

to approach our city government seeking its approval of legislation which would remove the uncertainties which have existed for 67 years. The language of H.R. 19740 was prepared in the office of the Corporation Counsel of the District, and we are informed has received necessary clearance by our city government. It will accomplish the purpose of enabling Washington banks to comply with the disclosure provisions of the Truth-In-Lending Act, without being faced with the distinct possibility of nuisance usury suits; it makes no change in the legal rates of interest; and it gives recognition to bank lending customs which have been in effect for over 60 years, and which have met with full public acceptance, since, to my knowledge, they have never been tested in the courts of the District of Columbia. It will be noted that loans directly secured by real estate are excluded from its provisions. We believe that the enactment of H.R. 19740 would be in the public interest, since it would assure the ability of the banks to continue to serve small users of credit at fair rates as they have always done.

Eminent counsel for the Association has taken the position that Supreme Court decisions allow for the taking of interest in advance. It is possible that this legislation is not necessary. Adoption of H.R. 19740, however, will forever remove the undecided questions which the 1901 District of Columbia Code left unanswered.

The District of Columbia Bankers Association strongly urges enactment of this legislation, and expresses its appreciation for the privilege of presenting its position.

COUNSEL'S OPINION

With the consent of the Chairman, I would like to include in the record a letter addressed to Mr. A. Murray Preston, President of the D.C. Bankers Association on May 3, 1966, by James Rogers of the law firm of Hogan and Hartson, who was then general counsel for the Association which contains the opinion referred to in my testimony.

Mr. DOWDY. It will be made a part of the record at this point.

Mr. GUNTHER. Thank you.

(The letter referred to follows:)

May 3, 1966.

MR. A. MURRAY PRESTON,
President, D. C. Bankers Association,
Washington, D.C.

DEAR MR. PRESTON: You have requested my opinion as General Counsel of the Association upon the question whether the procedures followed by banking institutions in the District of Columbia in making small loans to individuals evidenced by promissory notes payable in monthly installments over short periods violate the usury law of the District of Columbia. Such loans are known generally as consumer credit loans. The promissory note signed by the borrower usually provides for interest at the rate of 6% per annum on the face amount of the note, for deduction of the interest in advance, and for repayment of the remaining principal in equal monthly installments over a period usually from 12 months to 36 months. In some cases, the interest rate specified in the note is higher than 6% but not exceeding the rate of 8% permitted by the D. C. Code. The procedures in making such loans are not uniform. Therefore, this opinion discusses only general principles.

Usually the full amount of the interest at the rate provided in the note is deducted in advance. The borrower actually receives not the face amount of the note but the face amount less the amount of the interest computed on the principal amount for the full term of the note. In some cases the note is not payable in installments but the borrower is required by written agreement to make deposits