

knows what they are voting on before they vote on it no matter what side I am on on the issue, and as I read the bill and the amendments and the committee testimony, I had some questions develop in my own mind as to maybe this was broader and deeper than we had originally anticipated and that maybe not everybody understood what the issue was including myself. I have done some research and I would like to try to explain what the current law is, how this would make changes and give you the arguments pro and con on both sides. First of all contrary to what everybody in the room including myself thought, personal loan is a special animal in the statutes in the way we have changed the law in recent years. It is not a sixteen percent loan necessarily. Quite the contrary, it is a special area of loan that occurs between sixteen percent and nineteen percent. Okay, so it is a minimum of sixteen and a maximum of nineteen. It is kind of a different area, number one. Number two, it is a loan that has to be repaid in two or more equal or declining installments. So Bernice goes in, she says to the banker, she says, "I want to borrow \$5,000 to fix up my house." The banker says, "Well, Bernice, we want to loan you the money but you know the usury rate is only sixteen percent and it is costing us more than that for money. We are going to make you a special loan. It is called a "personal loan" and you sign this contract." And you have a contract to go with this loan then. And so it would say in the contract Bernice Labeledz agrees that she will pay \$2,500 on the first of March and \$2,500 on the first of July, or whatever but it is two or more equal or declining installments and it has a contract involved with it saying that and, finally, it has a limit of 121 months. Now what are we changing with the legislation, the proposals? Number one, we are leaving the interest rates the same. It is still that unique area between sixteen and nineteen percent. It is kind of outside where everybody thinks the usury laws are, gray area if you want to call it that, that you find out when you go to get the loan at the bank. We are changing the two or more equal or declining installments. We are changing that so it says two or more equal or unequal. So that is a complete opposite basically. Why does that make any difference? Well, it means, for example, you could have something called "balloon payments", which apparently you couldn't now. What is a "balloon payment"? Well, Bernice comes into the bank for that same \$5,000 loan and Bernice says, "I have got a pen of hogs and I want to borrow the money and I am going to feed them and fatten them up, and when I sell them I will have all the money." And they say, "Well, Bernice, we will loan you the money this time around. You are going to have a payment of \$500 the first of March, \$500 the first of July, and the balance of everything due, all \$5,000, \$4,000 or