

making any material change in the usury bill, actually, because, as I see it, it merely recognizes what has been accepted tacitly and, really, openly over the years as being the effective rate on this type of loan. We have no opposition, because we do not think it is making any material change in the bill, and we do not regard the effective rate of 15.4 percent on this type of loan as being other than competitive and a fair return to this type of loan.

Mr. HARSHA. That is all. Thank you.

Mr. DOWDY. Mr. Steiger.

USURY

Mr. STEIGER. Mr. Bloom, I quote from D.C. Code, Tit. 28-3303, "If a person or corporation contracts in the District (1) verbally, to pay a greater rate of interest than 6 percent per annum, or (2) in writing, to pay a greater rate than 8 percent per annum, the creditor shall forfeit the whole of the interest so contracted to be received."

I am completely sympathetic with the very pragmatic fact that it has been a practice that has been indulged in for some time. I think that the length of time that it has been indulged in does not eliminate the fact that these people did pay 15.4 percent and not eight percent. We are creating a situation in contravention of the existing law, in my view as a layman and not as an attorney. I would like to have you solve that in rather simple semantics, if you would.

Mr. BLOOM. The only answer I can make to that is the example of the type of language which is very common to usury laws throughout the country which permit the charging of interest in advance, the courts have so interpreted it, together with other types of computations, such as add-ons and the like, which have the result of raising the actual amount of interest on the installment loan, figured on a simple interest rate basis. In other words, the question as to these usury laws, really, gets down to the fact that a lot of them, I think, were written at a time when installment loans were not commonly made. They were written in terms of a loan which was to be repaid in a single lump sum at the expiration of the maturity of the loan. The courts in trying to deal with rather old statutes have had to come up with some rather ingenuous interpretations, if you want to call them that, in order to face the reality of the situation.

The fact is that the maximum in the usury ceiling is not actually holding down the cost of the money to the public. The courts have had to interpret it in such a way as to bring it in; otherwise the lenders would withdraw from that market.

Mr. STEIGER. It is very obvious that it is simply to raise the interest. It would seem to me that we are just engendering a whole devious approach. We are putting our sanction on it on the basis that this is what they do in some other parts of the country. What you are saying is that the eight percent figure is not realistic. I agree that it is not. So let us raise it to 15.4 percent. Would that not be a more palatable view in your personal judgment?

Mr. BLOOM. I have no quarrel with that at all, in my personal judgment. I would say that on a technical level, the mechanical drafting level, I would have quite a job to try to tailor the rates to the various types of loans that may be involved. Once you get into the mechanical drafting problem of actually setting the rate, rather than recognizing