

a ceiling rate of 18 percent on interest or finance charges will be shocked because they do not believe they are paying that kind of interest. They think of it in terms of 6 percent or in the case of revolving accounts in the store, a figure such as 1½ or 2 percent, which sounds very low. Frankly, I think sometimes we need to shock them a bit.

Mr. ROBERTSON. As a matter of fact, many are paying much more than 18 percent today.

Mrs. SULLIVAN. The small loan companies charge far more than that, because they are taking bigger risks than the department stores are. I think this 18 percent will make some people sit up and ask, "What are we really paying?"

Mr. ROBERTSON. That is right.

Mrs. SULLIVAN. Mr. Minish?

Mr. MINISH. Governor Robertson, it's nice to have you here. You said earlier H.R. 11601 would not cover all abuses in credit. Do you care to elaborate on that point where you feel this legislation may be missing out?

Mr. ROBERTSON. Not where this legislation is missing out, but an area this won't cover is the case, for example, where a seller merely increases the price of his goods and then quotes a lower rate of finance charge. This bill is not going to correct any gouging that takes place in that fashion. And I do not see how you can do it. There may be many other areas in which there are defects. But I must say, as I did before, I am not an expert in this field and I cannot tell you ways in which I would improve this legislation at this time.

I would hope, however, that after we have gone through the real job of drafting regulations and see how this works, we ought to be able to come back and answer your question.

Mr. MINISH. Do you see a close connection between the mushrooming of bank credit cards and the fact that the Senate passed the truth-in-lending bill, that it contains an exemption?

Mr. ROBERTSON. I don't believe so, because the bank credit plans started long before. I don't really think there is any connection whatsoever between them.

Mr. MINISH. Why do you oppose disclosing charges on first mortgages in dollars?

Mr. ROBERTSON. In dollars—as against percentage rate?

Mr. MINISH. Yes.

Mr. ROBERTSON. It seems to me I don't—

Mr. MINISH. You said in your statement that requiring disclosure of total finance charges including interest paid during the whole life of the contract might be more misleading than helpful.

Mr. ROBERTSON. We are suggesting that the specific charges—any settlement costs involved—should be disclosed in dollar amounts. But you could not, without misleading the customer as to his cost, spread that over a 20- or 30-year period and put it on an annual percentage rate. In the typical situation, that would mean disclosing a rate that is too low.

Mr. MINISH. Why would this be misleading? I have a mortgage on my property in New Jersey and I can look at the contract and know exactly what I am paying in dollars every month in interest and the principal or by the year.