VARIABLE ANNUITIES

HEARING

BEFORE THE

SUBCOMMITTEE ON SECURITIES

OF THE

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

UNITED STATES SENATE

NINETY-SECOND CONGRESS

FIRST SESSION

ON

S. 2216

TO AMEND THE INVESTMENT COMPANY ACT OF 1940

JULY 15, 1971

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VARIABLE ANNUITIES

THURSDAY, JULY 15, 1971

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING,
AND URBAN AFFAIRS,
SUBCOMMITTEE ON SECURITIES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:25 p.m., in room 5302, New Senate Office Building, Senator Harrison A. Williams, Jr. (chairman of the subcommittee) presiding.

Present: Senators Williams and Bennett.

Senator WILLIAMS. The committee will come to order.

Today the committee will consider S. 2216. This legislation was introduced by Senators Bennett, Sparkman, Tower, and myself in order to cure an obvious distortion of congressional intent.

During the last Congress this committee originated mutual fund reform legislation which ultimately became Public Law 91-547. Under the act, purchasers of periodic payment plans, more commonly known as front-end-load contractual plans, were given certain refund rights. These rights included the opportunity to receive a 100-percent refund of all payments, if such a demand is made within 45 days of the initial purchase, or 45 days after notification by the seller of the right to obtain the refund.

Since half of the first year's payments for front-end load-plans is deducted for sales commissions, the 45-day provision allows investors to reconsider a decision which may have been arrived at in haste without a full appreciation of the 50-percent front-end load.

The sole intent of this provision was to protect purchasers of front-end-load plans who are often of limited means and who are not sophisticated investors.

I, for one—there were many—was amazed to learn that the SEC in promulgating its regulations applied this provision to variable annuities where there is no front-end load. It is clear that the Congress did not intend such a result. Nowhere in the legislative history of this section of the act are level-load variable annuities mentioned.

The problem which we intended to solve with the enactment of this section, section 27(f), was that of the front-end load. We did not intend it to apply to variable annuities sold at a level commission rate of less than 9 percent.

If section 27(f) was ambiguous or if it technically covered variable annuities, the Commission clearly could, and I believe should, have exercised its powers under section 6(c) of the Investment Company Act to exempt these securities from coverage. Situations such as this were the very reason the Congress gave the Commission the broad exemptive powers contained in that section, section 6(c).

Confounding matters is the fact that the same members of the Commission's staff who recommended that variable annuities be covered under 27(f) worked with our committee's staff in drafting Public Law 91–547. They certainly should have known the legislative intent. By refusing to use section 6(c) the Commission has required the Congress to consider the exemptive legislation which we have before us today.

I would hope that as a result of our actions here today, and with the prompt passage of this bill, S. 2216, the SEC staff will refrain from future distortions of congressional policy.

I turn to the senior Republican member, Senator Bennett.

Senator BENNETT. Thank you, Mr. Chairman.

I suscribe fully to your opening statement. I felt sure that our letter of June 21, bringing this matter to the Commission's attention, would have been sufficient to bring about a change in the regulation to which you have referred.

It is extremely difficult for me to understand how anyone who was involved in the action of our committee could have improperly interpreted section 27(f). The fact is that at the time we set up section 27(f), we were considering certain types of front-end-load securities. The Securities and Exchange Commission had recommended that we abolish front-end-load securities. Instead, our committee provided refund rights to afford investors a measure of protection against financial hardships which could result in the event of an early termination of a front-end load contractual plan.

At no time during our consideration of the amendments to the Investment Company Act of 1940 did anyone suggest that these refund rights should be made available to individuals who purchased either mutual funds from an investment company or variable annuities from an insurance company so long as the sales charge was not concentrated during the early part of the plan.

I too was disturbed when I found that the SEC regulations had applied the provisions of section 27(f) to variable annuities, since they were not applied to level-load funds offered by investment companies.

I will admit, of course, that the language of section 27(f) does refer to any periodic payment plan. Indeed, part of the problem which has come about is due to the fact that our committee was not more specific in referring to periodic payment plans.

I have looked over the history which we made during our consideration of this matter and find that we used the terms "front-end-load," "periodic payment plan," and "contractual plan" interchangeably. We should not have been so imprecise.

