

Mr. JENNINGS. That is our opinion. We feel that it should be clarified. We do not want to find ourselves in the position of having to defend against suits. That is, so far as my own bank is concerned. Suits, if they develop, will mean that we will simply not make this type of loan. It would not be worth it. We do not have a large volume in such loans. Some of the banks in town do have, but we simply want to be relieved of even the possibility that someone will say, "We are going to sue you—you are in violation."

Mr. McMILLAN. Thank you. That is all, Mr. Chairman.

Mr. Dowdy. Mr. Harsha?

Mr. HARSHA. I am not sure that I understand what you are trying to accomplish here. Let me ask you some questions in order to clear up some questions that are in my mind.

SMALL LOANS

You have small loans that would cover such things as household appliances, and the like. Those institutions, what interest rates are they permitted to charge?

Mr. GUNTHER. They are permitted to charge 12 percent per annum. And as a result—I do not know whether there are many companies of that type—there are very few, at any rate, in the District of Columbia doing business here, and that is why you see the small loan companies, such as Household Finance in Silver Spring or in Rosslyn or in Mt. Ranier. You do not see them in the District of Columbia, because out there they can get 42 percent per year, $3\frac{1}{2}$ percent per month on small loans, and they cannot do business at 12 percent per annum.

Mr. Dowdy. Is that simple interest—that 12 percent that you are talking about?

Mr. GUNTHER. The 12 percent is simple interest. We do not have any small loan companies here as a result.

Mr. HARSHA. How about the savings and loan associations; what interest rates are they permitted to charge?

Mr. GUNTHER. They are in the same interest rate structure as are the banks. I asked the President of the D.C. Building & Loan Association if they cared to testify on this bill, but I have not heard any more from them. This is not terribly important to them, because on real estate loans and even on other loans, which are loans directly secured by real estate, they are not covered by this bill.

Mr. HARSHA. Why is that?

Mr. GUNTHER. Well, competitively they carry fully secured loans—they carry a less rate on those—and, in addition, they are all in larger amounts which can be handled with a reasonable profitableness by the banks. When you talk about this eight percent discount it would not apply in our bank to a loan larger, perhaps, than five or six hundred dollars, but if you charged the borrower \$40 for \$500, for 12 months, you could not. Five years ago we made a cost study and found that it cost \$22 to put on an installment loan. That dealt with the cost of light, heat, and so on in our institution. And when you take that off the \$40 there was not a great deal left for the use of the money.

We have \$300 loans. An eight percent produces \$24 or \$2 over our cost of handling the 12-month installment note.

I do not know whether the same cost applies in all banks or not. But as I say, we made a cost study five years ago. It would be somewhat higher now.