

SENATOR LAMB: My concern has to do with the unsophisticated borrower that goes into the banker and says, are you going to finance me for my farming operation this year? The banker says, yes, we'll take care of you again and so the borrower leaves the bank, thinks he's in great shape, everything is hunky-dory. He does not realize that he has to have a written agreement with the banker. He thinks that his needs are going to be taken care of, but then as time progresses perhaps the banker has second thoughts. He decides he would not finance this person for another crop year and so the next time the borrower goes...sends a check, and he writes a check for seed or some fertilizer or some other item, and the banker finally says, well, I was in error. My board decided that we're not going to finance you another year, and my only concern is, is there any provision in this bill whereby this unsophisticated borrower could, should or would be notified that anything that the banker tells him is not...well, it has to be in writing. He just cannot take the word of the banker because really when you get right down to it, it does not mean anything. And if he doesn't have it in writing, he doesn't have anything, period, that he has a false sense of security there that he may not realize he is at risk. Is there any way we can provide for that unsophisticated borrower?

SENATOR LANDIS: The unsophisticated borrower is recognized in the bill, however, the definition of what that constitutes probably doesn't appeal to you. You'll find it in the green copy of the bill on page 2. It says, and here it parallels, by the way, the basic notion of the usury statute, and it says in loans of \$25,000 or less which are used for personal family or household purposes this doesn't apply to. Secondly, if you're talking about a principal residence, a mortgage, this bill doesn't apply. Now those have been the historical acknowledgements of what an unsophisticated borrower is with respect to the usury statute. If you're asking me about a farmer who is doing a commercial loan to over a course of time, the first credit agreement needs to be in writing after 1990 and modification to that credit agreement will need to be in writing as well. Notice of the obligation to make modifications in writing will be given at the signing of the first writing given in the initial loan period. The answer to your question is, no, the farmer is not entitled to rely on that exchange with the banker on a verbal statement following the passage of 606.

SENATOR LAMB: And my concern then does remain, because