

MINUTESCOMMERCE COMMITTEE - NEVADA STATE LEGISLATURE - 58TH SESSIONMay 16, 1975

The meeting was called to order by Chairman Robinson at 3:35 P.M.

MEMBERS PRESENT: Mr. Benkovich
Mr. Demers
Mr. Getto
Mr. Harmon
Mr. Moody
Mr. Schofield
Mr. Wittenberg
Mr. Chairman

MEMBERS ABSENT: Mr. Hickey

SPEAKING GUESTS: Mike Melnor, State Department of Commerce
Fran Breen
Harley Harmon, Sr., Nevada State Bank
Dr. Rottmar, Insurance Commissioner
Ed Oaks,
Zack Taylor

The purpose of this meeting was to hear testimony on the following bills:

SB 201
S 610
SB 372

Discussion began with SB 201 which:

Provides for creation of industrial development corporation.

Mike Melnor spoke on this saying that this bill was introduced at the request of Small Business Administration by the Department of Economic Development. The Department of Commerce has assisted with the processing of the bill. The bill authorizes the banks, the savings and loans and the insurance institutions of this State to form industrial development corporations if they so desire. They are not required to do it. They can then make loans in rural Nevada through various SBA programs. This is a flow-through for various SBA funds if the institutions so desire. He said Nevada, California and perhaps one other state are the only states which do not have this authorizing language. Mr. Melnor said these institutions perform much as banks. They are made up of lending institutions which purchase stock in and operate these institutions. They are rural and minority oriented. They make loans that would not ordinarily be made because they are pooling the risk. He said he supports this legislation because he feels we should give the SBA the opportunity to form one of these institutions if they think the time is right. He said this is usually put into effect

in states that have unit banking where in a small area there would be several small banks none of which able to handle a very large loan but pooled together they can. He did not know how this would work in Nevada where there are so few banks. There are four state banks and four national banks in this State. He said Mr. Breen has testified that the banks have no opposition to this.

Mr. Breen then testified reiterating that when the bill first came out the banks had no objection to it but there was a lot of language that created serious problems. He said the reason the bill is so long in getting to this committee is because he had written out amendments to the bill which were misplaced and have only just been submitted and gotten back from the bill drafter. Mr. Melnor added that it was not delayed because of any problem with the bill.

Mr. Breen said there was still a problem with the language on Page 4, Line 48 of the bill. This language precludes any financial institution from buying in at any foreclosure sale. He added that it would preclude his Trust Department from doing this also. This part of the bill should be deleted. In doing this it would also resolve a conflict with Page 9, Section 32.

Mr. Melnor added that in the Senate hearings there was no testimony in opposition to the bill.

Dr. Robinson asked if there were any limitations on what the money can be used for. Mr. Breen said that there must be proof that the loan has been refused by at least one other bank or financial institution.

Mr. Melnor added that unlike the provisions in SB 544, this bill provides for pooling of funds by existing institutions.

Mr. Harmon, Sr., did not think this bill would harm SB 544. He felt SB 544 has a definite place in the community and the financial world as does that provided for in this bill. He said the thrift act would not have access to Federal funds and this bill would. He said you could be turned down by a thrift bank and still be eligible for this.

Mr. Wittenberg then moved that the proposed amendment to Page 4, Line 48 deleting the last sentence on that page be adopted. This was seconded by Mr. Getto and carried the committee with Mr. Harmon, Demers and Hickey not present at the time of vote. Mr. Wittenberg then moved that SB 201 be "do passed as amended". This was seconded by Mr. Schofield and carried the committee unanimously with Mr. Harmon, Demers and Hickey not present at time of vote. Mr. Wittenberg will get the amendment made up to this bill.

This concluded testimony on this bill and SB 610 was taken up which:

Provides additional grounds for suspension or revocation of certificate of authority of insurer.

Dr. Rottman spoke on this bill saying it was originally intended to be an amendment to a previous bill but for some reason became waylaid and thus has come out as an individual bill.

assembly

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Dr. Rottman said the reason for this was so that they could obtain the information that they need to have concerning medical malpractice and he felt it to be quite essential to assist the interim committee that will be studying malpractice. He said this will cost the State no money. He said this will assist in getting the information that is so vitally needed to intelligently develop legislation to attach the malpractice problem. He said they don't really know at the present time what legislation to develop because they don't know a lot about the causes and implications. He said ready access to this information has been denied in the past and there is a strong indication that without this bill, this will continue to be the case in the future.

Mr. Wittenberg moved that SB 610 be "do passed. This was seconded by Mr. Getto and carried the committee unanimously with Mr. Harmon, Demers and Hickey not present at the time of vote.

Mr. Benkovich moved that SB 450 be "do passed". This was seconded by Mr. Moody and carried the committee unanimously with Mr. Harmon, Demers and Hickey not present at the time of vote.

At that point Dr. Robinson wished to make a matter of record that the minutes of the Senate hearing on SB 201 are incorporated in the minute books of this committee for purposes of record.

SB 514 - Mr. Wittenberg moved that Amendment No. 9036 be adopted to SB 514. This was seconded by Mr. Benkovich and carried the committee unanimous. Mr. Wittenberg then moved that SB 514 be "do passed as amended". This was seconded by Mr. Benkovich and carried the committee unanimously with Mr. Demers and Mr. Hickey not present at the time of vote.

SB 372 was then taken up which:

Exempts banks and certain loan associations from usury law.

Harley Harmon, Sr., representing Nevada bankers spoke in favor of this bill saying it is a most important piece of legislation. He feels it is important to the industry and to the State as a whole. He said it is not just a bankers' bill but rather it affects and includes all those dealing in the money market--all who supply money to the consumer. Without money the State of Nevada would not have grown as it has. Over the years this State has been able to attract outside money. He said he was concerned about comments that have been made that bankers are not concerned about consumers. He said their main interest is the consumer because that is their business--taking care of the consumer on all levels. He went on to say that a large part of Nevada has been build by the banks of this State. He felt they have done a job that is necessary. He said if they are restricted in their field of endeavor--loaning money--you will hurt the small individual. He said the bulk of their loans are in the area between \$1500.00 and \$5000.00. He said his bank has ten million dollars in installment loans on automobiles. He said

they are serving the small consumer. He said the banks have never taken a position that would cause undue hardship on the small individual.