I can understand the Commission's hesitancy to go against the actual language of section 27(f), particularly when it appeared to take away a refund right which they thought Congress might have intended. I cannot, however, understand how the staff of the SEC, who were involved in the enactment of the legislation and who had the entire record available to them, could misconstrue congressional intent to the extent that they would recommend application of section 27(f) to variable annuities.

Far more important than why we are in the present situation is what we are going to do to bring about what Congress actually intended. For this reason we introduce S. 2216, to show clearly what we intended when we enacted the earlier legislation.

I hope we can act on this matter immediately after these hearings and that the House, realizing the mistake that has been made, will take up similar legislation which has been introduced in that body for the same purpose, so that we can solve this problem at the earliest possible time and thus eliminate a difficulty which has been created largely as the result of misunderstanding and misinterpretation, for which, Mr. Chairman, I am afraid we must bear some responsibility.

Senator WILLIAMS. Well, your charity is greater than mine.

Senator BENNETT. Off the record.

(Remarks off the record.)

Senator WILLIAMS. I think the record will be read with interest. At this point let's insert a copy of the bill, S. 2216, into the record:

92D CONGRESS
1ST SESSION

S. 2216

IN THE SENATE OF THE UNITED STATES

JUNE 30, 1971

Mr. BENNETT (for himself and Mr. SPARKMAN, Mr. TOWER, and Mr. WILLIAMS) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing and Urban Affairs

---

A BILL

To amend the Investment Company Act of 1940, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 27 (f) of the Investment Company Act of 1940, as amended (15 U.S.C. 80a–27 (f)), is amended to read as follows:

"(f) With respect to any periodic payment plan (other than a plan under which the amount of sales load deducted

from any payment thereon does not exceed 9 per centum of such payment), the custodian bank for such plan shall mail to each certificate holder, within sixty days after the issuance of the certificate, a statement of charges to be deducted from the projected payments on the certificate and a notice of his right of withdrawal as specified in this section. The Commission may make rules specifying the method, form, and contents of the notice required by this subsection. The certificate holder may within forty-five days of the mailing of the notice specified in this subsection surrender his certificate and receive in payment thereof, in cash, the sum of (1) the value of his account, and (2) an amount, from the underwriter or depositor, equal to the difference between the gross payments made and the net amount invested. The Commission may make rules and regulations applicable to underwriters and depositors of companies issuing any such certificates specifying such reserve requirements as it deems necessary or appropriate in order for such underwriters and depositors to carry out the obligations to refund sales charges required by this subsection.

Senator WILLIAMS. We are honored to have the Chairman of the Securities and Exchange Commission as our first witness—Mr. William J. Casey.

Mr. Chairman.

STATEMENT OF WILLIAM J. CASEY, CHAIRMAN, SECURITIES AND EXCHANGE COMMISSION, ACCOMPANIED BY SOLOMON FREEDMAN, DIRECTOR, DIVISION OF CORPORATE REGULATION

Mr. CASEY. Mr. Chairman, Senator Bennett, it is a pleasure for me to be here before you this afternoon.

I am appearing today to testify in support of S. 2216. I have with me Mr. Sol Freedman, who is the Director of the Division of Corporate Regulation.

This legislation is, as you well know, highly complex, and I have in the wings seven volumes of support papers, and if called upon to elaborate I have Mr. Freedman and some of his staff to help me do it. I haven't completely mastered the complexities and technicalities of this legislation.

I would say, however, that the Commission did earnestly try to justify to itself exercising its exemptive authority. We felt that it wasn't intended and it wasn't appropriate that this legislation should apply to level-load variable annuities, for many reasons.

I was particularly impressed by the fact that to apply the refund provisions to immediate variable annuities gave the persons who purchased the variable annuity an opportunity to speculate on his health change. He would have a second look. And it didn't make any sense.

We did consider very hard and long whether we could exercise our exemptive authority and reluctantly decided we couldn't see our way clear to do so. I will elaborate somewhat on that in the course of my statement.

Last year in enacting the Investment Company Amendments Act of 1970, the Congress gave a holder of any periodic payment plan certificate the right to receive a full refund of all charges plus the value of his account if he chose to cancel his plan within 45 days of the mailing of the notice of his cancellation privilege. This notice had to be sent within 60 days of the issuance of the certificate. This privilege is granted by section 27(f) of the act.

