

Mr. STONE. You mean as making that —

Mrs. DWYER. The three-quarters on a secured loan?

Mr. STONE. I would say it was the same, but many of them do, especially the larger ones. They would charge three-quarters of 1 percent. Smaller credit unions might charge the limit of 1 percent per month.

Mrs. DWYER. That will be all. Thank you.

Mrs. SULLIVAN. They could not shop around from one credit union to another, though.

Mr. STONE. No, because they don't have a common bond. I can only belong as I see it, to two credit unions. I can belong to a credit union which is an officers' credit union and I do belong to a Federal officers' credit union and I can belong to my own credit union, but I couldn't join a number of other credit unions that limit its membership.

Mrs. SULLIVAN. Mr. Gonzalez?

Mr. GONZALEZ. Thank you, Madam Chairman.

In your statement you speak in behalf of the annual disclosure rate and yet yesterday we had a gentlemen representing a very substantial bank, together with the executive vice president of the American Bankers Association and he said this, and I quote from his testimony yesterday. The witness was Mr. Bailey.

I will agree with what Mr. Walker has said in this regard. The cost of making a loan doesn't vary with the dollar amount, and if you attempt to reduce it through an annual interest rate the figures would become astronomical and people pick those things up quickly and start talking about a institution that is charging 120 percent and just don't agree with it.

Do you have any comment with respect to that statement?

Mr. BINGHAM. Would the gentleman yield?

Mr. GONZALEZ. I yield.

Mr. BINGHAM. I was involved in that colloquy. What they were referring to was, as I recall it, a \$50 loan for 1 month and the charge was \$5. The annual rate of interest was 120 percent.

Mr. STONE. I can understand this and this is the question you asked me as to whether we had a minimum rate and I said no, we didn't—not in my credit union.

In the Federal credit unions it doesn't make any difference as long as they don't have a minimum charge. It wouldn't make any difference how long the loan is for since the charge is 1 percent per month or less on the outstanding balance.

Mr. GONZALEZ. Even in this case where the man was talking about \$50 on a monthly basis? This is just for 1 month. Suppose he does not pay it in 1 month? What happens then? What usually happens then?

Mr. STONE. I think, Mr. Gonzalez, that in our credit union we would have to understand the position of the banker. The thing that I think, sometimes people don't understand it, as far as credit unions are concerned, is that we loan money to a man not because we are sure he is going to repay—like a banker has to loan money—but because we have confidence that he will repay and so we loan money to a man who is sick or who is unemployed or whose family needs assistance for different reasons than a bank does business.

Now, I wouldn't criticize a bank personally because they have to have a minimum rate, and that amounted to a certain percentage.