

I would first like to ask two questions about the mortgage situation and the point system.

I believe you said before, Mr. Walker, that in the normal situation on a mortgage there are no points.

Mr. WALKER. On conventional mortgages. There is a rate ceiling fixed on FHA mortgages which, if either the Administrator—if Mr. Brownstein does not move quickly enough, or if he reaches the congressional ceiling which is set, he can move no further. And if you want money to come into FHA mortgages, which tend to go into Government loans or other sources, the only way they can be objective is for the mortgage to fall to a discount and sell at 99, 98, 97 and last year 92, 91, and so on. This is because of the fixed rate on FHA mortgages. Conventional mortgages are not Government regulated, they have no ceiling, and the rate is free to go up and down, and therefore points do not come in—they do occasionally, but not like the FHA's.

Mr. BINGHAM. Father McEwen, you stated in a part of your statement, which I don't think you read, that you understand the inclusion of the first mortgages in the Massachusetts law has resulted in the complete elimination of the obnoxious point system. Would you comment further on that?

Mr. Walker is shaking his head.

Mr. WALKER. He can't eliminate them on FHA and get any loans made.

Father McEWEN. I was told this by some Massachusetts banks that I queried about the effect of the law on the mortgage market. And technically if anyone gave points in Massachusetts it would revise the statement of an interest rate, wouldn't it?

Mr. WALKER. As I understand the statute—which could be done.

Father McEWEN. It could be done, sure.

Mr. WALKER. You mean they made the loans, instead of saying that this is—using the chairlady's figures this morning, instead of saying that this is a 6-percent loan at how many points discount, 5, 6, 7, or whatever you said, this is a 6.55-percent loan.

Father McEWEN. In other words it has to be an accurate expression of the interest rate.

Mr. WALKER. But it still has the points, it is just expressed another way.

Mr. BINGHAM. I would like to turn to the matter of revolving credit. I would like to say, Mr. Walker, that I am entirely in agreement with your position that there should not be discrimination between the types of revolving credit. They should all be treated alike. You make an excellent point there. Could you tell us a little bit briefly about the manner in which the banks operate these accounts and how they compare to the department store revolving credit accounts.

And before you answer that, may I just say this for the record. And I am sorry Mr. Williams isn't here any longer, because I think that the witnesses yesterday left the impression that the actual interest rate which is earned over a period of time is always less than the 18 percent. The fact is that it can also be a lot more than the 18 percent. I am sure you will agree with me.