That subsection also gave the Commission rulemaking authority to specify the method, form, and contents of the notice as well as to specify the reserve requirements it deemed necessary or appropriate in order to assure that underwriters and depositors will be able to carry out their obligations to refund these charges.

This 45-day refund right was patterned upon a preexisting 60-day refund right which many sponsors of front-end-load plans typically those having 50 percent of the first year's payment deducted as sales load, had voluntarily accorded purchasers of front-end-load plans. Under this voluntary arrangement, a purchaser was entitled to a refund of all amounts paid on a certificate within 60 days from its issuance.

The new statutory 45-day refund right differed in that it places the risk of the market as to the moneys invested upon the certificate holder. It also extended the refund right to holders of any periodic payment plan, not merely holders of front-end-load plans.

The definition of periodic payment plan certificate contained in section 2(a)(27) of the act makes no distinction as to the percentage deducted as "sales load." Thus, section 27(f) had the unintended

effect of providing a 45-day refund right whether or not the sales load on any payment exceeded 9 percent. Thus, its terms extend to single-payment and level-load plans, including many variable annuities.

When the Commission considered the implementation of this section, it was confronted with the fact that there seemed to be no ambiguity as to its meaning. We could not see how we could give expression to the fact that the original purpose of the amendment was directed solely toward front-end-load plans.

We also considered whether we could exercise our powers under section 6(c) of the act to exempt all periodic payment plan certificates on which total charges deducted from any payment did not exceed 9 percent. To exercise this exemptive authority, we are required to find it "necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the act."

We did not exercise this authority to grant exemptions because we were not able to satisfy ourselves that we could find it consistent with the protection of investors to eliminate entirely this 45-day refund right. It had just been provided to investors in language in which we could find no ambiguity, even though the requests for and the purpose of the amendment did not require that this protection be extended to this kind of a contract.

Now, this bill, S. 2216, would amend section 27(f) in accordance with congressional intention to afford the 45-day refund right to purchasers of those plans on which the amount of sales deducted from any payment exceeds 9 percent of such payment. The Commission's intention with respect to periodic payment plan certificates, as originally expressed in "Public Policy Implications of Investment Company Growth, Mutual Fund Study," called House Report 2337, of the second session of the 89th Congress, and subsequently the Commission's intention in the legislative recommendations arising out of this study, was to eliminate inequities arising in connection with the sale of front-end-load plans. Section 27(f) as enacted goes beyond this and beyond the previous industry practice of offering 60-day refunds only on front-end-load plans.

Therefore, having the 45-day refund right applying only to purchasers of periodic payment plans on which sales charges on any payment exceeded 9 percent would be consistent with our earlier legislative recommendations.

S. 2216 would accomplish this and at the same time leave intact the protections afforded purchasers of front-end load, spread load, and other periodic payment plans on which the amount of sales load deducted from any payment exceeds 9 percent.

Our Commission has considered this problem, and it supports the proposed amendments.

Senator WILLIAMS. Do you have any questions?

Senator BENNETT. No. I am delighted that we are coming to grips with this thing, and I hope we can get it behind us very quickly.

Senator WILLIAMS. Well, I certainly agree with Senator Bennett on that and we appreciate your clear support for this bill, Mr. Chairman.

Mr. CASEY. Without ambiguity.

Senator WILLIAMS. I think that the legislation is now well on its way to enactment.

I have no questions.

Senator BENNETT. Thank you.

Mr. CASEY. Thank you, Mr. Chairman.

Senator WILLIAMS. Thank you.

The other scheduled witness is Mr. Lawrence J. Latto speaking for the American Life Convention and the Life Insurance Association of America.

I welcome you before this committee, Mr. Latto.

STATEMENT OF LAWRENCE J. LATTO, ON BEHALF OF AMERICAN LIFE CONVENTION AND LIFE INSURANCE ASSOCIATION OF AMERICA; ACCOMPANIED BY ROBERT ROUTIER, ASSOCIATE COUNSEL, AMERICAN LIFE CONVENTION; AND PAUL MASON, ASSOCIATE COUNSEL, LIFE INSURANCE ASSOCIATION OF AMERICA

Mr. LATTO. Thank you, Mr. Chairman, Mr. Bennett.

