

legally or illegally, it is being done right now all the time. How is it being done? It is being done through a device called "side agreements". In other words, it is a rigamarole that obviously is going to charge the consumer or the individual more because it is more paperwork but what they do they fill out a bunch of papers and forms that says, in condition or in return for your making this loan, which has a certain loan here, in return for doing that, I agree with this side agreement to allow you to have a variable rate. That is what it gets down to. It is occurring now. This clears it up. I urge you to reject the kill motion. It is a fairly simple and obvious bill. If somebody can tell me, anybody on the whole floor here including my good friend Senator Burrows that interest rates now are stabilized and we have got her under control, we know that they are not going to go higher, they are not going to go lower, whatever, then I could see your argument. But with the current economic conditions and economic conditions foreseeable for the next several months, and years I would predict, with instability in interest rates, you had better give both the consumer and the man he has to get money from the flexibility to tailor those loans to the facts of life. I urge you to reject the kill motion.

SENATOR CLARK: Senator Nichol. Is Senator Nichol on the floor? Senator Howard Peterson. I will come back to him.

SENATOR HOWARD PETERSON: Mr. Chairman, members of the Legislature, I would rise to oppose the Burrows kill motion. I believe, Senator Burrows, you need to take a look at your own situation. You go to your bank today to borrow your funds for operations this spring, the bank is going to say to you, "Bill, we don't know what the rate is going to be like. We will loan you money a month at a time. You come in every month and sign a note and then we will charge the rate accordingly." This is really what we are saying with the variable rate only you don't have to come in every month. As I see it, what you are doing with your proposal, doing two things, one you are going to increase the cost of your money because the bank has to cover that cost of setting down and talking with you whether you like it or not. That is a fact of life. It takes time. It takes loan officers to do that. If you are going to have to sit down with every customer on a once a month basis, you are going to raise the cost of money in this state tremendously. Number two, you have got a competitive situation here. It is a fact of life. The small banks in this state are competing with the PCAs all over the state on agricultural loans, and when the PCAs can do this and you say to the small town bank you can't, then in reality what you are saying is we don't believe you