

Just two additional brief comments:

It has been our experience here in Michigan that maximum rates allowed in legislation quickly become the standard minimum rates, as has been indicated both by our small loan act and our consumer credit act. Secondly, the warning of amount as stated in your bill will probably be effective for a large mass of intelligent consumers but again, will not be effective for the uneducated, impoverished consumer who really has no alternative anyway. However, best wishes for your success with what in my judgment is one of the most important pieces of legislation ever to be presented to Congress, and one of the most needed in our country to prevent a repetition of the recent anger of our urban centers.

Very truly yours,

JOHN HOUSTON.

COUNCIL OF MUTUAL SAVINGS INSTITUTIONS,
New York, N.Y., August 25, 1967.

HON. LEONOR K. SULLIVAN,
House of Representatives,
Washington, D.C.

DEAR CONGRESSWOMAN SULLIVAN: This Council has consistently supported the so-called truth-in-lending bills as a matter of principle, and continues to do so. In light of the fact that our members are savings, building or homestead associations, we do have some questions of interpretation with respect to this bill, as follows:

1. Paragraphs (1) and (2) of subsection (d) of Section 202 exclude from the definition of "finance charge," the items which, in first mortgage lending, are commonly termed "disbursement." To an increasing degree, however, institutions such as comprise our membership have portions of these operations performed by salaried personnel. Instances are salaried appraisers and an internal legal staff. Might not some provision be made for such cases?

2. It would also seem that some provision should be made for overhead in processing, which is not conducted for profit. To illustrate: The allowable charges permitted by the Veterans Administration in the case of a mortgage loan under the terms of the Servicemen's Readjustment Act is described as "1% plus disbursements." The Veterans Administration further allows an additional 2% for overhead in processing construction loans. I believe the Federal Housing Administration did or does employ a similar scale. In the State of New York, which has a 6% usury law, the courts have recently held that 2% was a reasonable charge for overhead and did not come within the purview of the usury statute.

3. This is not a question. I wish to make it clear that these questions do not relate to discounts, frequently called "points," which we recognize as being an added finance charge and, hence, clearly subject to the provisions of subsection (c) of Section 203.

4. We do have a question with respect to subsection (g) of Section 203, which waives disclosure of items substantially similar to those required by this bill. Might this not be extended to cover Federal requirements? For instance, Section 545.6-10 of the Rules and Regulations for the Federal Savings and Loan System provides that "Upon the closing of the loan, the association shall furnish the borrower a loan settlement statement showing in detail the charges or fees the borrower has paid or obligated himself to pay to the association or to any other person in connection with such loan; and a copy of such loan settlement statement shall be retained in the records of the association." I am informed that a similar requirement is imposed by some of the state supervisory authorities. A related question is as to who is to make the determination that such a requirement, however it may be phrased, is "substantially similar?"

5. Might it not prove feasible, either to revise subsection (g) or to provide in a separate subsection, an exception for supervised financial institutions which are required, upon the making of a first mortgage loan, to furnish the borrower with a complete settlement statement in a form similar to that described in the regulation quoted above? In that connection, I am reminded (although I do not have its regulations at hand) that the Veterans Administration imposes a similar requirement with respect to every first mortgage G.I. loan.

Please understand that this Council supports the principle of full disclosure and that, in posing these questions, we are not seeking a favored position, but