

Mr. HATHAWAY. They did appropriate \$50,000.

Mr. WALKER. You have a referendum coming up this fall.

Mr. HATHAWAY. Let me ask a couple more questions you haven't answered in regard to Mr. Patman's statement.

According to the usury business, do you think that the States involved would not consider this serious because the Federal Government is going to pay the \$35? Have you checked that out?

Mr. WALKER. We have checked it with counsel and we are confident if the Federal Government pays that directly to the financial institution, there will not be a problem involved.

Mr. HATHAWAY. What about Mr. Patman's argument that once you put the foot in the door of the usury laws that it will fly open? You mentioned earlier they ought to characterize different types of loans so that the usury law would not apply across the board, it would be a different percentage in accordance with the kind of loan it is.

His argument is that once you do this, you are going to open the door wide open and you won't have any usury law at all.

Mr. WALKER. This does not stand up that it will hurt anybody unless you can prove that borrowers in the State of Massachusetts pay more than borrowers in the State of Delaware or whatever. I don't think this will stand up. Massachusetts has no usury statute. The fact is that with legitimate, known loan shark lenders, that market competition keeps the rate down in nonusury States. What the States with lower usury rates are doing is simply preventing capital from coming into that State or making it go out of the State, as real estate money did in New York State last year because of the 8 percent usury statute.

I don't think Mr. Patman's argument stands the test of either economic analysis or experience because States with or without usury statutes have existed side by side. It is the ones with the statutes that have been hurt when money got tight.

Mr. HATHAWAY. Mr. Patman says at the conclusion of his statement that perhaps we should consider something like the small business administration in view of the fact that banks are not tending to make these loans.

What do you think of that, having the Government agency handle that?

Mr. WALKER. What he is talking about there is a direct lending program. I would like to point out it has not been sufficiently emphasized, and I think it is important to the point the Chairlady made, that this is a dismal program, when you look at what has been done in the past on student loans, if \$400 million were made in the 12 months ended in August, this was a substitute for a Federal budget expenditure of \$400 million. That is the vital point it seems to me to keep in mind.

If Mr. Patman wants SBA to do it, if they do it on a direct basis, then go the Appropriations Committee and say, "Can we have \$400 million?" or rather, next year we want to make it \$700 million. You have to get the money to do it.

Now if SBA is going to guarantee, you are right back where you started, and you have to make the lenders interested in the loans. If the goal is \$7 billion, you are going through an awful long period there with a big initial appropriation. The revolving fund has to get up to a total of whatever the loans are expected to be which are, according to OE estimates, \$7 or \$8 billion.