

March 5, 1980

LB 276

amendments because I think it is probably the best that can be done here today, but I want you to understand that without exception you are probably going to be back here in a very short period of time to talk about raising the limit from sixteen percent to an even greater figure. At the present time there are banks that will not make loans for less than \$25,000, because they can exceed the existing limits if they go above that point. There are bankers who have found it necessary to loan a man \$25,000 and then accept repayment immediately in order to circumvent the existing loan. Human nature being what it is we are pretty innovative and versatile and will always find a way around artificial price controls and that is what we have in this instance. My principal concern, as I have said before, is that the individual who needs the credit most will be driven to the greatest extremes to secure that credit. I want to point out once again that since we discussed this the last time, the prime rate has increased by about one and a quarter percent...one and a quarter percent increase in the prime, ladies and gentlemen, in the last week or seven or eight days. As Senator Lamb just said, if we don't pass this immediately this morning, this rate will be out of date. It is out of date already. It is out of date already. It is not the fault of this Legislature which has consistently lived within the budget that the fires of inflation are burning as they are. It is the fault principally of the federal government and several other factors which we have discussed in the past. But I am going to tell you that before the summer is over, unless the entire bubble breaks, which could happen I suppose, this will not be an adequate rate, and there will be attempts made by financial institutions to secure some kind of an end-run around the usury limit. Most of all, we are deceiving the people when we tell them we have a usury rate of sixteen percent, because at the present time those who cannot get money for sixteen percent will go to the industrial loan and investment company and borrow money for nineteen. It may very well be that funds will be transferred from S & Ls and banks to the industrial loan and development companies, investment companies. You can go to the credit union and borrow money for eighteen percent. You can go to the small loan companies and borrow money at the same rate, or you can go to the installment sales type contract and borrow money for eighteen percent. If you really can't get by for \$25,000 and you are going to borrow more money than that, there is no limit, that....

SENATOR CLARK: Thirty seconds after round one here.

SENATOR SCHMIT: So the only place the sixteen percent