeowner has already paid for the house and it needs expensive repairs, and in order to pay for those repairs they have to sign a paper which becomes a first mortgage—this is where I think most of us have seen the greatest abuses.

Mr. ROBERTSON. And I would agree completely, these are abuses. But let me say just one word. I do not think this bill is going to cover all of the abuses in the credit field. It cannot. It is merely a start in the right direction. As it is experimented with and worked on for 2 or 3 years you may find areas in which it should be expanded. We are required to submit a report annually and so is the Attorney General and I assume if we concluded that there were areas of abuse we would come back to the Congress and recommend a change. Now, also, I would like to say that this is an area in which we do not profess to be experts. It is not an area in which we have studied as many others have studied. We have gotten into this only recently, and then attempted to go back over all of the testimony. But still we cannot be considered to be experts. There may be areas of abuse which the Congress will want to cover, in which case it should be done. We would think your judgment on this is better than ours.

Mrs. SULLIVAN. But I am curious as to why the Board, after all these years, is apparently taking the position that first mortgage loans should be exempt from the bill's coverage. Is this position consistent with the position taken by the Board in endorsing this legislation in previous years?

Mr. ROBERTSON. In previous years we have more or less stood aside from this legislation because it was not in our bailiwick, really. We had only the interest of a layman because this is not a function which the Federal Reserve has had anything to do with. Our job is that of monetary policy, not this field. Consequently, although we did approve the objective of the legislation from the very beginning, we felt that it should be administered by another agency, and we did not go into it sufficiently to differentiate between the areas of severe abuse, average abuse, and less abuse. So that this represents no change in our position.

Mrs. SULLIVAN. Governor, the thing that I think this committee is endeavoring to find out is how we can cure, or point up and give people knowledge about these abuses in some of the first mortgages. I agree that in a normal home purchase transaction, a person would buy at the going rate of interest, whether it be through a savings and loan or through a bank, particularly under FHA or VA, and the interest is generally known and fully described. What we discussed this morning are all of these other costs that go into it—all of the closing costs that are not uniform all over, and it is very difficult to know what is expected. Then, in the case of large repairs, we have a different problem, and also when the unscrupulous real estate operators have shown very bad practices. We are trying to find out some way to cover those things