

generic phrase to the listing: "and other customary closing costs." This generic language is derived from the Massachusetts law on Truth in Lending. Of course, the costs coming within the generic exceptions would be a matter of rule making by the Federal Reserve Board.

There is one class of loans made primarily by thrift institutions which I feel is not the type of transaction which requires the disclosure protection of the bill. I refer to "dividend anticipation" loans. These loans are only made for the monetary gain of the borrower who needs to withdraw his money between dividend crediting dates. In effect, the cost of the loan merely reduces the amount of interest the depositor receives and represents an adjustment in the interest earned because of an early withdrawal.

I wish to thank the Committee for the opportunity to present my views on this important legislation.

Mr. Chairman, if I may depart from the statement for a moment, I would like to take slight issue with a statement made by Senator Kennedy earlier this morning.

I believe I am correct that he made the statement that banks in New York and elsewhere advertised, for example, a discount rate of 25 percent and failed to tell the public in the advertising what the true annual interest rate was, or that indeed, it normally is equivalent to about twice the discount rate.

I just happen to have with me some samples of the Bowery Savings Bank advertising, which I would not have submitted, except that this question arose and I would like to submit them for the record, if I may.

We have been in this discount lending money field for six or seven years. When we first came into it, we put out a very long ad, describing the nature of this type of rate and how it does, indeed, mount up to about two times the stated discount rate.

We also put out a little quick credit cost computer, which would allow people to roughly approximate the true annual interest rate. If they knew what they were borrowing and what the total charge was, they could compute it.

So I would like to submit these for the record, if I may. I am not criticizing, but I want to make sure that it is known that we are not failing to disclose these rates, even before the bill is hopefully passed.

The CHAIRMAN. Thank you very much.

Indeed, Mr. Crawford, I do want to say that we are well aware of the record of the Bowery Savings Bank in support of legislation of this type. We think it's been really statesmanlike and we welcome your statement here today.

I am particularly interested in one question that you touched upon, but didn't pursue, and that is the coverage of the first mortgages. You are probably aware that the Senate bill as passed by the Senate eliminated first mortgages and you have indicated here that you would support the inclusion of first mortgages in such legislation. I wonder if you would develop that point for us.

Mr. CRAWFORD. Yes. I think that, obviously, it would be less work for us if they were not included. I think there is less reason for including first mortgages than other types of transactions, because the bulk of it is pure simple interest and those financial charges that are added as presented under the bill really are very nominal. They don't affect the annual percentage rate to any great extent.

I always felt if you wanted to make this thing complete, no mortgage should fail to disclose all of the facts, because all others will also be disclosing them.

I think that possibly the Senate Committee was persuaded that most of the mortgage lending is done by highly regulated institutions, such as savings banks, savings and loan associations and this kind of protection was probably not needed. But I repeat, that when we testified, we did not ask the Senate to remove or except them from the bill and I think our industry would support the provision of this bill.

The CHAIRMAN. Thank you very much.

Congressman HALPERN. I wish to commend our very distinguished witness. He has been an outstanding citizen and a credit to the banking community.

Mr. Crawford's enlightened views have been reflected in his practices and not just in mere words, and he has been a progressive, enlightened representative of the banking industry and we welcome him here today.

This testimony is most valuable to us and now I would like to clear up one area of confusion that has repeatedly come up in these hearings. It is revolving credit.