The CHAIRMAN. Our last witness, again for five minutes, will be Mr. Edward Horne.

STATEMENT OF EDWARD HORNE

Mr. EDWARD HORNE. My name is Edward Horne. I represent the Insurance Premium Finance Association of the State of New York.

It is a different type of business, but it has been represented here before. This is the first time I have ever spoken to any Congressional Committee on Truth in Lending.

With respect to the House bill, I want to say a few words about the 18 percent interest limitation. In insurance premium financing we do not choose the customer, the customer chooses us and he sets the amount of his loan. For instance, we finance an automobile policy, a liability policy here in the State of New York. The policy has a premium of $150, $170.

Our business is received from an insurance agent or broker. We in turn advance the monies for the premium to the insurance company and the insured pays the finance company, the premium finance company, in monthly installments.

With this situation, 10 percent simple interest is absolutely impossible, insofar as impressed premium financing is concerned. Insurance premium financing is rather a large industry that has really developed on a major scale since World War II and probably necessitated by the high insurance premiums and also the desire of the public to cover themselves with insurance in various areas.

As a result of insurance premium financing—It is necessary in the State of New York. For instance, Article 12–d of the Banking Law provides for a $12.00 minimum. That is the charge that for certain premiums over $100 the premium finance company charges $12.00.

Now, I am now going to talk about the $10.00 minimum. Actually, I would much prefer to see in a bill a minimum of $10.00 where the interest rate does not have to be disclosed, but I realize that so much water has flown under the bridge that perhaps it would be a little foolish for me to talk about the $12.00 charge, and not expressed in simple language.

So that I would settle for a $10.00 charge, but I do think in our business, which is a volume business, we have—I would imagine, to give some idea of the size of the business, I would imagine that there is somewhere around $500,000,000 of insurance premiums financed during a calendar year.

The bulk of this business is in what we call the low-premium range, and these lower premiums we have to, because the bulk of our business is in the low premium range, we have to at least meet our setup costs, we have to make expenses, and this is why the $12.00 minimum charge is here in New York and in other states.

Congress passed a similar statute regulating insurance payment financing when Senator Kennedy was on the Committee for the District of Columbia, and in that bill there was a $10.00 additional charge.

As I say, I would be pleased to go along with a $10.00 charge, but right now in the S. 5 you have to disclose your interest rate where the finance charge is $10.00 or more. I think we are kind of quibbling, because $10.00 is a round figure, it is a figure people can work with.

This would mean in order not to disclose it we would be charging a charge of $9.99, which would lend to confusion rather than understanding of what we are doing.

In addition, I am a little bit leery of an 18 percent charge, 18 percent maximum, because I think, just as a man spoke against the garnishment provision, I do think 18 percent would have the tendency, sort of like Prohibition, might have a lot of people going into business shylocking loans in an area where legitimate business enterprise has been before but just cannot offer the service, that service at 18 percent simple interest.

Now, there is no other similarity that, as long as I am talking here—and I haven't spoken to you two gentlemen before. I would like to refer to Section 3 of S. 5, Section 31, Subsection A, having to do with the termination of the actuarial method.

Right now it substantially reads total payment for repayment or the total amount of finance, et cetera. This may give us a problem, because we are not sure just when, what date is the date of the transaction.

Our charges in the District of Columbia, the State of New York, and other states that have been active in premium finance laws, make the charges start from the inception date of the insurance policy.