Mr. JENNINGS. However, may I interject just to say that I am very sure that there are a few small banks in this District that might have quite a percentage of their total loans in the higher rates, and they need it in order to operate profitably. Of course, I cannot speak for the other banks. I think what I have said comes from my acquaintance with bankers over the years.

Mr. HARSHA. I am a little bit concerned. I know that these small loan companies have a great deal of latitude on this. And while you are of the opinion that people borrowing money know the interest rates they are paying and understand the financial structure of these loans, I sometimes question whether they do or not. I mean that it makes little sense to me for someone to go to an institution to borrow money at thirty or forty percent, when they are advertising 3.25 percent all of the time. And I do believe to a degree they are taken in by those advertisements. I think you are, probably, quite right if you do not say to an individual that he is not paying eight percent but is paying 16 percent.

The question is whether or not under the law you would be legally permitted to do that. I have that question in my mind.

Do we have anyone here who will testify in opposition to this, Mr. Chairman?

Mr. DOWDY. I do not know. We will hear from the Comptroller of the Currency through his Chief Counsel, who is one of the witnesses this morning.

Mr. HARSHA. How about this credit union, does that compete with you in small loans?

Mr. GUNTHER. Yes, it does. I believe that the normal rate of the credit union is one percent per month—12 percent. However, the operation costs of a credit union is not comparable to that of a bank.

Mr. HARSHA. That is all I have at this time.

Mr. DOWDY. Mr. Zwach.

Mr. ZWACH. You are now asking to clarify and to make certain what you have been doing all of the time as being all right. This is, basically, correct?

Mr. GUNTHER. That is correct.

Mr. ZWACH. When you charge this eight percent, and they pay installments, it is less and less each month, is that correct, on your unsecured loan?

Mr. GUNTHER. Yes.

Mr. ZWACH. This is what we are mainly talking about, personal unsecured loans?

Mr. GUNTHER. Yes, sir.

AUTOMOBILE LOANS

Mr. JENNINGS. May I ask at this point, there is a statute on the books of the District pertaining to automobile loans which was enacted in the early sixties and it goes from eight percent to sixteen percent, depending on the age of the car. Of course, the automobile is liened as a collateral against the note, but the legal rate goes from eight percent to sixteen percent for automobile loans, so that we are not talking about those. They are separately handled.

Mr. DOWDY. Will you yield at that point?

Mr. ZWACH. Yes.