

March 21, 1979

LB 478

SPEAKER MARVEL: Now, Senator Murphy.

SENATOR MURPHY: The intent of this bill is to place specifically into statute the proposition that nothing contained in those particular sections of the law which we are dealing with here, 45-334 to 45-353, that nothing shall prohibit interest being charged on a daily interest basis. This gets away from the suspicion that it might not be technically correct although a great many institutions are now using it, particularly those with computer facilities who are able to turn out these figures on a daily basis, charging the interest on the unpaid balance for a particular day and the principle amount involved up to that day. So this is actually putting into statute what is being done just for the sheer need of suspicion that the law does not say that you may do it although it is by far the more desirable method of charging interest in the event of this type of loan. I would move the advancement of the bill.

SPEAKER MARVEL: Senator Simon.

SENATOR SIMON: A question or two of Senator Murphy if he will yield, please.

SENATOR MURPHY: Surely.

SENATOR SIMON: I am not a resident expert on interest rates but I think with your information you can help me along. I think I understand a little bit about the policies now. You say that currently they are doing what the law is purported to take care of? The practice is now they are charging daily...?

SENATOR MURPHY: They are as a matter of fact, in practice now doing it, Senator Simon, but they feel there is a void in the law that does not say they may, in fact, do this.

SENATOR SIMON: Okay. By charging on a day to day basis, then as I understand it, correct me if I am wrong, rather than as they used to do it in the past where they would charge you monthly or so on, if the customer paid off the loan sooner than the note was actually due, would they actually be paying less interests under this practice?

SENATOR MURPHY: The prior practice I think that you are referring to, Senator Simon, is the rule of '78s which has a deviation. It is based on a total payment of the full term of the loan and if you interrupted it at an intermediate point, then you use the rule of '78s which insurance