

to go to a contract rate of interest with the appropriate expense of arriving at that so that the loan company isn't out, and but yet we're still not putting a punitive thing in to the borrower?

SENATOR DeCAMP: No, I think if you tried to do that you would penalize the borrower. The banks estimated, as you know, that it costs about seventy, seventy-two, seventy-five dollars just to put a loan on the books...just for the paper work. Okay, when somebody defaults, when somebody redoes the whole thing, when somebody prepays it, there is this original expense of putting the loan on the book that is not recovered. So what amount are you going to use...fifty dollars? The penalty under this formula that I'm offering may only be a dollar or a couple dollars. It may even be less than a dollar. If you try using a fixed amount, fifty dollars, or some such amount, you're going...you're going to penalize, as I say, the borrower. This is the middle of the road solution. I think, under the circumstances it is the best solution. There is only one state that has tried the other method that you're talking about using the contract rate and then trying to find some penalty or in between amount. That is California. The rest of this legislation is designed around using this system. I think the important thing you should understand here is that the rule of seventy-eights was a heavy penalty. I think it was and is a horrendous thing. I think it's bad. We are eliminating it. I think what we're offering is a very reasonable solution, and very fair.

SENATOR DWORAK: Well, Senator DeCamp, your example of a possibility of a dollar or two dollars, that's really on a minor amount of money in a default. Really, in fact, aren't most defaults on larger balances where it could be, and if the cost of processing a defaulted loan is, you use seventy-four dollars, I've seen the figure fifty dollars, on the minor, or on the major defaults, the fifty dollars, the cost with this particular rate of interest computation probably could be in excess of a hundred dollars, right?

SENATOR DeCAMP: Well, remember we are not talking necessarily strictly about default. In fact, we're probably...we are probably talking in, and this is a ballpark guess, in well over half of the cases for refinancing, or something like this...prepayment. So, I don't think there's any way to figure a certain penalty for all cases, therefore, we've come up, as I say, with this middle of the road solution. To try to go to this other method now, I don't think is workable. That's just my opinion. I...as I say, the legislation has been worked on by both sides. This is what the legal aid people who I had