

Mrs. SULLIVAN. Mr. Bingham?

Mr. BINGHAM. Thank you, Madam Chairman.

Senator, I will not attempt to surpass those eloquent remarks of my colleague, Mr. Annunzio. I have not had the privilege of knowing you as long as 30 years, but I sincerely share the admiration for you and all that you have done expressed here by others today.

Senator, I would like to ask you one or two questions about the problem of first mortgage interest which you touched on rather lightly in your statement.

I take it that you do not consider the inclusion of the first mortgages as being of primary importance.

Mr. DOUGLAS. No, the real estate industry is to be commended for always quoting an annual rate and to do it on the amount owed. This is a tremendous forward step that they have taken. I only wish this practice had been carried out by other lending agencies.

I felt originally because of the length the mortgage ran for such a period that the people should know the total cost in dollars as well as the annual rate, the total cost, because a mortgage going 30 years, paying 6 percent—that will be more than the original price, of the price of the house, the principal.

But as I said, I would be willing to throw it overboard if that is the necessary price for passage.

Now, the introduction of discount does mean however that the nominal rate is not the real rate. You sign a note for \$10,000 but you will be told, "Well, you asked for the \$10,000, you do not get the \$10,000, you get the \$10,000 minus the discount. The discount is 6 percent and you actually only get \$9,400." So that the rate is not 6 percent on \$9,400 but 6 percent of \$10,000 for which you only receive \$9,400. The real rate on a 30-year mortgage will be slightly more than 6 $\frac{2}{3}$ percent.

Now, personally, I have come to feel that we should allow the market rate on housing mortgages and that we go through a lot of flimflam in housing legislation fixing a maximum rate on these housing mortgages. Let the stated rate be fluid in accordance with the market. I hope that will come sometime.

Congressman Bingham, desirable at this is, I put it relatively low on the score of desirability.

Mr. BINGHAM. How would you handle, Senator, the problem of the extra charges that are added on at the time of closing?

Mr. DOUGLAS. I feel quite firmly those should be included. Take credit life insurance, for instance. A person buys a car and then he finds that in the terms which he signed in fine print that he agrees to take out life insurance—made out not to his family but to the creditors. And generally this credit life insurance has a very high premium rate attached to it, a very high rate. We got some testimony, Congressman Bingham, which indicated there were kickbacks on this insurance, too. We got close to—I will say frankly we got close to what I thought was a widespread scandal but we did not get enough evidence to justify it. It is a smelly business.

Mr. BINGHAM. As far as I know, however, the credit life insurance problem does not arise in the first mortgage field.

Mr. DOUGLAS. No, no. That is where you run the risk of dying before you finish the payment and the real estate people have not