Mr. Harmon, Sr., said that during the money crunch \$252 million went out of the State to California and Utah because they could get higher rates for their money. He said large banks can live with a usury law but the one that is going to get hurt is the small bank like Nevada State Bank and Pioneer Citizens.

Mr. Jordon Crouch than presented charts to the committee to demonstrate what happened to the banks in Nevada during the last money crunch. Statistics supporting these charts and from which they were made are attached hereto.

Mr. Breen commented that Nevada, in effect, is an island with this 12% interest rate while most of the surrounding states have no effective limit or considerably higher limits. 43 states out of 50 have some form of exemption. 33 states have corporate exemption and 17 states have exemptions on amounts ranging from \$2500 to \$750,000 while Nevada sits here with a 12% limit. He said a \$50,000 exemption leaves a lot to be desired. Mr. Harmon, Sr., said he would like to see the bill go back to its original form.

Dr. Robinson asked if there was any objection to the deletion of the language in Section 2 of the bill. Mr. Harmon, Sr., said there was none on this. They want all people in the financial business taken care of.

Mr. Harmon, Sr., spoke on the comments that have been made that interest rates will skyrocket if this law is lifted. He did not think this was the case as this has not happened in states without usury laws and he felt supply and demand would keep it down. He commented on the situation when money gets tight and they are struggling to remain liquid and meet the requirements set by law as to what we have to have in reserve, he said they can't very well go to the Federal Reserve and borrow five to ten million dollars to stay liquid and pay 14% interest for it and be restricted to 12% because they lose money on every transaction. He said 70% to 80% of their loans are to the small borrower.

Ed Oaks then spoke on the bill. He felt what would happen is the banks would reach for \$50,000 and over loans and the small man would suffer. He said there might be a trend of people borrowing more money than they needed and also he commented that since other financial institutions will be paying more for their money, they will not have the money to loan to the little man either. He said in normal times, Wells Fargo, their sister company in California, will loan money to his bank but not when money is tight and they know they can get more for their money elsewhere. Mr. Harmon, Sr., said this is true with his company also. Mr. Oaks said there is no "rip off" and there never was to this bill. He said California and Utah have lived without limits for some fifty years. Mr. Harmon, Sr., commented to a remark by Dr. Robinson that the Clayton and Sherman Acts prevent banks from getting together and setting interest rates.

Assembly

COMMERCE COMMITTEE

MAY 16, 1975

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Dr. Robinson asked Mr. Harmon, Sr., if the consumer was being adequately protected and Mr. Harmon, Sr., said the consumer certainly was well protected in this bill.

Mr. Zack Taylor commented that the law of supply and demand would keep the interest rates at a reasonable level.

Mr. Wittenberg moved to adopt the original bill amended to include other lending institutions. This was seconded by Mr. Schofield and carried the committee with Mr. Demers and Mr. Hickey not present at the time of vote.

Mr. Schofield moved that SB 372 be "do passed as amended". This was seconded by Mr. Getto and carried the committee unanimously with Mr. Demers and Mr. Hickey not present at the time of vote.

The meeting was adjourned at 5:05 P.M.

Respectfully submitted,

Joan Anderson, Secretary

58TH NEVADA LEGISLATURE

COMMERCE COMMITTEE
LEGISLATION ACTION

1370

DATE May 16, 1975

SUBJECT SB 201 - Provides for creation of industrial development
corporation.

MOTION: 1. Adopt amendments X 2. Do pass as amended X
Do Pass _____ Amend _____ Indefinitely Postpone _____ Reconsider _____

Moved By 1. Wittenberg 2. Wittenberg Seconded By 1. Getto 2. Schofield

AMENDMENT: _____

Moved By _____ Seconded By _____

AMENDMENT: _____

Moved BY _____ Seconded By _____

	<u>MOTION</u>			<u>AMEND</u>			<u>AMEND</u>	
VOTE:	<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>
Robinson	<u>x</u>							
Harmon	<u>Not</u>	<u>present</u>	at time of	<u>vote</u>				
Demers	<u>Not</u>	<u>present</u>	at time of	<u>vote</u>				
Hickey	<u>Not</u>	<u>present</u>	at time of	<u>vote</u>				
Moody	<u>x</u>							
Schofield	<u>x</u>							
Wittenberg	<u>x</u>							
Benkovich	<u>x</u>							
Getto	<u>x</u>							

ORIGINAL MOTION: Passed X Defeated _____ Withdrawn _____

AMENDED & PASSED _____ AMENDED & DEFEATED _____

AMENDED & PASSED _____ AMENDED & DEFEATED _____

Attached to Minutes May 16, 1975

COMMERCE COMMITTEE
LEGISLATION ACTION

1371

DATE May 16, 1975

SUBJECT SB 610 - Provides additional grounds for suspension or
revocation of certificate of authority of insurer.

MOTION:

Do Pass X Amend _____ Indefinitely Postpone _____ Reconsider _____

Moved By Mr. Wittenberg Seconded By Mr. Getto

AMENDMENT:

Moved By _____ Seconded By _____

AMENDMENT:

Moved BY _____ Seconded By _____

VOTE:	<u>MOTION</u>		<u>AMEND</u>		<u>AMEND</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
Robinson	<u>X</u>	_____	_____	_____	_____	_____
Harmon	Not present	at time of vote	_____	_____	_____	_____
Demers	Not present	at time of vote	_____	_____	_____	_____
Hickey	Not present	at time of vote	_____	_____	_____	_____
Moody	<u>X</u>	_____	_____	_____	_____	_____
Schofield	<u>X</u>	_____	_____	_____	_____	_____
Wittenberg	<u>X</u>	_____	_____	_____	_____	_____
Benkovich	<u>X</u>	_____	_____	_____	_____	_____
Getto	<u>X</u>	_____	_____	_____	_____	_____

ORIGINAL MOTION: Passed X Defeated _____ Withdrawn _____

AMENDED & PASSED _____ AMENDED & DEFEATED _____

AMENDED & PASSED _____ AMENDED & DEFEATED _____

Attached to Minutes May 16, 1975

58TH NEVADA LEGISLATURE

COMMERCE COMMITTEE
LEGISLATION ACTION

1372

DATE May 16, 1975

SUBJECT SB 460 - Makes various changes relating to pharmacists and
pharmacy.

