Specifically, for example, the average person does not realize that neither a "6% discount loan" nor a "loan with 6% interest added on" really represents 6% interest. To the ordinary man "6% discount" suggests a cut in prices, a lower cost to him. In actuality the true rate of interest on a 6% loan discounted for five years is more than 15%. If the length of such a loan is for a longer period the rate of interest climbs steeply (e.g. at eight years it would be more than 18.5% interest). The true yield on a 6% add-on loan over a five year period is greater than 10.8%. Both methods of computing interest are allowed in Maryland.

It was reassuring, therefore, when the Senate approved S. 5 by a unanimous vote and it is encouraging to note that the House of Representatives is manifesting interest in similar legislation. It is most desirable that the two bodies agree on a bill this year while the circumstances are propitious.

Mrs. Sullivan and her cosponsors are to be commended for introducing a generally fine bill. H.R. 11601 would plug a number of loopholes in the otherwise desirable truth in lending bill passed by the Senate. The application of disclosure requirements to the advertising of credit as well as the actual transactions is a significant improvement. I do subscribe to the view expressed by Under Secretary of the Treasury Barr that the sure chance of passage which truth in lending has this year might be endangered if too much is attempted in one measure.

I support the inclusion of "revolving credit" under the bill, and agree in so doing with those who say that the quotation of an 18% per annum rate is considerably more useful and informative to the consumer and no more inaccurate than the frequently advertised "1½ per cent a month". When one first encounters the subject of interest in school, it is presented as an annual increment on principal. Because the great majority of experiences one has with interest thereafter are computed on a yearly basis, the original impression is enforced. The monthly statements showing a service charge of 1½% are simply not meaningful to the average housewife; she does understand 18% a year and if that is what she is being charged, that is what she is entitled to be told.

Even more essential, I feel, is the removal of the $10 exemption written into the bill in the Senate. Such an exception would remove the protection of this bill from those who need it most—the poor, who so often buy $25, $50 or $100 worth of, for example, furniture, without realizing that they are paying exorbitant prices for credit. A $10 exemption would be an open invitation to the unscrupulous to break up purchases into smaller units, on no one of which would the charge exceed $10.

The idea that credit transactions should be exempt if the amount involved is small is a fallacious one. It would be wrong to allow the people who most need help and some of whom are poor credit risks to begin with to place themselves deeper in debt without affording them the protection given the balance of society. This country must find a way to enable the impoverished to acquire necessities at reasonable costs. This challenge is one of the most difficult ones facing us in these evolving times. No one really believes the market place is going to be vacant just because the merchant is required to reveal the fact that the real price on an electric toaster is half again as much if its charged rather than paid for in cash.

On the question of whether or not first mortgages on homes should be included, there may be an honest difference of opinion as to the necessity of it. In this area, there is a real competitive market. In Maryland our savings banks, building and loan associations and insurance companies compete with each other and this promotes a low cost. Nonetheless, the rivalry among these fine segments of business and the fact that the most of them are above reproach does not mean that unconscionable lenders will not come along and take a first mortgage with outrageous terms.

In the area of second mortgages, there is no question as to the desirability of inclusion in your bill. No substantial price competition is now operative in this field, and the required disclosure of interest charges on such loans should be of significant benefit in safeguarding the consumer in this area. The Maryland Legislature has discharged its responsibility in this, as in other areas, by adopting a second mortgage law which requires, among other things, a complete disclosure of all finance costs in terms of simple annual interest. Such a requirement in the federal bill would be desirable and the list of exempt charges in the bill should be eliminated, since they offer substantial avenues for evasion and abuse in concealing interest charges, allowing a deceptively low annual interest rate to be quoted at the same time usury is committed in the padded charges.