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 8 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.

Sincerely yours,

WALTER N. TOBRINER,
President, Board of Commissioners, D.C.

Mr. DOWDY. You may proceed.

Mr. STEIGER. I do not mean to belabor this. In my view, the fact that other States have similar legislation does not remove the chicanery aspect. I want to make it very clear that I have nothing but the deepest respect for the banking industry. I recognize the problem. I think that to a greater extent, because I served on a bank board myself. I am not unsympathetic. I think that you find yourself in this position because of the existence of the Truth-In-Lending law, because you would find yourself in a position where you would need some help.

What I am suggesting is—perhaps, the solution to this class of loans is that we should raise the effective rate to 15.4 percent, and let you arrive at that figure in any way that you feel is best. I think it is our role here as a Committee to act, not only in the interests of the District of Columbia, but in the interests of the banks. I think they are synomymous. I think these interests cannot be divorced from each other.

INTEREST AND USURY

I quote from the District of Columbia Code, Title 28, Chapter 33, Subsections 3301, 3302, and 3303, which limits the lending rate to six percent per annum, and eight percent under certain conditions. Actually, what you are doing—and I really do not care if you arrive at it by computation or by definition—you are saying that you have been doing this for 60 years and that there is a greater cost involved, and you simply cannot make these loans unless you arrive at a maximum of 15.4 percent in the District. If we did—would the industry resent this approach? Would there be unhappiness with this approach in which this Committee would frame legislation or you would frame legislation that we would adopt, in which we said that the effective rate was to be 15.4 percent on this type of loan?

Mr. GUNTHER. I can only answer your question according to my own bank. I would resent it, because I think it gives the banking interest an unnecessary black eye in the eyes of the public. In other words, there is such a small percentage of the credit that we extend at this rate, so far as our totals are concerned, like most of the bankers—that if we were to do this, we would have the strong possibility of some nuisance lawsuits coming up, and our counsel feels that we are on safe ground charging the rates we do, on the basis of Supreme Court decisions, but if we were to have nuisance usury suits filed against us, we simply would not make this type of loan any more.

Mr. STEIGER. What you are saying is that if this is changed in some manner you will be subject to usury. I think that your judgment is very sound on that. I think your counsel advises to the effect that if you will do this you will not be subject to suits. You will not be in jeopardy. But it does occur to me that what you are saying is that you do not