

February 4, 1982

LB 623

right, we will continue the power of the state to regulate interest rates but we just won't have them set any rates. The only way for this Legislature to control interest rates now and in the future is to pass Section 10 of this bill, and that is all. If you do anything else, if you pass the rest of them, if you adopt the committee amendments as they are written and pass the bill along, we keep the right to control interest rates but we just refuse to exercise that right. And what is the policy on interest rates in this state? We last year raised the interest rates. We said, you are right, the usury rate has been too low, the money market obviously is higher than our rates, we don't want capital to flow out of Nebraska, we will raise our rates so that we don't inhibit the commodity price of money in Nebraska. We took a reasonable stance. We forestalled financial disaster. Loans are now being made. The prime rate has gone down several percentage points since those days. The prime rate was 20. There are places where it is 15. That interest rate drop has removed that crisis situation from last year and we are still in the business of creating maximums. Those maximums are higher than the loans that are being given for the most part. But they exist and we continue to have the power to say, beyond this level it is unfair, it is unconscionable, a loan can't be written. This is my argument on LB 623. If we were talking about banks, S & Ls, and we were taking off the usury rates on them, I would buy the package. Fair enough. Money is a commodity. It's price is set in the marketplace. They do compete and fight with each other day in day out and try to give their lenders the best possible borrowing rate. However, can you also say that for credit unions? Can you also say that for the credit on your retail purchases? How many of you choose between Brandeis and Gimbles, or Target, or Magees, or Hovland-Swanson's based on their credit package? How many even know what is in their credit package? I don't think very many people. If anything, those people do not compete on the credit side of the ledger. They do compete on the price of the goods, the clothes, the furniture, but not on the credit packages. In 1965 we passed revolving credit. We set a statutory maximum of 18 percent. Money was at 6 percent at that time and every store in this state charged 18 percent. That hasn't changed in 15 years. And what this bill says is, we are not going to put any limit on it, 18 percent or not. We are going to take it off. Magees can charge 24 percent. Brandeis can charge 30 percent. Target, Gimbles, whoever want to can charge as high as they want. The sky is the limit. I don't think that is a competitive rate. I think that is

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