MOTION:

Do Pass X Amend _____ Indefinitely Postpone _____ Reconsider _____

Moved By Mr. Benkovich Seconded By Mr. Moody

AMENDMENT:

Moved By _____ Seconded By _____

AMENDMENT:

Moved BY _____ Seconded By _____

	<u>MOTION</u>		<u>AMEND</u>		<u>AMEND</u>	
VOTE:	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
Robinson	<u>x</u>					
Harmon	<u>Not present</u>					
Demers	<u>Not present</u>					
Hickey	<u>Not present</u>					
Moody	<u>x</u>					
Schofield	<u>x</u>					
Wittenberg	<u>x</u>					
Benkovich	<u>x</u>					
Getto	<u>x</u>					

ORIGINAL MOTION: Passed X Defeated _____ Withdrawn _____

AMENDED & PASSED _____ AMENDED & DEFEATED _____

AMENDED & PASSED _____ AMENDED & DEFEATED _____

Attached to Minutes May 16, 1975

58TH NEVADA LEGISLATURE

COMMERCE COMMITTEE
LEGISLATION ACTION

1373

DATE May 16, 1975

SUBJECT SB 514 Makes certain changes relating to real estate
brokers and salesmen.

MOTION: 1. Adopt amendments X 2. Do pass as amended X
Do Pass _____ Amend _____ Indefinitely Postpone _____ Reconsider _____

Moved By 1. Wittenberg 2. Wittenberg Seconded By 1. Benkovich 2. Benkovich

AMENDMENT: _____

Moved By _____ Seconded By _____

AMENDMENT: _____

Moved BY _____ Seconded By _____

	<u>MOTION</u>		<u>AMEND</u>		<u>AMEND</u>	
VOTE:	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
Robinson	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Harmon	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Demers	<u>Not</u>	<u>present</u>	<u>at</u>	<u>time</u>	<u>of</u>	<u>vote</u>
Hickey	<u>Not</u>	<u>present</u>	<u>at</u>	<u>time</u>	<u>of</u>	<u>vote</u>
Moody	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Schofield	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Wittenberg	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Benkovich	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Getto	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

ORIGINAL MOTION: Passed X Defeated _____ Withdrawn _____

AMENDED & PASSED _____ AMENDED & DEFEATED _____

AMENDED & PASSED _____ AMENDED & DEFEATED _____

Attached to Minutes May 16, 1975

COMMERCE COMMITTEE
LEGISLATION ACTION

DATE May 16, 1975

MOTION: 1. Adopt amendments X 2. Do pass as amended X

Moved By 1. Wittenberg 2. Schofield Seconded By 1. Schofield 2. Getto

Moved By _____ Seconded By _____

Moved BY _____ Seconded By _____

ORIGINAL MOTION: Passed X Defeated Withdrawn

AMENDED & PASSED		AMENDED & DEFEATED
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AMENDED & PASSED	AMENDED & DEFEATED
<p>1. <u>Resolved</u>, That the Board of Directors be authorized to execute any and all contracts, leases, agreements, and other instruments, in and to the corporation, which may be necessary or proper for the carrying on of the business of the corporation, and which may be deemed to be in the best interests of the corporation by the Board of Directors.</p>	<p>1. <u>Resolved</u>, That the Board of Directors be authorized to execute any and all contracts, leases, agreements, and other instruments, in and to the corporation, which may be necessary or proper for the carrying on of the business of the corporation, and which may be deemed to be in the best interests of the corporation by the Board of Directors.</p>

Attached to Minutes may 16, 1975

GUEST REGISTER

COMMERCE COMMITTEE

DATE:

5/16

1375

PLEASE
CHECK IF YOU
WISH TO SPEAK

NAME

REPRESENTING

Bob Beach	SELF	
Arthur W. Larnier	Mer. Bankers	
Fran. Breen	NEV. BANKERS ASSOC.	
L. D. Oaks	Sec. Nat'l Bank	
Harold E. Harmon	Nevada State Bank	
Jordan J. Crouch	Travel Bankers Assn.	
Del. Landring	SECURITY NAT'L BANK	
KUTH W. MACDONALD	NEV. ST. PHARMACEUTICAL ASSOC.	
GEO. R. TUCKER	NEV. STATE BOARD OF PHARMACY	
FRANK L. TITUS	NEV. STATE BOARD OF PHARMACY	
Mr. Dick Garrod	FARMERS INS GROUP	?
L. A. Mock	WESTERN MFG CO	
Gene Leventy	NEV. INSUR. DIV.	

