

With that preamble, let me say that I have a two-page statement which I will read, with your permission.

Mr. Dowdy. Yes, sir.

Mr. Bloom. We are pleased to present the views of the Office of the Comptroller of the Currency pursuant to the Committee's request on H.R. 19740, a bill which would expressly permit the deduction of interest in advance from the proceeds of installment loans made by banks and other regulated lending institutions in the District of Columbia.

The Comptroller has previously informally indicated to the Chairman of the Law and Legislative Committee for the D.C. Bankers Association that our Office had no objection to the passage of the subject amendment. The deduction of interest in advance from the proceeds of installment loans is a common and well recognized banking practice. This method of charging interest, known as the discount method, is one of several recognized methods of computing and charging interest on loans which are to be repaid in installment rather than in a lump sum. It is commonly used in the making of automobile and other consumer installment loans. Public Law 90-321, the "Truth-in-Lending Act" which will become effective on July 1, 1969, will require that the effective annual rate of simple interest being paid by the borrower on discount loans as well as other types be disclosed in writing to the borrower prior to the making of the loan. Public Law 90-321 will also require lenders who feature rates of interest in their advertising to use the effective annual rate of simple interest rather than the "discount" rate. The "Truth-in-Lending Act" will therefore insure the disclosure of the full amount of interest being charged to the borrower and would appear to eliminate the possibility of abuse of the proposed amendment to the D.C. Code.

Accordingly, the Comptroller of the Currency has no objection to the passage of H.R. 19740.

That is all I have prepared this morning, Mr. Chairman.

Mr. Dowdy. Do you have any questions?

Mr. McMillan. I have no questions.

Mr. Dowdy. Mr. Harsha?

Mr. Harsha. Mr. Bloom, the effect of this bill, then, would be to permit the banks to continue to charge the eight percent interest rate on an add-on basis, like they are doing now, yet the Truth-in-Lending bill will require them to advise the borrower at the time he is making the loan that he is being charged the effective simple interest rate of 15.4 percent. Is that correct?

Mr. Bloom. That is correct.

Mr. Harsha. And if they advertise in the newspapers or in any other media, I assume that their interest rates will be advertised to the effect that they are charging the 15.4 percent rate?

Mr. Bloom. Yes, sir.

Mr. Harsha. So that there will be a disclosure at one time or another to the borrower of what he actually, in the final analysis, is paying?

Mr. Bloom. Yes, sir. That will apply to all.

Mr. Harsha. This will preclude him from filing a usury suit?

Mr. Bloom. I would say that this bill would clarify a question on which there has been some doubt in the minds of lawyers over the years in the District, but, evidently, not enough to generate any litigation or to have a test of the question. I do not regard the bill as