

been engaged in for sixty years. I, of course, see nothing wrong with it. I am disturbed by the fact that we are going to continue to call it an eight percent loan.

Mr. GUNTHER. No, we are not.

Mr. STEIGER. I will yield to you in just a minute. I would quote to you from the so-called loan shark law—D.C. Code, Title 26, subsection 26-605—in the District. This is a law in which one percent per month maximum on the actual amount of the loan is the limit. Under this law—and I quote—“The foregoing interest shall not be deducted from the principal of the loan.” In other words, they are not permitted to add on. In my view, they are not permitted to add on, because there is a 12 percent maximum.

Gentlemen, I do not quarrel with the fact that it costs you more to service these loans. I would be remiss if I did, because this is your field.

With the Chairman's permission, I would like this letter to be made a part of the record. This letter is dated January 25, 1966. It is signed by Walter N. Tobriner, the then President of the Board of Commissioners of the District of Columbia and he is commenting on this same proposed legislation, and his final statement is:

“The Commissioners are constrained to object to the bill in its present form as not being in the public interest. If, however, the bill be amended to provide that interest may be charged or deducted in advance on loans repayable in installments so long as the effective rate of interest when so collected does not exceed eight percent per annum, the Commissioners would have no objection to the enactment of the bill. In its present form, however, they recommend against its enactment.”

I must find myself in agreement with Mr. Tobriner. If the law in the District is that the maximum rate of interest is eight percent, and we need to raise it to 15.4 percent, then I have no quarrel with that, but then let us raise it to 15.4 percent in the law. You can collect it in any way that is practicable, but I think that we are circumventing the intent of the Truth-In-Lending law, by putting our stamp of approval on this particular legislation. And I submit that the reason that this bill has become essential to your industry is because of the presence of the Truth-In-Lending bill. I congratulate you on your alertness in this matter, but I do not think that you are being fair with us when you ask us to help you in circumventing the Truth-In-Lending bill.

I will now permit you to respond.

Mr. GUNTHER. Sir, I would like to comment, first, on your comment that we would continue to make the 12 percent loan. Under the Truth-In-Lending law we have to show the true effective simple interest rate in our advertisements; in other words, if it is 15.4 percent, we have to advertise 15.4 percent. If we have a law with 15.4 percent as simple interest, we have to give the borrower a statement that he is being charged 15.4 percent.

Mr. STEIGER. May I interrupt at that point? This is, indeed, a question, and not a statement. On an add-on loan you are informing the borrower that he is paying eight percent and an additional eight percent above the principal?

Mr. GUNTHER. 7.4 percent.