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LB 390

it will change the actual simple annual interest rate potentially to an excess of 13 percent. I feel if the proponents of raising the interest rates are fully honest about the intent of the bill, this would be written in such a way the interest could not be compounded monthly or adding an additional 1/2 percent to the simple annual interest rate. They may have made a mistake in this. If they did let them come back and work a different amendment that would allow them to compound it at the end of the year on certain loans that they feel they need to have it. But let's take away the provision that does allow for compounding a simple annual interest rate at any period of time designated in the contract and provided for in that contract. I think that we're really pulling a hooligan on the people of this state because we don't have a lobbyist up here at this Legislature supporting the people that are borrowing money from the lenders in the state, trying to keep restraints on the interest rates, and I therefore feel that it is essential that we at least hold it to the 12 1/2 percent that is spelled out in the bill in simple annual interest rates. So I move the amendment to strip this language that would allow in effect, on lines 11 through 14 the new language involved there, that would allow interest rates to be computed to be compounded at any period of time that was put into the contract. I move the amendment.

SPEAKER MARVEL: Senator Goodrich, do you wish to speak to the Burrows' amendment?

SENATOR GOODRICH: Yes, Mr. President, I wish to rise in opposition to the Burrows' amendment. To straighten out a couple of points that Mr. Burrows...Senator Burrows says, one of which is compounding...this has nothing to do with compounding. He also says in essence in his argument that you can add beyond the 12 1/2 percent. This is absolutely not right, Mr. Burrows. You're wrong on both of those points. What this particular provision does is it lets a lender make a loan, for example, to a young couple whose income is low at this particular time by reducing the amount of interest they collect from that couple until the say, fourth, fifth, sixth year. We have FHA loans being made in this state right now with this provision. What it does is it helps young people get a house because of the fact that with inflated construction costs, inflated real estate costs it's tougher than the devil for the young people to get a home, and this is a way that's being used by FHA right now and it's a way to write a conventional loan to do the same thing. Give them a lower interest payment. It's not a