

Mr. WALKER. What happens in those States, and we have done extensive research on this in connection with the so-called truth-in-lending legislation which is now being considered by the House Banking and Currency Committee, is that a State with a simple usury statute, 6, 7, 8 percent, whatever it may be, will have in that State developed a number of ancillary statutes or through court interpretations to approve other types of rates for other types of transactions. You would have a specific statute in a given State that has, say, a 6-percent usury statute to permit banks and other lenders to make automobile loans at 6 percent add-on. If it is a \$3,000 loan you add on \$180 a year. The actual cost of the loan in simple interest is around 12 percent. But since the State statute says 6 percent add-on specifically is legal then it does not violate the usury statutes. There has been over the years a very delicate and longtime adjustment to the problem of usury statutes because usury statutes which are below the market, and it occurred in New York State last year, means the money will not be loaned. That is just it. The money will go out of that State to other States where it can meet the market rate of interest. This is what happened to the savings and loans in California last year when the Treasury was selling participation securities at 6 percent.

All the money went out of the savings and loans who were paying five and a half and we had a housing crisis.

Mr. QUIE. Would the usury laws be more strictly enforced than the student loan program or with the automobiles or any other where they have add-on—

Mr. WALKER. I think there would be no question about it, making a loan at 7 percent in one of those six States listed yesterday with usury statutes would be prima facie violation of the usury statutes. The administration form of the fee could have violated the usury statutes because the fee was to be paid on behalf of the student, meaning that the loans would be paying 6 percent plus the additional \$30, or whatever it was, fee or in excess of 6 percent.

I think the new proposal corrects that and the fee would be paid directly to the financial institution.

Mr. QUIE. Congressman Brademas.

Mr. BRADEMAs. Dr. Walker, on page 1 of your statement you say you have tried every means you could think of to persuade banks to become active in the program. You have listed activities which have been laudable.

I must say I am not impressed with your statement. I am impressed with the work done in the State of Illinois with the bankers association there. I find no evidence in my own State of Indiana that the bankers have shown the slightest bit of interest in this program. I know of no committees that have been formed by bankers at the local level, state level or congressional district level. It is nice to put out some brochures and make some speeches but I am not persuaded by what you have said so far that you have made a really serious effort in the banking community to persuade leading bankers to become active in this program.

Mr. WALKER. I regret that very much.

Mr. BRADEMAs. I don't hear about the program back home. Yet politicians are supposed to have pretty good radar and when things are going on in their communities they hear about them.