has a lien on it or not, or whether she pays off 50% of the purchases or 60% in 12 months. This arbitrary classification would complicate administration, encourage business to increase the number of accounts, and not serve consumers.

The $10 minimum was not necessary. Rates can be applied just as easily to small amounts as to big ticket items; credit unions and small loans companies grew up making small loans, and using the actuarial rate. I am not convinced that the poor who allegedly would be denied credit to avoid disclosing a high rate such as 104% would be benefited by having such credit available anyway. Such high cost credit has a way of developing an insatiable appetite for more credit. And if the rate is high because the purchase is relatively small, revolving credit will meet that need. Furthermore, it creates an unproductive administrative problem of defining a single sale or loan for purposes of enforcement.

3. First mortgages might be exempted since an annualized monthly rate is so customarily disclosed. Yet, by the same argument, it could so easily be disclosed. Why then is there need for its exemption?

The problem lies in that closing costs and discounts are often used to fatten the purse of creditors not satisfied with the stated annual rate. The wide variations in closing costs was noted in a resolution adopted in 1964 by the Consumer Advisory Council recommending study and policy review. (See *The Washington Daily News*, June 11, 1964, and the official press release from the Office of the Special Assistant to the President for Consumer Affairs PCCI-64-28). *House and Home* followed this up with a very perceptive article, which I commend to your attention, not only because it illustrates the problems so well, but it shows that the problem has existed for many years. Solution has not been reached through study. Thus, I am impressed with the virtue of lumping all costs into one sum—interest, points, lender's fee, credit report, appraisal fee, and all other costs a cash buyer would not have to pay—and express this finance charge relative to the principal amount as a single annual percentage rate. This rate would be not only meaningful and useful to the consumer, but would help illuminate differences in efficiencies with which closing operations are conducted. It is significant that *Changing Times* considered the matter of points to be of sufficient interest to publish a lead article in the June issue. (attached)

I believe that disclosure of dollar costs would shock consumers, but not discourage home buying. In fact, it would generate a wholesome respect for the power of interest which is too often overlooked in contrasting the cost of home ownership with renting. For example, I conclude after my discussion on pages 32–4 in *Shopping for Credit*, that for only 29c more a day you could own your own $15,000 home after 40 years of payments rather than continue as a renter of a $15,000 home if money is worth 5½%.

The power of compound interest is demonstrated on pages 30–32 of *Consumer Credit Computations* where I discuss, not only the amount of time needed to double your money, but its relevance to the population explosion.

CONCLUSION

Specifically, in my judgment, this will be a fully consumer-oriented bill if it:

1. Broadens finance charges to include all of the charges that profit the creditor and accompany credit, and for which the consumer becomes liable if he borrows or buys on credit, including:
   Official fees, appraisal fees, credit reports, and insurance
2. Broadens the disclosure coverage to require the annual percentage rate be expressed on all consumer credit, including:
   First mortgages
   Small purchases under contract credit
   Small ticket items or quick repayment credit under revolving credit.
3. Requires the annual percentage rate to be expressed as a single rate, not compromised by fixed charges, and represented by the % mark.
4. Delete language that will encourage loopholes, add to administrative expense, grant favored treatment to a particular class of creditor or a particular type of transaction.
5. Requires rate disclosure prior to the extension of credit, such as in advertising, and full disclosure at the time the credit is extended.