Mr. LINDER. Yes.

Mr. BROCK. I got the impression that—may be I misunderstood—that you intended to charge the existing rate of interest.

Mr. LINDER. That is correct.

Mr. BROCK. Why?

Mr. LINDER. We accept a lot of high-risk loans now. Fortunately they have worked out pretty well.

Mr. BROCK. You have been pretty cautious about it?

Mr. LINDER. Yes, sir; we have been. But as I said in my statement we have operated on the outer limits. Of what we regard to be reasonable assurance of repayment. The reason we do not, as a general rule charge different rates of interest, is that we have lived a long time and have learned that as a government institution it is impossible, without running into all kinds of political problems, to try to differentiate in terms of interest rate between two relatively underdeveloped countries, let us say, or between two developed countries. And, generally speaking, the banks do not have as much fluidity in that as you would assume. The prime rate does constitute the rate for all prime risks.

Now, within that prime risk category there is a big difference between lending to General Motors and lending to some fellow who has a net worth of a few hundred thousand dollars, but he still may be prime.

Mr. BROCK. You would not equate a loan to export machine tools to Italy with a loan for machine tools to Indonesia?

Mr. LINDER. We would not what?

Mr. BROCK. Equate the credit risk of those two?

Mr. LINDER. No; I would not equate the credit risk. But I would keep the same rate because my experience tells me that on the one hand if I make a concessionary rate to Indonesia some other country will come along and say you ought to make a greater concessionary rate to us because we are less developed than Indonesia. On the other hand we lend at a premium rate to Indonesia we run into the difficulty that that country is anxious to foster its trade, to be friendly with our country, and it looks as though we are discriminating against them.

Now, I will not lend at a rate which on balance and over all represents a loss to the Bank, but I will try to maintain a rate which I think is consistent and which is reasonable under all the circumstances.

There are people in the world who are managing to maintain what is apparently a lower rate than we are at the present time. I say it is apparent because the lower rate is more apparent than real. The rate may be somewhat lower, but there are other charges that go into the net cost of the loan.

But I assure you, Mr. Brock, that we have played with this idea a great deal, of both charging more for the higher risk, or putting it the other way, charging less for the prime risk.

At a time when money was obtainable at much lower rates, I did some experimenting with it and I found that it was a mistake.

Mr. BROCK. One of the suggestions in our riot insurance bill that is under consideration by this committee is to charge an add-on premium for given Federal guaranteed insurance into riot areas which is apparently high-risk insurance, and the people that are paying for that are the insurance companies——