

Should the poor person be offered extensive credit if he simply cannot pay for it?

Father McEWEN. No, sir. Banks I don't believe have been the worst—or even high on the list of offenders in this matter. But I believe that loose granting of credit does a service to nobody and I think a lot of the resentment in this field has grown up from an unwise extension of credit by some lender who is taking too many chances from a financial and business point of view.

I agree with you, we will all be better off if the soundness of the extension were examined more closely. I think if the sound business probability of repayment cannot be seen, that type of borrower has to be taken care of by other instrumentalities—maybe not commercial.

Mr. HALPERN. Thank you very much, Madam Chairman.

Mrs. SULLIVAN. Mr. Minish?

Mr. MINISH. Thank you, Madam Chairman.

Mr. WALKER, why does the American Bankers Association oppose the mortgage section in the bill?

Mr. WALKER. We agree with the position of the Senate and the Federal Reserve Board as enunciated by Governor Robertson in his testimony earlier this week that there is no really substantial abuse in this area, and I would add to that that if there are problems they tend to be in the area of Government guaranteed insured mortgages where you have the ceiling rates which give rise to the points and discounts.

It seems to me that the answer to that is to get rid of the ceilings which give rise to the points and the discounts. This was recommended by Treasury Under Secretary Barr.

Another thought occurred to me this morning listening to Mr. Brownstein—I am not totally familiar with the FHA legislation—I am generally familiar with it—why could not the FHA, if this is the big area administratively, then issue regulations having to do with disclosure of costs, rights, et cetera, in closing out any transaction?

Mr. MINISH. They can. However, we are talking about the total mortgage market. FHA does not represent all of that.

Mr. WALKER. But everybody agrees there is practically no abuse, no problem in the conventional area because you don't have points. The rate can go up and down.

Mr. MINISH. What is wrong with the man who wants to buy a home knowing what it is going to cost him?

The banks can take care of themselves because they are working in this field all the time. But the little fellow may be working in the factory on an assembly line and he would like to know what the charges are going to be in dollars and cents. Maybe he can afford a larger down-payment to cut down the cost of the mortgage. Why do you oppose that?

Mr. WALKER. I think he should know what it will cost. He finds out what it will cost. But I don't see any real problem in connection with the simple interest rate portion on first mortgages.

Now, you get into the problem of the very long term situation where as Governor Robertson pointed out, you have the question of whether it is desirable to disclose initially such very large amounts of interest payments when it can be demonstrated that these loans on the