

the particular method of competition, you may run into some problems.

Mr. HARSHA. If I may interrupt. Let me take the position of the devil's advocate in this although at the same time I have some of the reservations that my colleague from Arizona has. Let us say that we go the route that each suggests. We raise the rate to 15.4 percent. If the practice of the banking institutions is legal, that is, the add-on business, then, in effect, can we not take the 15.4 percent and add it on in the initial stages and deduct it, and then we will wind up with a $33\frac{1}{3}$ or 45 percent interest rate in the final analysis.

Mr. BLOOM. It may be a question mark.

Mr. STEIGER. The obvious answer there is that you would not permit the rather extensive computation, because it is unrealistic. All I am saying is that it seems to me that the most honorable course is to set a ceiling. If that is the intent of the usury law, to establish a ceiling. If it is not possible, well then we are being less than realistic by authorizing a computation method which is just temporary. The industry will arrive at whatever method it has to in order to survive. Let us do it in as direct a fashion as possible. That is all I am saying. I say the reason that they do not want to do it is because of the fact that it does cost more money than the public feels it is costing.

Mr. HARSHA. If you will yield?

Mr. STEIGER. Yes.

Mr. HARSHA. After the first of July, 1969, the Truth-In-Lending bill goes into effect. The banks have to make full disclosure to the borrower in no uncertain terms. While on the surface it appears to be eight percent, it is in effect 15.4 percent.

Mr. DOWDY. Will you yield?

Mr. HARSHA. Yes.

Mr. DOWDY. I will preface what I have to say with this, since I have been in Congress I have not been able to keep up with the court decisions of the various States. Some 25 years or more ago, I did engage in trying usury cases in Texas, and I became very familiar with the then law. I do not know what the courts have done since then. They have gone so far away from what they were doing when I was studying and practicing law that I do not now know. But back then I think there had been no conflict between this bill and the eight percent maximum contract interest rate in the District of Columbia, if construed by Texas decisions.

Under the decisions in Texas, the courts have held, when it was discounted, that the true interest would count. If discounted, and the amount discounted effectively gave an interest rate above the usury law rate, then a penalty could be collected, which is two or three times the amount of the interest. I cannot see a conflict between this bill and the usury law of the District of Columbia. I am disregarding any court decisions that might have been handed down in the District of Columbia, but unless the courts have held otherwise, there is no conflict between this bill and the eight percent maximum interest that can be contracted for.

This bill does not say that the lender can discount and get more than eight percent. It just says that he may discount or may add on. It does not say that it may amount to more than eight percent interest. The bill does not so state.

Mr. STEIGER. In fact, it does.