

Mr. BAILEY. May I speak to Mr. Williams' question?

Mr. WILLIAMS. I would like to ask Mr. Walker one question before we exonerate the First National Bank.

Mr. MINISH. We are not going to exonerate it yet.

Mr. WILLIAMS. We exonerated the First National Bank in place of the Massachusetts Legislature temporarily.

Am I correct in my understanding that the U.S. Treasury Savings Bonds did not bear any interest to the holder for the first 6 months?

Mr. WALKER. Only if cashed in. They bear interest—you get interest retroactively by holding them beyond that period. You cannot cash them in without foregoing the interest you would have gotten—it is 60 days or 6 months.

Mr. WILLIAMS. Is that made clear in the Treasury Department?

Mr. WALKER. There have been some mumblings about that recently, Congressman, that Treasury's savings bond advertising is not fully up to truth in lending. I have not personally made that criticism, but I have heard it.

Mr. WILLIAMS. We should give some consideration to including the Treasury Department in this.

Mrs. SULLIVAN. We will, don't worry.

Mr. WALKER. Also we might ask them how much tax revenue they are going to forgo if this so-called independent charge is ratified by the Congress of the Internal Revenue Service on \$90 billion worth of consumer loans on which they now allow a 6-percent-interest deduction as maximum, as I understand it, under Internal Revenue provisions. If I have got a 12-percent-automobile loan, for interest deductible purposes on income tax I can't take more than 6 percent. Now, on the \$90 billion, 6 percent of \$90 billion is \$5.4 billion a year. And if you are in a 20-percent-average-tax bracket, that is a billion dollars or so a year. If the actual true rate on these consumer loans is in the neighborhood of 12 percent, this will automatically increase the deductibility of the interest to \$10 billion. It is a pretty good hunk in a situation where we are asking for a tax increase to pay for—

Mrs. SULLIVAN. You are not talking about individual returns, are you?

Mr. WALKER. Yes, ma'am, that is exactly what I am talking about.

Mrs. SULLIVAN. Unfortunately, I don't have anything to deduct on interest paid out, because I am one of these Dutchmen who believe in paying as you go.

But haven't you shown on your return how much money, how much interest is actually paid on your loan, and can't you deduct—

Mr. WALKER. Not if it is over 6 percent of the item. That is an arbitrary ruling. This is 6 percent—the Internal Revenue thinks everybody borrows money at 6 percent interest.

Mrs. SULLIVAN. I heard the Secretary say to us that he was going to change that if this bill passes.

Mr. WALKER. He checked with his counsel and they had some other thoughts on it.

Mrs. SULLIVAN. Mr. Annunzio.

Mr. ANNUNZIO. Thank you, Madame chairlady.

I just want to comment briefly that it is a sad commentary on our civilization to observe as I have since coming to Congress that the only way you can get legislation passed is for great numbers of disasters