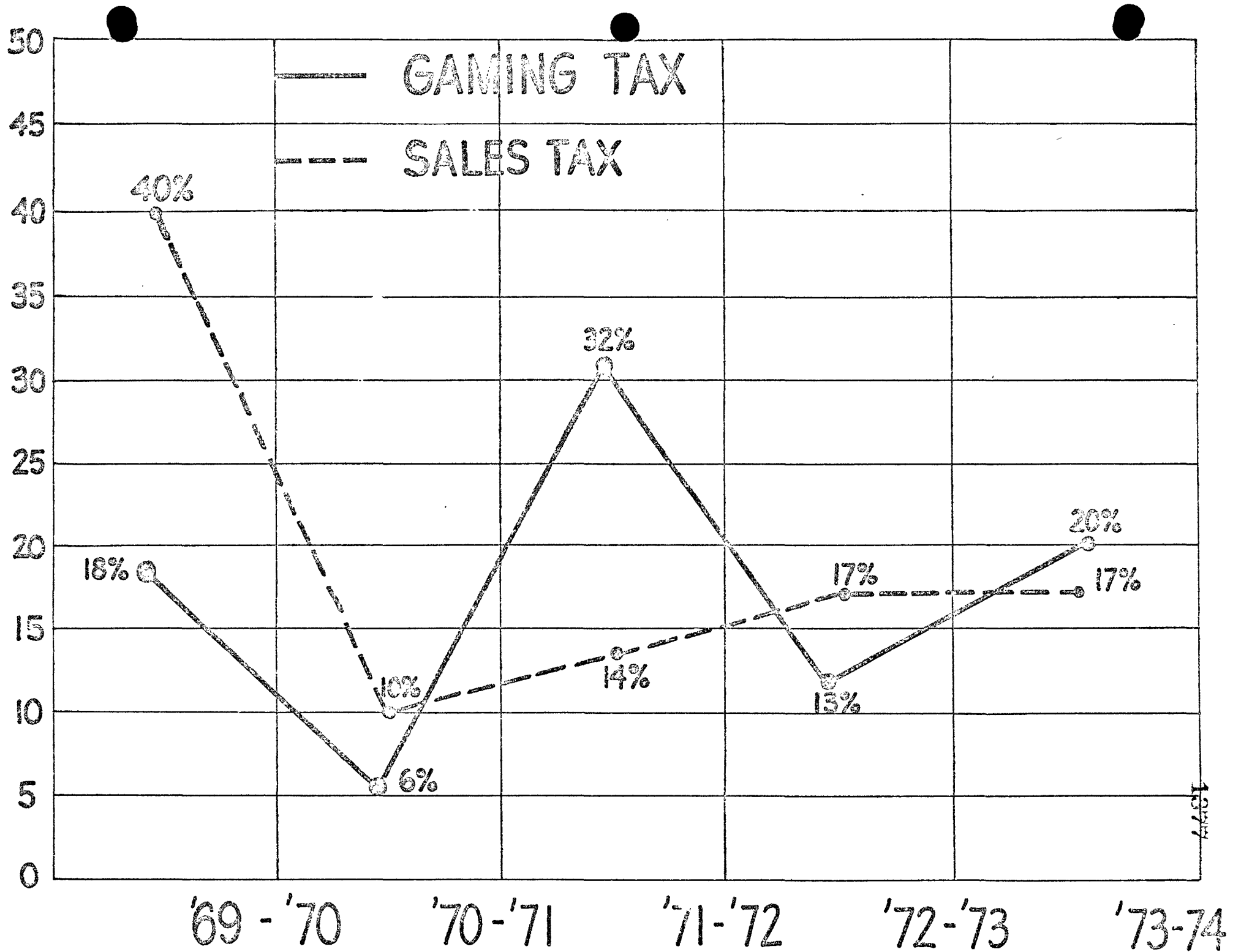
~~XXXXXXXXXX~~ SENATE AMENDMENT BLANKAmendments to ~~XXXXXXXXXX~~ SenateBill ~~XXXXXXXXXXXXXXXXXXXX~~ No. 372 (BDR 8-1322)Proposed by Committee on Commerce and LaborAmendment N^o 8433

Amend section 1, page 1, by deleting lines 13 and 14 and inserting:

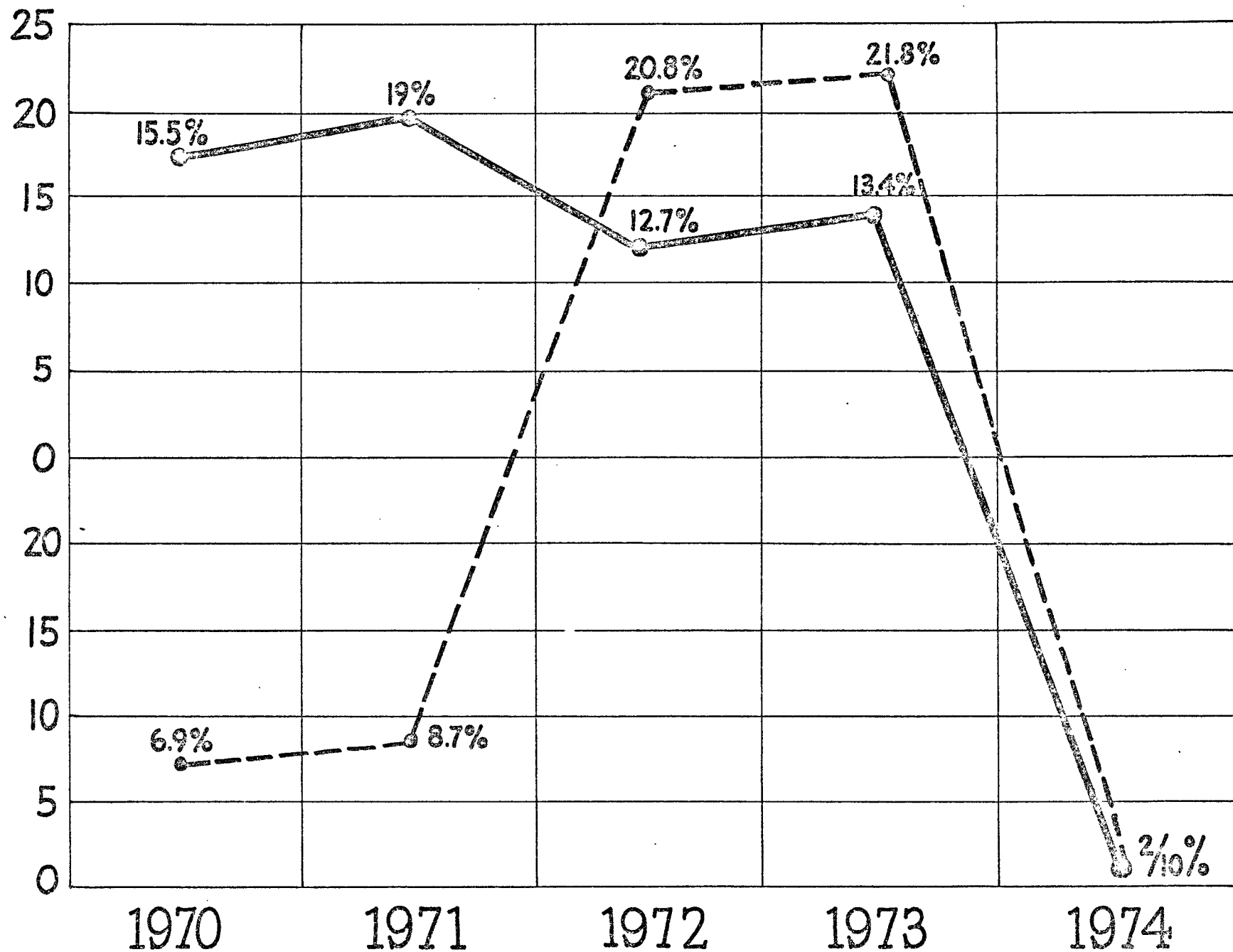
"building and loan association, savings and loan association, mortgage company, credit union, or pension trust fund lawfully doing business in this state; nor to any promissory note secured by a purchase money mortgage or purchase money deed of trust of real property located in this state, or any contract of sale of real property located in this state."

