Mr. HARSHA. Actually, you are not getting eight percent—you are getting close to 16 percent on those loans, are you not?

Mr. GUNTHER. 15.25 percent.

Mr. HARSHA. Pardon?

Mr. GUNTHER. The simple interest equivalent is 15.4 percent on an eight percent loan.

Your question, sir, as to why we have to have this—why we think we should have this bill is that we do not think that we would be violating the provisions of the District of Columbia Code if we said to the customers, "On your $300 loan you pay 15.25 percent simple interest," but in order to avoid nuisance suits we are asking for this legislation.

Mr. HARSHA. The other gentleman said that eight percent add-on is for some few loans.

Mr. GUNTHER. It is for a few. I have not added up the amount, the total out of 3,300 loans in our bank, but the total amount of installment loans we have, personal loans of this type, is, probably, $300,000 or less, one percent of the total loans of the bank. And of this amount over $50,000 is at eight percent, and they are all small loans, where the eight percent add-on is needed to carry the cost of making the loan.

Mr. HARSHA. What I cannot understand is why you have some at eight percent and some at a lesser percent; what is the purpose of that?

Mr. GUNTHER. The size of the loan competitively determines the rate. If a person wants to borrow $1,200, say, from our bank, he gets the add-on rate of 5 percent, which comes out to about 9.25 percent.

Mr. JENNINGS. But may I add, when you get down to the $200 and $300 item loan, you will not simply make them at 5 percent—you cannot make any money on them—you will lose money. Unfortunately, it is necessary to charge a higher rate on the small loans.

Mr. HARSHA. You say that you have been doing this for a period of approximately sixty years?

Mr. GUNTHER. The D.C. Code provisions were enacted in 1901, which is 67 years ago. And while I cannot say what happened 67 years ago, because I am only 61 years old, I have been in the banking business in Washington since 1924, a matter of 44 years. This practice has been in effect during that time, to my own knowledge.

Mr. HARSHA. And you further say that, apparently, this has met with full public acceptance?

Mr. GUNTHER. If it had not, there, certainly, would have been some instance where in the past the banks would have been sued and the courts would have determined that it was usury.

Mr. HARSHA. Could this be due, possibly, to the fact that the people who borrowed the money did not understand fully that they were paying 9.25 percent or 15.4 percent rather than the eight percent?

Mr. GUNTHER. I cannot say that for certain on that point, but my belief is that the public is pretty knowledgeable of what they are paying for money. And the fact is that if they can get it for 7 percent for the add-on, at another bank, they will not borrow from us. We talk so much about this eight percent, but, as Mr. Jennings says, it applies to an infinitesimal amount of the credit in most of the banks. There are few banks that are heavy in installment loans and do have a larger percentage than we do have, but I would venture to say that ten/100ths or 15/100ths of 1 percent of our bank loans are at eight percent.