My name is Lawrence Latto, as you have indicated. On my left with me is Mr. Robert Routier who is associate counsel of the American Life Convention, and on my right Mr. Paul Mason who holds a similar position with the Life Insurance Association of America.

I am appearing today on behalf of both of those associations. They have an aggregate membership of 356 United States and Canadian life insurance companies which account for approximately 92 percent of the legal reserve life insurance in force in the United States and which hold over 99 percent of the reserves of insured pension plans in this country.

Included in this combined membership are substantially all of the companies engaged in the variable annuity business in this country today.

We have submitted a written statement which I would ask be printed in the record.

I note that the first four words of that statement are identical with the last four words of Chairman Casey's statement—namely, "We support S. 2216."

In those circumstances I think it really would be improper to take the time of this committee to read the statement in full. Basically it says in a somewhat wordier way what you and Senator Bennett have said more succinctly and more directly. The Commission never sought to have this done. The Congress never intended it. And it seems to me in the circumstances this bill should be adopted. I would urge that it be reported promptly and favorably to the Senate.

Senator WILLIAMS. We appreciate that. Your full statement will appear in the record. While I haven't read your full statement, our staff advises me that it is clear and that there are no ambiguities that should be questioned.

(The prepared statement of Mr. Latto follows:)

STATEMENT OF LAWRENCE J. LATTO, AMERICAN LIFE CONVENTION AND LIFE INSURANCE ASSOCIATION OF AMERICA

My name is Lawrence J. Latto. I am appearing here today on behalf of the American Life Convention and the Life Insurance Association of America. These two associations have an aggregate membership of 356 United States and Canadian life insurance companies which account for approximately 92 percent of the legal

reserve life insurance in force in the United States and which hold over 99 percent of the reserves of insured pension plans in the United States. Included in this combined membership are substantially all of the companies engaged in the variable annuity business in this country today.

We support S. 2216. The purpose of this bill is to make clear that the provisions of Section 27(f) of the Investment Company Act of 1940 do not apply to periodic payment plans under which the amount of the sales load deducted from any payment does not exceed 9 per centum of such payment. Such plans are generally referred to as level-load plans. Section 27(f) was one of a number of provisions which were added to the 1940 Act by the Investment Company Amendments Act of 1970 (Public Law 91–547). We think it was the clear intent of Congress in adopting Section 27(f) that it should apply only to front-end load plans, and not to level-load plans. The SEC, however, has taken the position that, regardless of the intent of Congress, Section 27(f) must be applied to level-load variable annuity plans because the Section uses the term "periodic payment plan", and the Commission has construed this term to include variable annuities. The sole purpose of S. 2216 is to make certain that the original intent of Congress is carried out.

A short history of Section 27(f) as adopted in 1970 may be helpful. Originally the SEC recommended the abolition of all front-end load plans, i.e., contractual plans under which deductions for sales load could be as high as 50 percent of the first year's gross payments. This recommendation was not followed. As a compromise, Public Law 91–547 amended Section 27 of the Act to provide purchasers of front-end load plans with certain withdrawal rights. Thus, Section 27(d) now requires that, upon any withdrawal effected within the first 18 months of a front-end load plan, the purchaser must be refunded all deductions for sales load in excess of 15 percent of gross payments. As an alternative, this refund obligation may be avoided if a company, pursuant to Section 27(h), adopts a "spread load" arrangement under which deductions for sales load in the first four years of the plan do not exceed 64 percent in the aggregate or 20 percent in any one year. In either case Section 27(f) provides that a purchaser may—within a 45-day period after being given notice of such right—surrender his plan and receive the value of his account plus an amount equal to the difference between gross payments made and net amount invested. This 45-day "free look", as it has come to be called, permits an investor to reconsider a purchase which may have been made without a full appreciation of the higher sales load deductions in the early years of the plan and the substantial loss which therefore might result from an early termination of the plan.

We have made a thorough review of the extensive legislative history relating to these provisions, and it is evident that the Section 27(f) free-look provision was treated as an integral part of the front-end load provisions. Attached to our written statement is an Appendix in which relevant passages from the legislative record are cited. Throughout this record three terms are used synonymously and interchangeably. They are "contractual plans", "front-end load plans", and "periodic payment plans". Variable annuity contracts have never been referred to as contractual plans. They are not, for the most part, front-end load plans.* But they are, as stated earlier, technically characterized by the SEC as periodic payment plans. And this is the terminology employed in Section 27(f). As a result, the Commission takes the position that issuers of level-load variable annuity contracts must give purchasers a 45-day period within which they may choose to surrender their contracts and be refunded all the charges made.

