

allow them a charge on the cards and give them 18 or 19%. What is going to prevent them from charging under state law and then leaping over and using the federal loophole that we talked about, the 24%? So we have a provision that would stop that and make that impossible. If they decide to go one they sacrifice the other. That is what the amendment does but let's talk about the credit card situation. People have contacted me and they have said, "Well look, the banks are making money. I read it in the paper. Banks are making lots of money." Indeed that is true. So we are not doing whatever we are going to do here for the benefit of the banks. When I pointed out to you that the banks are losing money, I pointed out on their credit card operation. So what is going to happen with the banks? They are going to say, "Look, state law, state legislators, we aren't making money on credit cards. We will drop that service or we will use the federal loophole the way one of the other banks did. We will go to 24%." I am trying to provide to Nebraskans the opportunity to have credit cards at what would be reasonable costs. Involved in the credit card operation today are the following factors, the following costs: They have the administrative costs, they have the float costs and they have the basic financing costs. The charge we are putting into the legislation has to do with the administrative and the float costs, the float meaning, the person that uses the credit card, pays his bill when he receives it, you still have anywhere from a... it averages about fifty-five days that the bank has paid that money out they had to borrow and so you have to have something to cover that cost. Since they aren't paying interest the charge would address that and the administrative costs. The interest rate itself is adapted to the facts of the money market today, that fact that it is costing 18, 19, 20, 21% to borrow money. My purpose, as I say, in the legislation is to make sure we do have banks in Nebraska providing the credit cards, providing them at the lowest cost possible rather than going to 24% interest or rather than just cutting out credit cards altogether and I am telling you they are not going to do it for nothing and if we want to keep the credit cards in the pockets of Nebraskans you are going to have to do something to make it at least a break even or profitable operation or they are going to cut it out. If you don't like it you have two choices. You just cut the credit card up and throw it away. You don't have to use it. Nobody is forcing you to or you can go with one of the banks that charge 24%, pay 24% and don't pay any charges. If we pass this legislation we will have two competitive systems. One is the 24% under federal law that some banks have chosen to use. The other would be our 19% system here. I urge you to adopt the amendments and advance the bill.

PRESIDENT: The Chair recognizes Senator Landis.