

\$95 billion in short and intermediate debt. The rate of consumer debt is growing rapidly. Since 1945, consumer credit—excluding real estate—has increased from \$5.6 to \$94.8 billion. In 1966 FHA insured almost 422,000 mortgages on homes totaling close to \$6.1 billion in amount. These figures, while incomplete, indicate the volume of credit with which this bill would be involved. They also give some indication of the volume of home mortgages that would be covered by the bill.

Unlike S. 5, H.R. 11601 would require full disclosure of finance charges for home mortgages as well as other credit sales transactions. It is customary in mortgage transactions to set forth the financing charge in terms of a simple annual interest rate based on the outstanding balance of the loan but the borrower is generally unaware of the total dollar amount of the finance charge involved over the life of the loan. Even though many loans are paid in full prior to maturity, through refinancing, or from the mortgagor's personal savings, we favor requiring full disclosure of the total number of dollars which would be paid over the life of the mortgage if it runs to maturity in order that the mortgagor will have all of the facts available to him when negotiating for a mortgage loan.

In most instances buying a home is a major transaction to the family involved. Most people buy a home only once or twice during their lives. Many of them do not think of the total amount they will pay over the life of the mortgage, but think in terms of whether they have the necessary downpayment and can make the monthly payments. Often, in determining what they can afford, monthly payments are compared with what had been their rental. Debt-free ownership may not be as strong a motivation as in the purchase of consumer goods.

The family which is able to do so should be encouraged to make a larger than minimum downpayment and borrow less and for a shorter period of years so that they will reduce the interest costs over the life of the loan.

The FHA has procedures in effect which are designed to achieve many of the objectives in the truth-in-lending bill. These procedures place emphasis upon the consumer credit program where relatively short-term loans are obtained to finance repairs and property improvements. Printed tables appear on the application form for these loans showing the true interest rates and total interest charges involved over varying amortization periods. While the equivalent interest rate on a property improvement loan can be as high as 9½ percent on a 12-month loan, our disclosure requirements have received favorable acceptance.

The FHA has prepared and distributed in large quantities a guide to home buyers and owners containing information on mortgage and property improvement financing. Charts are provided in the publication which show specific monthly payments and total interest costs in varying amounts for varying amortization periods. The home buyer is urged to study these figures and to make a careful decision as to relative advantages of longer or shorter term loans based upon his particular financial situation and his plans for the future. For example, the chart explains that a 30-year loan costs about 60 percent more in total interest than a 20-year loan. We tell the home buyer that he may need the long-term financing in order to own a home but if he can afford slightly larger monthly payments it is distinctly to his advantage not to apply for the maximum term.