

hand, we would be prone to support full and frank disclosure of all pertinent information in any aspect of buying and selling, lending and borrowing, or other financial transaction. On the other hand, we are particularly concerned about truth in lending as it bears on the poor.

Small loan borrowing and installment buying has become increasingly the means by which the American people avail themselves of the benefits of our abundant national productivity. Nearly all levels of our society are heavily involved. We assume that your committee will be thoroughly briefed on the volume and composition of the credit market. We mention it only to emphasize the very great importance of creating and maintaining adequate safeguards around this institution which has become so vital a part of our total economy.

We are convinced that our whole society will benefit from the passage of legislation which will require lenders to provide each borrower in writing with full disclosure of the cost to the borrower of the credit being extended to him. Although we understand that nothing in this proposed legislation is designed to alter or limit the rates of interest charged by lenders, we do believe that borrowers will be greatly aided in money management if they are in possession of full information as to the cost to them of loans they may be considering.

All that we have said regarding the value of this legislation for the general population applies with peculiar force with respect to persons of low income and low educational attainment. Because of their lack of financial resources, such people may find borrowing even more necessary than do the majority of us who are more economically secure. Because of their poverty, the same rate of interest represents a higher percentage charge on their income than is the case with borrowers in higher income brackets. Because of their poverty, they constitute a higher risk to the lender. This tends to force them to patronize the type of loan company which specializes in high risk loans and charges correspondingly high rates of interest. Because these people are often of relatively low educational attainment, their ability to figure interest rates or understand them or to comprehend the implications of the often obscure and sometimes misleading interest rate quotations offered them is apt to be very limited.

For all of these reasons, we believe that the passage of legislation compelling full disclosure of true interest charges, both in dollar amounts and in annual percentage rate will be a great boon to the poor and an important weapon in the arsenal of our current war on poverty.

Poverty is essentially measured by the gap between funds available and the cost of the basic necessities of life. By this measure excessive costs contribute just as surely to poverty as do inadequate income. Oftentimes for the poor it is the cost of credit which holds them below the poverty line as truly as joblessness or lack of income. Again we realize that this legislation does nothing in itself to reduce the cost of credit to the poor. It will, however, increase the awareness of that cost on the part of the poor; and by so doing the legislation may well have a secondary influence on the rates of interest charged to them where these have been excessive.

Both the administration and the Congress have committed this nation to a total war against poverty. That war is progressing with varying degree of success on many fronts. Failure to pass such legislation as that now under consideration by this committee will be to default on a vital sector of that total war.

We appreciate this opportunity to present our views to the Sub-committee.

MORTGAGE BANKERS ASSOCIATION OF AMERICA,
Washington, D.C., August 10, 1967.

Re H.R. 11601 and H.R. 11602.

Hon. LEONOR K. SULLIVAN,
House of Representatives,
Rayburn House Office Building,
Washington, D.C.

DEAR MRS. SULLIVAN: We appreciate this opportunity to present the views of our members on H.R. 11601 and H.R. 11602.

For many years, Mortgage Bankers have favored the full disclosure of finance charges in connection with real estate financing. In fact, the practice of making full disclosure has been so widely followed in this industry that the Senate in considering similar legislation felt justified in exempting first mortgage loans from the provisions of its bill.