Amend the title of the bill by deleting the second line and inserting:

"tions, savings and loan associations and certain other lenders from the usury law; and providing".



— DEPOSIT GROWTH
--- LOAN GROWTH



JORDIN
CROUCH

379

BANK

	LOANS 12-31-69	LOANS 12-31-70	LOANS 12-31-71	LOANS 12-31-72	LOANS 12-31-73	LOANS 12-31-74
Bank of Nevada	\$ 72,544	\$ 79,169	\$ 85,702	\$ 102,291	\$ 127,192	\$ 120,743
Nevada State Bank	18,725	23,246	30,921	40,928	49,716	53,464
Valley Bank of Nevada	107,678	109,894	124,950	149,382	187,905	196,434
First National Bank of Ely	3,085	3,300	4,224	3,530	3,793	3,768
First National Bank of Nev.	329,000	370,000	380,000	452,000	538,000	558,000
Pioneer Citizens Bank	9,880	10,906	12,017	19,473	26,476	27,099
Nevada National Bank	76,226	62,615	74,148	90,816	105,125	99,043
Security National Bank	<u>42,000</u>	<u>49,000</u>	<u>58,000</u>	<u>72,000</u>	<u>95,000</u>	<u>103,000</u>
TOTALS	\$ 659,138	\$ 708,130	\$ 769,962	\$ 930,420	\$1,133,207	\$1,161,551
GROWTH		48,992	61,832	160,458	202,787	28,344
PERCENTAGE		6.9	8.7	20.8	21.8	2.5
LOAN TO DEPOSIT RATIO	66.0	61.4	56.2	60.2	64.7	66.3

JORDAN
CROUCH

6390
BANK

	DEPOSITS 12-31-69	DEPOSITS 12-31-70	DEPOSITS 12-31-71	DEPOSITS 12-31-72	DEPOSITS 12-31-73	DEPOSITS 12-31-74
Bank of Nevada	\$ 110,718	\$ 141,376	\$ 156,364	\$ 185,404	\$ 205,370	\$ 186,279
Nevada State Bank	29,195	35,961	67,147	71,851	79,338	79,674
Valley Bank of Nevada	162,657	169,096	205,704	247,194	298,564	306,395
First National Bank of Ely	9,561	10,520	12,370	12,467	13,225	13,969
First National Bank of Nev.	498,305	579,234	676,378	726,621	805,527	805,295
Pioneer Citizens Bank	14,949	18,606	21,475	32,400	38,801	38,885
Nevada National Bank	98,746	106,215	123,116	137,638	156,460	159,387
Security National Bank of Nev.	<u>73,827</u>	<u>91,640</u>	<u>108,655</u>	<u>131,492</u>	<u>154,736</u>	<u>162,526</u>
TOTALS	\$ 997,958	\$1,152,648	\$1,371,209	\$1,545,067	\$1,752,021	\$1,752,410
GROWTH		\$ 154,690	\$ 218,561	\$ 173,858	\$ 206,954	\$ 389
PERCENT		15.5%	19%	12.7%	13.4%	.2%

CORPORATE AND FINANCIAL AMOUNT EXEMPTIONS

a. Thirty-Eight States with Corporate Exemption:

Alabama - No limit over \$100,000

Alaska - No limit over \$100,000

Colorado

Delaware

Georgia - No limit over \$25,000

Hawaii - No limit over \$750,000

Illinois

Indiana

Iowa

Kansas

Kentucky

Louisiana

Maine

Maryland - No limit over \$5,000

Massachusetts

Michigan

Minnesota

Missouri

Montana - No limit over \$300,000

Nebraska

New Hampshire

New Jersey

New Mexico

New York

North Carolina - No limit over \$300,000

North Dakota

Ohio

Oklahoma

Pennsylvania

South Carolina - No limit if corporation has capital stock of
\$40,000

South Dakota

Utah

Vermont

Virginia

West Virginia

Wisconsin

Wyoming

District of Columbia

b. Seventeen States with financial amount exemption.

Alabama - \$100,000 unincorporated business and corporate

Connecticut - \$5,000 for banks, savings and loans, realty

Delaware - \$100,000

Georgia - No limit over \$100,000
No limit on corporate loans over \$2,500.

Hawaii - \$750,000

Kentucky - \$15,000

Maryland - \$5,000 for unincorporated business or corporate

Minnesota - \$100,000

Montana - \$300,000 for corporate

New York - \$250,000

North Carolina - Complicated: Individual - \$100,000
Unincorporated business - \$300,000
Corporate - \$300,000

Ohio - \$100,000

Oregon - \$50,000

Pennsylvania - Individual: \$35,000 unsecured
\$50,000 any loan
Unincorporated business - \$10,000

South Carolina - \$500,000

Virginia - Unincorporated business \$5,000

Washington - \$100,000 to money lenders and real estate
developers.

INTEREST RATE RESUME'

According to the Old Testament (Deuteronomy 23:19) 2,500 years ago one could not charge interest against ones brother, but could charge interest against a stranger.

Usury laws in the United States came to us from England as a result of the Statute of Anne (1713) where the maximum rate was 5%. The Statute of Anne was repealed in 1854 and since then England has had no usury statute.

Massachusetts has never had a limit on the rate of interest that can be charged.

Virginia, Michigan and North Carolina recently removed their maximum rate (Virginia, February 1972; Michigan, May, 1973-temporary; Virginia, April 1974.)

In the last ten years 29 states passed some form of exemption. Of those 29, 20 enacted laws in the last 5 years, and of the 20, 9 passed such laws in 1974. (Alabama, Kansas, Kentucky, Maryland, Minnesota, North Carolina, Pennsylvania, Vermont, New York).

