

TRUTH IN SAVINGS

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An Abstract of a Paper

The rationale for standardized disclosure of consumer savings terms is set forth in this paper. It is premised on the right of consumers to be supplied the information needed to make informed choices, the need of consumers for a standardized terminology essential for them to comparative shop efficiently for savings services, and the responsibility to make performance checks on their savings accounts.

Examples are cited to indicate that savings terms are not standardized, the information level is uneven in quality and often lacking, advertising is deficient and account errors can escape validation.

A positive plan is proposed which would define all terms needed to communicate fully about savings and which would have these disclosed by thrift institutions to the consumer (1) before opening an account, so the consumer can compare alternatives on the basis of standardized terms, (2) upon opening an account so both parties to the savings contract have the terms available to reduce misunderstanding and for consumer use to consider alternatives as their financial situation develops, and (3) upon the payment of earnings so the consumer will have access to information needed to fulfill his responsibility to verify his account.

Implementation by regulation was described as having failed; implementation by legislation as proposed by Representative Dr. Bill Roy (H.R. 8365) and Senator Vance Hartke (S. 1848) has the merit of establishing comprehensive, uniform standards applicable to the non-regulated as well as regulated savings institution.

As the title implies, it proposed to follow in the tradition of other Truth acts, especially Truth in Lending in which the senior author first introduced the key concept of Periodic Percentage Rate.