Mrs. SULLIVAN. May I ask that you both comment on this matter in your transcripts when you get them to correct, because I think you want to answer in some detail, and you should have a chance.

Is that all right with you?

Mr. BINGHAM. Thank you very much.

Mrs. SULLIVAN. And Father, when you correct your copy of the transcript, enlarge upon the Massachusetts allowance of a fixed insurance charge.

Father McEWEN. I see what you mean, Madam Chairman.

Mrs. SULLIVAN. Will you explain that?

Father McEWEN. Yes.

(The information requested follows:)

SUPPLEMENTARY STATEMENT BY FATHER ROBERT J. McEWEN, S.J., ON CREDIT LIFE INSURANCE

It has been the philosophy of the Massachusetts' Banking Department, for a long time, that insurance charges should be separated from the interest rate calculation, and this has been done for 10 years on all small loans. In the new bill on retail installment sales, credit life insurance may be included in the finance charge or expressed as a separate charge at 50 cents per $100. I am informed the same provision will be applied to the sale of automobiles under a bill presently in the Massachusetts Legislature.

However, a ceiling fixed charge of 50 cents per $100 of insurance is written into our law for all these categories of loans, and new bills will establish the same limit for accident and health. In as much as most companies can purchase credit life insurance, for instance, for somewhere between 33 cents and 39 cents a $100 the permitted charge of 50 cents appears adequate.

This whole area of credit life insurance and accident and health insurance associated with lending operations is one that has been under constant study by the Senate Anti-trust and Monopoly Subcommittee. Their latest hearing record, soon to be published, and their files contain startling testimony to the relatively exorbitant profits made by financing firms out of the insurance they sell to customers on their loans. Again it is the case of the tail wagging the dog, and it almost appears as if they are now making loans in order to get the profits from the insurance they sell associated with those loans.

The Senate Committees' material documents the close interconnection between finance companies and insurance companies. In fact, in many cases, finance companies have opened up their loan insurance subsidiaries in order, as one of them put it, to make a double profit on the same transaction.

An examination of financial reports from several of these finance companies will show a very substantial fraction of their net income as derived from their insurance operation. I am told that hearings on this subject will be held by the Senate Anti-trust Subcommittee in this coming fall and this should highlight the importance of these issues.

The important consideration is that the House Truth in Lending Bill should contain either the requirement that the credit life insurance charge be included in the total financing rate or the provision that a ceiling of 50 cents a $100 be established for a credit life insurance charge separated from the finance charge. I realize that this may be a revision of the McCarran Act, but I believe it is something that Congress is fully justified in doing at this juncture in the economic development of the lending and insurance industries.

May I quote from a "Report on Credit Insurance" by the Department of Insurance of the Commonwealth of Kentucky bearing a date of April, 1967. On page 26 of this document, I read:

"As reported by a leading investment advisory service, two of the largest independent companies in the consumer credit field, Commercial Credit Corporation and Associates Investment Company, derive substantial income