On October 29, 1974, Congress passed Public Law 93-501, which, until July 1, 1977, supersedes all state usury laws on agriculture or business loans of \$25,000 or more and ties the interest rate to 90 day commercial paper.

This was deemed emergency legislation by Congress because in Tennessee, Arkansas and Montana, where the maximum rate was 10%, loans were becoming unavailable; liquidity of financial institutions was adversely affected and there was an outflow of funds. Construction, agriculture and small businesses were seriously threatened.

The Senate report of the Committee on Banking, Housing and Urban Affairs, in reference to Public Law 93-501, made the following statements:

" The basic problem is that in Tennessee, Arkansas and Montana, the financial industry has been caught in a pinch because of the high price it must pay for money as opposed to the interest it can earn. In Tennessee and Arkansas by constitution and in Montana by statute, the maximum interest which may be charged business borrowers is 10 percent whereas the financial institutions must pay up to 13 percent for money bought through the Federal Reserve

System in the so-called Federal funds market. Most other states exempt business borrowing from the usury statutes. Although many of the financial institutions in these states have continued to make business loans in anticipation that rates will go down or that the state would take necessary action, they will not be able to continue this practice over a period of time and remain solvent. Hardest hit will be the construction, agricultural and small business firms who can not channel funds into the states through outside corporate subsidiaries.

"Testimony received from the representatives of the Tennessee Bankers Association indicated that current loan policy by Tennessee bankers is restrictive in not making loans to new customers and reducing loans to present customers. The situation will become more severe in the fall with the heavy loan demands for the agricultural crop. It is estimated that \$75 million of commercial construction projects could not be completed because funds have left the state since the first of the year. It is further estimated that there has been a loss of at least \$200 million of capital investment due to the 10% usury law. The majority of these losses were by relatively small firms that do not have access to national money markets. This can be translated into a loss of about 14,000 jobs.

"In Arkansas, Montana and West Tennessee it is anticipated that severe problems will be faced in meeting the need for agricultural lending. A witness from Arkansas testified that it is essential that the situation be corrected before the next agricultural crop is planted in the spring. This bill is designed to meet this emergency.

"Testimony before the Subcommittee indicated that the cash customer would also benefit in the affected states from an increase in the interest rate structure. Dr. John Dominick of the University of Arkansas told the Subcommittee that prices of consumer durables in that state with its low usury rates are considerably higher than in surrounding states. Dr. Dominick interprets this as meaning that cash buyers are subsidizing the credit customers.

"An important question concerns the effect that this bill might have on small business firms. As originally drafted, it was applicable only to corporate borrowers. There was a broad consensus among the witnesses that the benefits of the legislation should be extended to the unincorporated business firm. Savings and loan representatives pointed out that many construction loans are made to unincorporated borrowers. In addition, many unincorporated small business firms are competing with large national corporations

Interest Rate Resume'
Page Three

which can go outside of the state for financing. So that small business and agricultural firms can fully enjoy the benefits, this legislation was amended by the Committee to extend to business and agricultural loans of \$25,000 or more. Although it might be argued that small business firms are not able to pay in excess of 10% interest, the alternative which they face in the absence of this legislation is the inavailability of funds altogether. One small business witness who appeared before the Committee testified that he simply could not operate in competition with the large firms unless he was able to compete on an equal basis in bidding for credit.

"In sum, the evidence before the Committee indicates that loans in the affected states are becoming unavailable, liquidity of financial institutions is adversely affected, small borrowers are disadvantaged with competing with national corporations and there is an outflow of funds from the states. Unless remedial action is taken in the very near future, these states could suffer from unemployment and business failures. Since it will take a considerable length of time to amend the constitution in at least one of the states to provide a complete remedy, the Committee has acted favorably upon this Title to meet the emergency by providing an interim solution."

Today 43 states have some form of exemption.

Massachusetts, Michigan, North Carolina and Virginia have no limit on the amount of interest that can be charged. Kentucky has no limit on loans over \$15,000. New Hampshire has no limit except on second mortgage family home loans of less than \$5,000.

38 states exempt loans to corporations; 17 states exempt loans over a certain amount.

In the Western states the laws are as follows:

Washington, there is no limit on corporate loans of over \$100,000 and individual real estate loans over \$100,000.

Oregon - 10% - 12% to corporations.

California - Exempt Savings & Loans, banks, industrial loan companies, credit unions, pawn brokers and personal property brokers and certain agriculture and livestock organizations, and by court decision, purchase money deeds of trust are exempt. 18% for loans over \$5,000.00.

Utah - 18%

Colorado - Exempts banks, trust companies and savings and loans (Since 1913)

New Mexico - Corporate loans exempt.

Idaho - 10% and 12%

Montana - 10%

Wyoming - 18%

Five states and the District of Columbia have some form of floating rate.

Alaska - 4% above the rediscount rate of the 12th Federal Reserve Bank, but loans above \$100,000 or more are exempt.

Delaware - 4% above the Federal Reserve Rediscount Rate, but all corporate loans exempt and loans to individuals and unincorporated business loans of \$100,000 or more are exempt.

New Jersey - The Commissioner of Banking establishes the interest rate between 6% and 9-1/2%. Here again, however, there is no limit on any loan over \$50,000 unless it is on a 1 - 3 family residence, and there is no limit on the rate of interest that corporations can pay.

New York - The Banking Board establishes the rate between 5% and 8%, but no limit on corporate and no limit on individual or unincorporated business loans of over \$250,000.

Pennsylvania - Secretary of Banking sets the interest rate monthly, but no limit on unsecured loans of \$35,000 or more, no limit on unincorporated business loans of \$10,000 or more, and no limit on corporate loans.

District of Columbia - The D. C. Council can charge interest rates and exempt certain loans. There is no limit on corporate loans.

One of the problems with the flexible interest rate is as happened in Pennsylvania, where the rate was set each month 2-1/2% above the Federal Bond Rate Index. From the time the commitment was made and the loan closed, the rate sometimes had changed drastically. This prevented many loans from closing.

ALTERNATE PROPOSALS

There are five states, the District of Columbia, and the National Bank Act that have an adjustable or flexible interest rate.

FEDERAL.

