

POLICY POSITION

6. Truth in Savings Act

Background

In recent years, financial deregulation has encouraged depository institutions to offer competitive interest rates and more complicated savings accounts. The consumer is now faced with a complicated array of options in making a decision about which account offers the best return. The consumer's decision is made more difficult because all depository institutions do not calculate annual percentage yields and interest rates in the same manner. Terminology used in advertising accounts is not uniform and fees and other terms of the account may substantially affect the account's yield.

The Truth in Savings Act by Representative Richard Lehman would help assure that consumers have the information they need to compare the interest rates on similar accounts. It would require the Federal Reserve Board to prescribe a uniform method of calculating annual percentage yields and interest rates and would also require that it prescribe uniform technology to be used by depository institutions in advertisements.

The bill also includes provisions governing advertising content and disclosure of fees and charges and conditions on accounts. The bill further provides that the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, the National Credit Union Administration Board and other regulatory boards enforce provisions under the act for depository institutions under their jurisdiction.

Recommendation

The Southern Legislative Conference urges Congress to enact the Truth in Savings Act sponsored by Representative Richard Lehman.

Adopted by the Southern Legislative Conference on July 24, 1985.

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