

February 27, 1980

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proposed limit on loans from a thousand dollars to the twenty-five thousand dollar figure. This means that there will be no usury limit in that area. We are really not being honest with the people when we speak in terms of a usury limit in the manner in which we are speaking of it now. We are only limiting those loans up to twenty-five thousand dollars. There are banks in this state today, and I checked yesterday, who at the present time will not loan less than twenty-five thousand dollars because under the federal provisions they can exceed the state usury law on loans in excess of that amount. So individuals are being required, and the banker really has no alternative, to borrow more money than they really need in order to get money at all. This is what is going to become commonplace, ladies and gentlemen, if we continue to meddle in the area of money management. I wish that it were within the prerogative of this Legislature to wipe out the limit on passbook savings that could be paid to those people who save money but that is a prerogative of the Congress. If Senator Burrows and I had had our druthers, we would be in a position to do something about that perhaps but we are not. So the point I want to make is that we should work in the area in which we have authority and we should do it in a responsible manner. Now we can operate under the illusion that if we enact a law that says at a certain level money must be advanced not to exceed a certain rate, but that isn't going to provide funds for those people who need it. Bear in mind one additional factor. With every loan there is risk. Those individuals who are the highest risk usually pay the greater amount of interest. What we are going to do if we adopt this amendment as proposed, I admit it is a compromise, the amendment as proposed by the Banking Committee is to wipe out credit for a certain group of borrowers. It will mean that those individuals who borrow less than twenty-five thousand dollars and are not an excellent risk will not obtain funds. It is just that simple. Unfortunately some poor people need to borrow money. Unfortunately they must rely upon their local financial institution. But unfortunately or fortunately, depending upon the point of view and the position in which you find yourself, this Legislature cannot compel any financial institution to make a loan to an individual. We can set the rate at which the bank must not exceed but we cannot tell the bank you must loan Schmit twenty thousand dollars at sixteen percent or an amount lesser than that. The financial institution makes that decision and so unless the borrower is gilt-edged gold plated and doesn't need the money in the first place when there are other markets for

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