deducted from the principal of loan when same is made. Every such person, firm, voluntary association, joint-stock company, incorporated society, or corporation conducting such business shall furnish the borrower a written, typewritten, or printed statement at the time the loan is made, showing, in English, in clear and distinct terms, the amount of the loan, the date when loaned and when due, the person to whom the loan is made, the name of the lender, the amount of interest charged, and the lender shall give the borrower a plain and complete receipt for all payments made on account of the loan at the time such payments are made. No such loan greater than two hundred dollars shall be made to any one person: *Provided*, That any person contracting, directly or indirectly, for, or receiving a greater rate of interest than that fixed in this chapter, shall forfeit all interest so contracted for or received; and in addition thereto shall forfeit to the borrower a sum of money, to be deducted from the amount due for principal, equal to one-fourth of the principal sum: *And provided further*, That any person in the employ of the Government who shall loan money in violation of the provisions of this chapter shall forfeit his office or position, and be removed from the same. (Feb. 4, 1913, 37 Stat. 659 ch. 26 § 5.)

Mr. Dowdy. First on our list of witnesses this morning is Mr. Frank A. Gunther, who is the Chairman of the Law and Legislative Committee of the D.C. Bankers Association. Will you come around, please. We will be glad to hear from you now.

STATEMENT OF FRANK A. GUNTHER, PRESIDENT, SECURITY BANK, AND CHAIRMAN, LAW AND LEGISLATIVE COMMITTEE, D.C. BANKERS ASSOCIATION; ACCOMPANIED BY LEWELLYN A. JENNINGS, CHAIRMAN, RIGGS NATIONAL BANK, AND VICE CHAIRMAN, LAW AND LEGISLATIVE COMMITTEE, DISTRICT OF COLUMBIA BANKERS ASSOCIATION

Mr. Gunther. Mr. Chairman and Members of the Subcommittee: I am Frank A. Gunther, President of Security Bank of this city, and Chairman of the Law and Legislative Committee of the D.C. Bankers Association.

And I am accompanied by Mr. Lewellyn A. Jennings, who is Vice Chairman of the Law and Legislative Committee and Chairman of the Riggs National Bank.

I have been authorized to express to you the Association's support of H.R. 19740, and to urge its prompt enactment.

Babkground

Since 1901 the D.C. Code has provided for a maximum legal interest rate of eight per cent per annum by contract on loans made by banks. The Code does not specify whether interest may be taken in advance but this practice has been followed by Washington banks and banks throughout the country as to installment loans over many years. Interest at gross rates up to eight per cent per annum simple interest, simply does not cover the overhead cost of handling smaller loans. On smaller loans made at "discount" or "add-on," the simple interest equivalent would in some instances exceed the stated 8 percent maximum D.C. Code rate. As an example, a 5 percent discounted installment loan yields a simple interest equivalent of 9.25 percent.

The possibility that interest disclosure statements given borrowers after the effective date of the Truth-In-Lending Act might result in nuisance suits against banks, prompted the D.C. Bankers Association