

Mr. BARBER. I think so. I would like to comment, if I could, regarding this minimum. We stated in our testimony that we would favor exclusions of finance charges of \$10 or less as was in S. 5 and as in the Widnall bill.

The reason for that is because on very small loans for short lengths of time the cost factor is definitely involved. You read many different figures as to what it costs to put a loan on a bank's books.

I am thinking now strictly about banking rather than Mr. Great-house who was referring to merchandisers. In our little bank we charge \$1 minimum for a \$100 loan. I have read that cost accountants say that this should not be \$1 but it should be \$5 or \$10. That it costs that much to put a loan on the books.

So we loan a fellow \$100 for 10 days until payday and we charge him \$1 for it. Let's say for a week. If my arithmetic is right, we are charging him 52-percent interest on an annualized basis. And by so doing we are incurring what a cost accountant says would be a \$4 loss.

I would think that it would not be fair to report that as 52 percent simple annual interest. The larger banks, many, would charge \$5 for that and would still prefer not to make the loan because it is not a profitmaking credit.

Again, if my hurried arithmetic is right, I think that a bank would be charging 260 percent interest if it had a \$5 minimum \$100 loan for a week. Well, a bank just isn't going to be advertising that it charges 260-percent interest. The \$5 minimum charge is reasonable and fair. Relating it to an annual rate makes it appear high.

So what the bank is going to do, they will say, "I am sorry we don't have that kind of loan any more?"

Mrs. SULLIVAN. If I may interrupt there—you certainly don't advertise that you will lend \$100 for only a week. I am sure you don't want that kind of business, or go out to stimulate it. You only do that as a favor or accommodation to a regular customer, I imagine.

But if a man knew that he was paying 260 percent for a loan he needed so badly, let him know it. Let him know how silly it is to spend that much to use credit for such a short length of time.

Mr. BARBER. I should correct my statement perhaps. I didn't mean that we would advertise. I should have perhaps said we wouldn't care to tell the world that we are charging 260 percent interest if we charged the borrower \$5 for the use of \$100 for 10 days or whatever the period would be. We would not put that in the form of an advertisement obviously, but if we rendered this to him in the disclosure basis we would be telling the world that he would go down the street and he would say, "I am paying the bank 260 percent interest."

However, it would be a service that the bank would prefer it would—would prefer not to perform in the first place.

I will go back to the \$1 minimum because that is what our little bank charges—so we would be accused of charging 52 percent interest. They now accuse us of charging 7 percent and try to give me a guilty conscience. It doesn't at all. But if they said we charge 52 percent interest on a loan we prefer not to make, and I think it is a legitimate loan, I don't think he is foolish for borrowing it because he just happens to need \$100 before payday. He wants to go on vacation and it is worth \$1 to him rather than have the boss forward his checks.