The National Bank Act 12 U.S. Code Annotated 85 (1933) provides that unless a state permits a high rate of interest the maximum interest rate for national banks is 1% more than the Discount Rate on 90 day commercial paper for that Federal Reserve District. This was ineffective and on October 29, 1974, in order to help Arkansas, Montana and Tennessee out of a credit crunch, this law was amended to allow maximum interest rates of 5% over the Discount Rate. This law will expire July 1, 1977.

STATES.

There are five states and the District of Columbia that have some form of floating or flexible maximum interest rate.

Alaska. Alaska has a floating interest rate which is 4 points above the rate that that Federal Reserve District charges members for advancements. The rate is fixed by the rate prevailing on the 25th day of the month preceding the start of the next quarter. However, there is no interest rate limit in Alaska on loans over \$100,000.00.

Delaware. Delaware has a floating interest rate 4 points above the Federal Reserve Discount Rate, but here again there are no interest restrictions on loans over \$100,000.00 or loans to corporations.

New Jersey. In New Jersey the Commissioner of Banking establishes the interest rate between 6% and 9-1/2%. Here again however, there is no limit on any loan over \$50,000.00 unless it is on a 1 - 3 family residence, and there is no limit on the rate of interest that corporations can pay.

New York. In New York the Banking Board establishes the rate of interest that can be charged between 5% and 8%, except here again there is no limit on the interest rate on loans to corporations and no limit on interest on loans of \$250,000.00 or more.

Alternate Proposals
Page Two

Pennsylvania. In Pennsylvania the Secretary of Banking sets the interest mortgage rate monthly at 2-1/2% above the monthly index of U. S. Government Bond yields. However, there is no limit on unsecured loans over \$35,000.00, and there is no limit on any loan over \$50,000.00 to individuals. For unincorporated businesses there is no maximum interest rate for loans over \$10,000.00, and corporations can pay any rate of interest they want to.

District of Columbia. The District of Columbia Council has the authority to change interest rates and to exempt certain loans.

Unless there has been very recent legislation, the foregoing are the only flexible or adjustable interest laws in the United States.

COMMERCE AND LABOR

April 10, 1975

1. NO ONE TESTIFIED AGAINST THE BILL.2. PROPOSERS OF THE BILL.

Ray Knisley, former legislator, Governor O'Callaghan's former appointee on the Tahoe Regional Planning Agency.

1. A Las Vegas employer of 105 people could not get credit. He and others made a special deposit in order that the bank could loan the employer money to keep working.

2. He carries large cash balances and could obtain 1-1/2% more in California on TCDs.

3. Competition will protect the borrower .

4. Our usury law dries up money.

5. Our usury law puts pressure on state officials to deposit state money out-of-state.

William B. Kottlinger. Vice-President, Manager, Payne, Webber, Jackson & Curtis.

Supported SB372; described the credit problems and the coming credit problems.

Bankers testifying for the bill:

Harley Harmon - Nevada State Bank

Ken Sullivan - Valley Bank of Nevada

Advised the Committee that relief was needed; that Nevada was an importer of money, and the usury law prohibits importation of money.

Art Smith - Chairman of the Board, First National Bank of Nevada.

Testified that our main competition was with California. When interest rates go up, money flows out of this state to California.

Collins Butler. Apartments, commercial and home loans, spoke in favor of the bill.

Dan Broden. Weyerhouser Mortgage Company of Nevada. Testified as to the position and problems of mortgage companies in Nevada in times of credit crunches.

Roland Oakes. Associated General Contractors. Strongly in favor, pointing out that when credit was unavailable, contractors and all building trades suffered.

Paul Argeres. Nevada Association of Realtors, pointed out that individuals are dramatically affected when credit is not available. One-half of real estate loans are not made by institutions. People selling their own homes should not be limited in the amount of interest they can receive. The 12% limit is unrealistic. He stated he was opposed to SB437 and SB438. He stated he was also speaking for the Northern Nevada Homebuilders and their position was identical to the Nevada Association of Realtors.

Dick Bissett. Weyerhauser Mortgage Company of Nevada. Stated Nevada must be competitive in the money market.

Lee Bergstrom. Kafoury, Armstrong, Turner & Co., certified public accountants, representing small business clients, concurred with the conclusion of William Kottinger that small business will be hurt if funds are not available. Opposed SB437, SB438, and SB439. He stated that the Federal rate set by Federal authorities was politically motivated.

Stanley Franklin. Sierra Charter Corporation, developer and builder. Employs 200 people. Last year required \$200,000.00 which he never had trouble getting before. They were willing to pay more than 12%. Could not obtain money and had to lay off employees.

SUBSEQUENT HEARING, April 22, 1975

Gail Bishop, Assistant Administrator of the Joint Apprenticeship Committee of the Operating Engineers, was in favor of the bill because when credit is not available, labor does not work.

Resume of Testimony
Page Three

The predictions of the witnesses that interest prices would go higher next Fall than they were in 1973-1974 are supported by considerable recent information. The attached clipping from the Wall Street Journal of April 28, 1975 further bears this out. As the article points out, private borrowers are already having difficulty competing for investment dollars against the United States Treasury which has already raised \$25 billion this year and is going to seek an estimated \$40 billion or so every six months through 1976.

Both the Nevada State Journal and the Reno Evening Gazette have supported SB372. See the attached clippings from the Nevada State Journal on April 22, 1975, and the Reno Evening Gazette, April 22, 1975.

Financing Business

Rush of Offerings Before Treasury Sales Is Termed 'Credit Panic' by One Dealer

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Alcoa stated a \$150 million offering of 25-year sinking-fund debentures on May 14 through a First Boston Corp. group.

NCR intends to offer \$75 million each of 25-year debentures and 10-year notes in mid-May through a Dillon, Read & Co. team. It received favorable news concerning its existing debt issues from Standard & Poor's, which upgraded its sinking-fund debentures to single-A from triple-B and its convertible debentures to triple-B from double-B. The rating service said NCR has shown "significant improvement in earnings and cash-flow protection afforded the holders, and improved return on invested capital."

That wave of private financings was unexpected because of the Treasury's pending sale designed to refund about \$3.8 billion of old notes maturing May 15 and to raise up to about \$2.5 billion of new cash. The department is expected to set the terms of its new replacement issues later this week.