As we said at the outset, this result was not intended. This provision is not applied to the sale of all mutual fund shares. One method of investing in mutual fund shares is through what is called a voluntary accumulation plan. Under such a plan, an investor makes periodic purchases, with each payment subject to a level-load deduction. The Commission considers such mutual fund voluntary accumulation plans not to be periodic payment plans. At least with respect to Section 27(f), we see no reason why a similar interpretation should not be available for "level-loaded" variable annuity plans. Most variable annuity contracts issued today are closely analogous to mutual fund voluntary accumulation plans in that the sales load deducted from each payment is 9 percent or less. Further, many variable annuity contracts, like voluntary accumulation plans, permit payments on an irregular schedule at the option of the purchaser. Even if payments are regularly scheduled, which may be the case either with a variable annuity contract

*There are a few variable annuity contracts which do provide for first-year sales loads that are more than 9 percent. Under S. 2216, the issuers of these contracts would be subject to Section 27(f).

or with a voluntary accumulation plan, there is no "penalty" for discontinuing payments since deductions for sales charges are "level loaded".

If a free-look provision is not applicable to voluntary plans, it should also be inapplicable to level-load variable annuity contracts. The motivation for the adoption of Section 27(f) was the desire to avoid the loss that the purchaser of a contractual plan, with a first-year sales load of more than 9 percent, is likely to suffer if he discontinues his plan within the first two or three years after his purchase. This loss results not because a contractual plan is characterized as a "periodic payment plan", but because of the large first-year sales load. There is no large first-year sales load under a level-load variable annuity, and Section 27(f) should not be applicable to the sale of such contracts. We urge, therefore, that S. 2216 be reported favorably and promptly to the Senate.

Appendix

Excerpts from Legislative History of Public Law 91–547

A. Report of the Committee on Banking and Currency accompanying S. 2224 (Senate Report No. 91–184, May 21, 1969).

The following excerpt, at p. 2, indicates that the amendments to Section 27 of the Investment Company Act of 1940 in P.L. 91–547 were compromise provisions directed toward front-end load contractual plans:

"With respect to contractual plans, the committee has not followed the original recommendation of the Commission which would have prohibited the front-end load. We have, instead, provided two alternatives which will permit a continuation of contractual plans with a front-end load, but which will substantially lessen the sales charges to investors who are unable to complete the specified payments called for under these plans during the first 3 years."

The following excerpt, at p. 18, is an illustrative example of the fact that the terms periodic payment plan, contractual plan, and front-end load plan were considered to be synonymous:

"In the area of periodic payment plan, generally referred to as 'contractual plans,' the committee has not recommended elimination of the 'front-end load' feature, as originally urged by the Commission."

The following excerpt, at p. 20, shows that the refund right provided by Section 27(f) of the Act was conceived as part of the alternative treatments to be applied to mutual fund contractual plans:

"As an alternative to the 'spread load' provision described above, the bill provides that a contractual plan may retain the presently authorized front-end load provided that if an investor elects for any reason whatsoever to redeem his underlying shares for cash during the first 3 years, he is entitled to receive a refund of the amount by which all sales charges paid by him exceed 15 percent of the total payments made under his plan. Under this alternative, contractual plan sponsors are required to give plan holders notification of their refund privileges and provide that plan holders may receive a full refund of the sales charge if they choose to cancel at any time within 60 days after the mailing of the original notice."

B. Report of the Committee on Interstate and Foreign Commerce (House Report No. 91–1382, August 7, 1970).

The following quotation, from p. 4, illustrates that the "periodic payment plan" terminology was in fact utilized to describe front-end load contractual plans:

"Section 16 of the reported bill would amend Section 27 of the Act which deals with front-end loads on periodic payment plans (commonly referred to as contractual plans)."

C. Hearings before the House Subcommittee on Commerce and Finance on H.R. 11995, S. 2224, H.R. 13754, and H.R. 14737 (Serial No. 91–34).

