

Mr. BARR. The dollar a month, if you refer to the table back there at the very end, Mr. Gurney, the dollar a month is figured into that computation. Do you find the table at the end of my testimony?

Mr. GURNEY. Yes.

Mr. BARR. At a zero fee the lender would be earning 4.66 percent today. At the \$25 rate, which I am recommending, he would have a net return of 5.42 percent, which is a little less than the prime rate. It is a quarter more than he would earn on a Government bond. That has been figured into this computation here, sir.

Mr. GURNEY. What you are really saying is, although these cost figures are average on page 7, that you think the extra inducement of \$25 would suffice to make this a realistic business proposition?

Mr. BARR. As far as the bank is concerned; yes, sir. That is what we are saying.

Mr. GURNEY. Why have a ceiling on interest rates at all? Why not let them seek their level? Would this not be an answer to this?

Mr. BARR. We could, Mr. Gurney, but there is also this problem of usury laws in most States.

Mr. GURNEY. You mean over 6 percent?

Mr. BARR. That is right. You just can't get above it.

Mr. GURNEY. How many States are involved in that legal situation?

Mr. BARR. I would have to supply that for the record, but it is a considerable number of States, sir.

Mr. GURNEY. That actually say that a charge of 6 percent is usury?

Mr. BARR. That is right.

Mr. GURNEY. So the only way of getting around it is to sweeten their fee?

Mr. BARR. To pay a placement fee. There are 11 States with a 6 percent usury rate.

Mr. QUIE. Will the gentleman yield?

Mr. GURNEY. Yes.

Mr. QUIE. Is the proposal that with any guaranteed loan where the family's income is \$15,000 or more you still have the same placement fee?

Mr. BARR. We have to do that, or otherwise the States with the usury laws will say, "No, this is not a placement fee, this is a part of the interest cost." So we have to make the placement fee available to everyone whether or not their interest is subsidized.

Mr. GURNEY. In the FHA loan there is a market so there the loan does seek its level to be an attractive investment, as I understand it. In other words, you have that feature in addition to the fees that are paid?

Mr. BARR. Yes; in the FHA program.

Mr. GURNEY. Does this work in this sort of loan, and why doesn't it work?

Mr. BARR. You mean the point system?

Mr. GURNEY. That is right.

Mr. BARR. We have tried to stay away from that. The point system has been extremely controversial. I don't think it will survive much longer, Mr. Gurney. This is my personal opinion. The point system under FHA and VA has been such a matter of bitter dispute that I think one way or another it will be eliminated.