

those earnings were sufficient for the activity in the account you would get no charge.

Mr. HARSHA. All right, but now, in order to get the \$500, I would pay the eight percent interest rate, for this example, and if I took credit insurance out, I would pay \$1 per hundred or \$5 for the insurance?

Mr. GUNTHER. Yes.

Mr. HARSHA. Are there any other service charges that I would pay?

Mr. GUNTHER. None.

You would sign a note for \$540, and pay one-twelfth of it each month.

Mr. HARSHA. I would pay one-twelfth of it each month?

Mr. GUNTHER. Yes.

Mr. HARSHA. There are no other costs of any kind involved?

Mr. GUNTHER. No.

Mr. HARSHA. And I would sign a note for \$540. How much money would I, actually, receive then?

Mr. GUNTHER. \$500.

Mr. HARSHA. \$500?

Mr. GUNTHER. Yes, sir.

Mr. DOWDY. Is that with or without interest?

Mr. GUNTHER. Well, the \$40 is the add-on interest.

Mr. DOWDY. If he took the insurance, that would be \$5 more?

Mr. GUNTHER. If he wanted to put it into the amount of note, it would be \$545. He could either pay the \$5 out of the \$500, or he could add it onto the note—one or the other.

Mr. HARSHA. Are there carrying charges of any kind?

Mr. GUNTHER. No. Those are the only charges that you would have.

Mr. HARSHA. What if I miss a month? Is there any penalty for lapse in payment?

Mr. GUNTHER. No. If you had a good reason for it, we would not charge.

Mr. HARSHA. Assume that in my judgment I had a good reason, but in your judgment it was not so good, would there be a charge then for that?

Mr. GUNTHER. No. Ordinarily I do not know of any case where we have made any charge because of a late payment due on a loan. All we are interested in is, ultimately, getting the loan paid, and if you cannot pay this month, then we would hope that you would pay next month and each month thereafter.

Mr. HARSHA. I will yield to Mr. Steiger.

TRUTH-IN-LENDING LAW

Mr. STEIGER. Thank you. I think that you have established beyond a doubt that it costs you most to serve and handle these consumer loans, these so-called small loans. In your case, Mr. Gunther, you have made the statement that you are concerned about nuisance suits as a result of the Truth-In-Lending bill. As a matter of fact, it occurs to me, and I ask you this question, that what you are asking us to do is to retain eight percent in the light of the Truth-In-Lending bill, and circumvent the Truth-In-Lending bill, because, in effect, the interest on that is 15.4 percent, and you are, by this kind of legislation, stating that we will still call it an eight percent loan, and that you will be permitted to get this other interest rate. This is a practice that has