

dollars and cents without revealing to him what part of that payment is payment on the principal, what part is payment on interest, and what part of the payment is for credit life insurance or other charges?

Isn't it also true that banks and other financial institutions often require that the borrower not only purchase credit life insurance, but that such insurance be purchased from the lender or from a specific agent of the lender?

And, isn't it still further true that such lenders have ties with, receive kickbacks from, and indeed make a substantial profit out of their forced sale of credit life insurance?

(The reply of Mr. Barber follows:)

Permit me to answer these questions by first stating that we know of no bank which *requires* that the borrower purchase credit life insurance. It is strictly voluntary in our bank and in fact we believe it must legally be kept on a voluntary basis. The bank agency or individuals in the bank normally act as the insurance agent and in fact so far as we know credit life insurance is not available except through such an arrangement between a lender and an insurance company.

As to the receipt of so-called kickbacks and the earnings of a substantial profit on this business, I can only state that we believe commissions on the sale of insurance are completely normal, legitimate, accepted, and desirable. We believe in the profit system and we do not apologize for being in business to earn a profit. Insurance is, in our opinion, a proper sideline for banks and credit life is a desirable service that the lender can offer the borrower.

In answer to the first part of your question (at the bottom of page 1211), I will state, as I did in my prepared testimony, that I believe banks do a good job of disclosing. Let me give you an example of what we would type on a typical note of \$2,000.00 for 24 months to finance say a new automobile:

Net advance (or net to borrower)	\$2,000.00
Finance charge (this is figured at the so-called 6 percent add-on rate and we now quote it as \$6 per hundred)	245.45
Credit life (if he choose to have it)	45.83
Gross note	2,291.28
Monthly payment for 24 months	95.47

We do not relate the finance charge to a simple annual rate as would be required by the Truth-in-Lending Bill. It would be 11.5% or thereabouts. We believe we give the borrower all he wants to know, i.e., full disclosure.

As previously stated, the charge for credit life should not be included as part of the interest charge because interest is a charge for the use of money and is not and never has been a charge for insurance. The charge for credit life should be disclosed to the borrower and we now do this. He should not be required to buy credit life and we know of no banks that require this.

Mrs. SULLIVAN. In this connection, and at this point in the record, I should like to introduce an unsolicited letter received by a member of the staff from the First National Bank of Washington. It is obviously a form letter. It is addressed to "Dear Customer" and is signed by an assistant vice president of the bank. Let me read portions of this letter to you. The letter begins:

This is vacation time. Whether you plan to take a trip or stay at home and make home improvements . . . or if you just need funds to pay off some nuisance bills . . . or for any sound reason . . . we are ready to serve your needs.

The letter then sets forth a number of typical loans that may be obtained. The information is set forth under the following headings: "Advance" which tells you the amount of money you will get; "Gross Loan" which tells you the amount of money the bank says you will owe