Mrs. SULLIVAN. Would the gentleman yield? I would like to put a question to Mr. Barber at this point.

If I am going into the bank as a depositor, to deposit $100 in a savings account, and you advertise that you pay 5 percent a year on savings, at the end of the year I could expect—these are time deposits—I can expect that I will get $5 in interest and that I would have a balance of $105 at the end of the year, is that true?

Mr. BARBER. That would be correct.

Mrs. SULLIVAN. But if I don't live up to the terms you require, and do not leave that $100 in the bank for the whole year, or the specified time, in order to earn any interest, what rate would you be paying me?

Mr. BARBER. Well, I think the law is fairly clear on time certificates of deposit. Time certificates of deposit are actually contracts—I am speaking not as an attorney—between the depositor and the bank by which the bank agrees to pay a contract rate of interest for the use of these funds for an agreed period.

Mrs. SULLIVAN. If I leave it in for that specified period—6 months or a year—I expect to get 5 percent.

Mr. BARBER. That is correct.

Mrs. SULLIVAN. But if I don't leave it in for the required period—if I need that money before the period ends—I can get it out?

Mr. BARBER. Well——

Mrs. SULLIVAN. I can apply for my money and get it back, can't I?

Mr. BARBER. Probably, but not necessarily. When you purchase your certificate of deposit you are in effect loaning the bank the money for 12 months and the bank agrees to pay you 4.5 percent—it is more comfortable for me to say 4.5 percent because that is what we are paying for the 12-month period.

Actually, the bank normally would return it to you in the event that you needed it prior to the end of the year, but banks are restricted somewhat in that, too, because I believe the Federal Deposit Insurance Corporation regulation stipulates that we cannot return it to you, even if we wish, unless you sign what is called a certificate of necessity indicating that you have need for the funds in advance of maturity.

Mr. STEPHENS. I think what she has in mind is not the time deposit—that is not a demand deposit—but a savings account.

Mrs. SULLIVAN. Within 90 days you can apply for it.

Mr. STEPHENS. That is right, but you can't get it before the 90 days. But if you have got a savings account that is different. You can withdraw the latter at any time but not a time deposit.

Mrs. SULLIVAN. On a savings account, you may say you are going to pay 4 percent or whatever your going rate is.

Mr. BARBER. Yes.

Mrs. SULLIVAN. But if I don't leave that money in for the specified period, what rate do you pay me at the end of the year?

Mr. BARBER. I think there probably is quite a variable in that and savings accounts would probably be easier to talk about in this way.

Many banks require that the dollars be in the account on the day the interest is calculated. So, if you withdraw that you wouldn't receive interest on that portion which you withdraw and the rationale behind that, I think, is that the bank has agreed to pay 4 percent for a 6-month period. If it does not have use of those funds for a 6-month