This citation, at p. 916 of Part 2, indicates that the Section 27 amendments were directed towards curbing abuses in the area of front-end load plans where, as stated by SEC General Counsel Philip Loomis,

". . . usually the salesman will have a set of plans which he can present to the customer of either a front-end load or a voluntary plan. He generally has an incentive to first suggest the front-end load plan, and only go to the voluntary plan if the customer will not buy the front-end load plan."

Further, at p. 867 of Part 2, SEC Chairman Hamer H. Budge stated:

"It has never been disputed that the front-end load penalizes even those who complete their contractual plans. They would do better by investing the same

amount in the underlying mutual fund through a voluntary plan which has an 8½ percent sales load on each payment."

Senator WILLIAMS. Senator Bennett, do you have any questions of Mr. Latto?

Senator BENNETT. Just a comment, Mr. Chairman. We'll invite him back. [Laughter.]

Mr. LATTO. I'd be glad to come back.

Senator BENNETT. I have no questions.

Senator WILLIAMS. Our committee deserves this kind of refreshing unanimity on a matter of clear merit, with no dissent. We have been through other matters recently, and it is——

Senator BENNETT. It is a relief.

Senator WILLIAMS (continuing).—Nice to have this general concurrence on the need for passing S. 2216.

Thank you very much.

Mr. LATTO. Thank you very much.

Senator WILLIAMS. This concludes the hearings on S. 2216. We will insert a letter from the Investment Company Institute in the record at this point.

(The letter follows:)

INVESTMENT COMPANY INSTITUTE,
Washington, D.C., July 15, 1971.

Senator HARRISON WILLIAMS, Jr.,
Chairman, Subcommittee on Securities, Senate Committee on Banking, Housing and Urban Affairs, U.S. Senate, Washington, D.C.

DEAR SENATOR WILLIAMS: The Investment Company Institute, the national association of the mutual fund industry, welcomes this opportunity to express its support of S. 2216 which is currently pending before your Committee.

The Institute's membership consists of 347 mutual funds, their investment advisers and principal underwriters. The assets of our mutual fund members are in excess of $53 billion constituting approximately 94% of the assets of American mutual funds. We are naturally interested in legislative and regulatory developments concerning the federal securities laws.

As we understand it, the purpose of S. 2216 is to reverse an unintended result flowing from the addition of Section 27(f) to the Investment Company Act of 1940 by the Investment Company Amendments Act of 1970 (Public Law 91–547).

Section 27(f) included a refund provision which enables an investor in a contractual plan to surrender his plan and receive the then value of his account plus all sales charges, for a 45 day period after receipt of a specified notice from the custodian bank for the plan. We understand that under the literal language of Section 27(f) of the 1940 Act as amended a "level load" variable annuity may be covered by the 45 day refund provision.

As you will recall, the Institute was involved with the recent mutual fund legislation from the introduction of the original bill, S. 1659, in 1967, until its final enactment last year. Although we were not directly concerned with the contractual plan provisions of the various bills we did follow closely all of the major contested provisions. It seems clear to us that the 45 day refund provision was designed to apply only where the sales charges in the first year or the early years of the plan are calculated on the basis of the securities to be sold under the plan over its whole term—i.e., where there is a "front-load" deduction of up to 50% of the first year's payments as permitted by Section 27(a) or there is a "spread load" of no more than a 20% deduction from any payment as permitted by Section 27(f). We understand that Congress saw fit to provide the 45 day refund as an investor safeguard because an investor who redeems at an early time under a "front-end" or "spread" load plan would pay more in the way of sales commission than if he bought equivalent amounts at a level load.

On the other hand, we understand that the "level load" variable annuity does not involve a sales charge at any point in the plan which is in excess of sales charges paid in connection with any other payment in the early or later years. Therefore, it seems clear to us that the application of the 45 day refund provision to the level load variable annuity was not a result that any of the Congressional sponsors

of the mutual fund legislation would have intended. We note that the exemption from Section 27(f) granted by S. 2216 is not available to a periodic payment plan under which the sales charge deducted from any payment exceeds 9%.

We think that S. 2216 is in the public interest and should be enacted.

Sincerely yours,

ROBERT L. AUGENBLICK.

(Whereupon, at 2:45 p.m., the subcommittee adjourned, subject to the call of the chairman.)

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