

January 21, 1976

PRESIDENT: Senator Cope.

SENATOR COPE: Mr. President, members. I support LB 477. I think one of the big reasons for the higher rates on small loans is, number 1, they are generally a higher risk. If they are a normal risk they can go to a bank and borrow the same money at less cost. The risk is number one. Number two, it costs about as much to administer a \$200 loan as it does the \$200,000 loan. Of course, the costs have to go up. I think that's very reasonable of why the smaller amount the interest rates are higher. I support it.

PRESIDENT: Senator Dworak.

SENATOR DWORAK: Mr. President, I have a question of whoever can answer it, either Senator Murphy, or Senator Swigart, or Senator Cope. We're talking about a high risk loan business. The word risk comes into play when we talk about that amount of money we can't pay back or the uncollectables. I'd like to know about what rate these small loan people now are not collecting. That would be the ... to me that would be the proof as to whether we needed ... the risk was higher that needed a higher interest rate or not. Can anybody answer that question? Senator Goodrich just said 2½ percent, whether he's knowledgeable on this or not I don't know. If 2½ percent is the figure of that amount of money that they cannot collect or that they're losing because of uncollectable loans, to me this does not indicate an especially high risk. Two and a half percent uncollectable? When we're talking about 18 percent, is that a high amount? What is the banks uncollectable figure as a comparative figure? One-tenth of one percent, thank you.

PRESIDENT: Senator Fowler.

SENATOR FOWLER: I had a question for Senator Swigart, if he would yield. One part of the bill that has not been addressed, I'd like some explanation of the purpose on. On page 10, lines 16, 17 and 18 are struck from the bill, the existing language in the statutes. No one has discussed that. I don't know if it's significant or not. Do you have the section there, Senator Swigart? Page 10, lines 16, 17 and 18 are struck. What is the reason for striking it and why was that language in the statutes to begin with?

SENATOR SWIGART: Yes. They struck the 10 year arrangement. Our Committee did not think that small loans ought to go for 10 years. So we cut it back to 6. We think that small loan people hadn't ought to be in that business. It no longer is a short time loan, I don't think, if it goes 10 years.

SENATOR FOWLER: I'm not sure we're looking at the same section.

SENATOR SWIGART: Isn't it page 10 on line what?