

Mrs. SULLIVAN. She has taken a \$10,000 mortgage for comparison, starting with a 20-year repayment period.

She shows if it is a 6 percent, you pay a total of \$7,194 in 20 years. If it is at 6½ percent, the total is \$7,893. If it is at 7 percent, the interest total is \$8,607. At 7½ percent, the total of interest you pay would be \$9,334.

Then taking this same \$10,000 mortgage at 6 percent, she shows what the total interest cost would be for a repayment period of 10 years, 15 years, 20 years, 25 years, and 30 years. The interest on a \$10,000 mortgage at 6 percent runs to \$11,582 over a 30-year period. Then she also points out that for this mortgage of \$10,000 at 6 percent for a repayment period of 10 years, the monthly amortization cost would be \$111. And she goes on for 15, 20, 25, up to 30 years. For 30 years the monthly payment would be \$60. In entering into a mortgage, you sort of gage what your income hopes are for the next few years, at least, in order to determine how much you can afford to pay a month and, from that, determine how long you want the mortgage to run. It gives the family an opportunity to look over the various alternatives and make a judgment. We were told by FHA that they do give a very clear picture of the entire cost of an FHA mortgage for its full term, but I don't know if they break it down this clearly. This information is instructive, and it gives people a choice.

They may decide, well, maybe I better not take a 30-year mortgage—maybe a 20-year one would be better, and if it only costs \$11 more a month—\$71 a month instead of \$60—maybe we can find some way to pay that extra \$11 a month and cut down the term of our mortgage by 10 full years and save \$4,389 in interest.

There are usually similar choices in any form of credit transaction, but too many people don't realize that in buying on credit they are using somebody else's money to satisfy their wants and desires, and that this is expensive. Credit is pictured in such a different light to the public today that people are encouraged to satisfy every desire whether or not they can afford it, not realizing that there is a substantial cost to them in such transactions.

They just come in, sign their names, pay for it as they use the goods or services—which is good, if people are able to carry the finance costs of things they want to buy—but often these extra costs are hidden and disguised, or deceptively represented as being free.

Mr. GREATHOUSE. I was glad to receive your support on the proposal for an interest rate ceiling, for the garnishment provision, and for some of the other things in H.R. 11601. The fear has been expressed, however, that the 18-percent ceiling would result in raising all rates to that level. Do you think that that would happen or do you feel that many consumers are now paying far more than 18 percent?

Mr. GREATHOUSE. There are consumers that are paying more than that, but there are also a number of consumers that are paying less than this.

We share the fear that setting this at 18 percent, even, would become the floor as well as the ceiling. While we think that sometimes 18 percent might be proper, there are other times when interest rates generally are lower and there should also be a lower ceiling on interest rates here for consumer credit. Just as there are lower interest rates for other forms of credit.