chusetts' Deputy Banking Commissioner, John P. Clair, urged action by both the states and the Subcommittee to stop overcharges and other abuses that he described as "mighty close to larceny."

Mr. Clair recommended that the Subcommittee look into the field of educational loans. Many colleges have been embarrassed to find they've been referring parents to loan plans that charge "outrageous" insurance rates and are "misleading" as to credit costs.

"It's time that we call a halt in this country to lenders making more money selling insurance than lending money," Mr. Clair declared. He said the situation has reached the point where insurance companies are getting into the lending business to share in the profits creditors are making on the sale of consumer credit life, health, and accident insurance.

MODEL STATE LAW

Two Maryland witnesses testified about similar abuses in their state. Attorney General Francis B. Burch and former Insurance Commissioner Norman Polovoy predicted that, in 1968, their state would pass the model law of the National Association of Insurance Commissioners designed to curb consumer-credit-insurance abuses and overcharges.

But Subcommittee Chairman Philip A. Hart (D-Mich) expressed doubt that the model law would be the solution. More than half the states have adopted it, and many still have high credit insurance rates.

Mr. Burch and Mr. Polovoy both stressed the importance of state rate regulation and of adequate enforcement as other needed factors in controlling credit insurance. Mr. Polovoy estimated that more than $2 million of the $9,638,000 Marylanders paid for credit insurance last year was excessive. He said that, in his opinion, lenders should pay the entire cost of the insurance for small loans since it provides them with "additional security and protection."

The senators also heard Cecil G. Huskey, a Charlotte, North Carolina, homebuilder relate his personal experience with abusive credit insurance.

Mr. Huskey claimed that North Carolina's fourth largest bank, First-Citizens Bank & Trust Co., pushed the cost of his business loans as high as 36 percent by making him buy credit insurance from an affiliate. The first time he went to the bank for a loan, no credit insurance was required. But the next time, he testified, a bank official insisted that he buy credit insurance through the bank at a very high rate. When he asked the bank official why he couldn't buy a cheaper policy elsewhere, Mr. Huskey said the official replied, "We want to make money, too."

At the May 19 hearing, Leonard J. Harmatz, a Baltimore attorney charged that "Maryland is an open field for the practice of loan sharks and racket lending."

Two specific Maryland loan firms were named by Charles W. Grambrell, the South Carolina Insurance Commissioner. Attorney General Burch told Senator Hart that he will investigate the Atlantic Management Co. of Silver Spring, which trades as Maryland Cash Loans, and Investor Loan of Frederick.

[From the New Republic magazine]

DIRTY DEAL IN SMALL LOANS

(By James Ridgeway)

Finance companies are making a killing on insurance. Tacked on to their high interest rates is an exorbitant charge for insurance, used to repay the loan in case the borrower dies. It takes the risk out of lending.

But what the customers probably don't know is that relatively few borrowers die before loans are repaid. Much of the premiums are pure profit, and a good bit of it is funneled back to the finance company either in the form of commission or because the loan company owns the insurance company.

In a speech in Chicago last week, Dean Sharp, an assistant counsel of the Senate antitrust and monopoly subcommittee, said an unpublished committee report on credit life insurance indicates that borrowers have been overcharged $700 million since 1959.

About 80 percent of the $72 billion in outstanding consumer debt is covered by credit life insurance. This is financing for automobile and household appliances as well as personal loans.

Premiums for credit life vary around the country, and run from a low of 37.5 cents per $100 borrowed per year charged by General Motors Acceptance Corp., the biggest finance company, to $2 per $100 asked by the small loan companies located near military bases. A usual premium is $1 per $100. The insurance usually