Public investors hold about \$1.6 billion of 5½% notes and about \$2.2 billion of 6% notes, the two series expiring in May. They can elect either to turn in their notes for cash or to swap them for the new replacement issues.

Uppermost in the minds of many investors is whether new long-term bonds will be included in the pending offer. Lengthy government issues are highly competitive with corporate bonds.

"My own guess is that the Treasury will sell long bonds, paying interest at perhaps 8½% or even 8¾%," one dealer remarked. "I believe that up to about \$500 million could be absorbed rather comfortably, but more than that would have a damaging effect on prices in the corporate market."

Some companies and other private borrowers already have experienced difficulty competing for investment dollars against the Treasury, which has raised a staggering \$28 billion so far this year. More undoubtedly are concerned about being "crowded out" in the future as the department continues to seek an estimated \$40 billion or so every six months through 1976.

Moreover, recent signs of a business recovery suggest that the borrowing struggle soon may become even more intense.

The rash of financing announcements probably marked the beginning of a heavy buildup in corporate bond volume in the months ahead, one Wall Street economist predicted. "Not only is the Treasury's enormous cash demand pushing these nervous private borrowers into the market, but the rebounding economy also is frightening them into stockpiling funds for fear that renewed inflation will make interest rates go even higher in the future."

Shell Oil led the parade of prospective new issuers. It said its \$250 million of 30-year debentures will be put on the market about mid-May through underwriters managed by Morgan Stanley & Co.

Caterpillar Tractor proposed a \$200 million sale of 25-year convertible debentures early next month through Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Inc. and associates.

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Nevada State Journal

A Spaidel Newspaper

Richard J. Schuster	Publisher	Warren L. Legude	Executive Editor
William M. Clemens	Controller	Robert M. Nilsche	Managing Editor
Dean C. Smith	Advertising Director	Tyrus R. Cobb	Associate Editor
Donn E. Wheeler	Production Manager	Frank H. Delaplane	News Editor
John P. Oates	Circulation Manager	Foster Church	Editorial Page Editor

Tuesday, April 22, 1975

Editorials

Drop Usury Limit

Anyone who has purchased or attempted to purchase a home in the past year may look with chagrin on a bill now before the Nevada Senate.

It would remove the 12 per cent limit on interest which Nevada banks, building and loan associations and savings and loan associations are allowed to charge.

It would, in effect, allow money to find its own price in terms of interest, just as grocery items find their own price levels, governed by the law of supply and demand.

It would probably result in interest rates in Nevada soaring to record levels, particularly when the impact of the federal budget deficit, now estimated at between \$50 and \$70 billion, is felt on the money market.

But, considering the national market, removing the 12 per cent interest limit seems only realistic and we support S.B. 372.

Money is a commodity like any other. When competition for money to borrow is keen — and demand is high, it is only natural that interest rates will increase and the scarce money will go to the highest bidder. And those with money to lend will obviously seek the highest bidder, regardless of the state in which he resides.

Nevada's present usury law forbids charging interest rates in excess of 12 per cent.

The law also in effect, however, regulates the amount of interest a bank can pay. According to

Jordan Crouch, president of the Nevada Bankers Association, it costs a bank approximately 3½ per cent interest on a loan just to carry it. This means that charging at the highest allowable rate of 12 per cent, a bank can pay no more than 8½ per cent interest to investors if it is even to break even.

Most other states do not have a maximum allowable interest rate. Banks in these states, therefore, are able to pay higher interest rates on deposits and to investors. And since investors naturally seek to loan their money at the highest possible rate of interest, money flows out of Nevada and to those states where interest rates are higher.

Less money is available, therefore, to lend in Nevada. And Nevada industry, particularly construction, suffers.

Interest rates in Nevada have dropped over the past year. But with the federal government entering the competition for money on large scale, interest rates will zoom nationally in the next year. Some say the prime lending rate could go as high as 15 per cent.

And those with money to lend will naturally send their money to those states where they can obtain the highest rate of interest.

No one likes to see interest rates increase. But it seems an unpleasant inevitability. And if Nevada is to be competitive on the money market, present usury limit restrictions should be repealed.

Richard J. Schuster Publisher
 Warren L. Lerude Executive Editor
 John E. Bromley News Editor
 Norman F. Cordaza Editorial Page Editor
 William M. Clemens Controller
 Dean C. Smith Advertising Director
 Donn L. Wheeler Production Manager
 John P. Oates Circulation Manager

4— Tuesday, April 22, 1975

Editorials

Money for Nevada

ORDINARILY, Nevada's banks have sufficient capital to make loans to most of their credit-worthy customers. But during 1974, many loans had to be denied because the money just wasn't there.

The reason, as the banks point out, was the Nevada law which places a 12 per cent ceiling on interest charged for commercial loans.

This sounds confusing, but it's not really.

To understand what the banks are saying, all you have to do is remember that there are two types of interest.

One type is the lending rate. This is the interest banks charge borrowers.

The second type is the interest that banks pay to their investors.

Now, banks have their own bills to pay, and they must have a profit factor. So the amount of interest a bank can pay to investors is usually about 3½ per cent less than the amount of interest the bank charges borrowers.

Let us suppose there are two banks. Bank A's lending rate is limited to 12 per cent. Bank B has no limit. Both banks reach 12 per cent on their lending rate, and are paying out 8½ per cent interest to depositors. But Bank B now raises its lending rate to 14 per cent. This means Bank B can offer 10½ per cent interest to depositors. Bank A, which cannot raise its lending rate, must keep its deposit interest at 8½ per cent. Naturally, investment money flows out of Bank A to Bank B.

With this in mind, let's look at what happened in 1974, when interest rates of both types soared all across the nation.

Nevada's banks raised their lending rate to 12 per cent, but could go no higher because of Nevada law. This meant they were limited to a maximum of 8½ per cent interest on prime deposits.

But neighboring California and Utah had no limit on their lending rates. Therefore they were free to raise their lending rate above 12 per cent, and raise their deposit interest above 8½ per cent. In California at one time, some banks were paying as much as 12½ per cent interest on long-term time certificate deposits.

At the same time several federal agencies were offering high interest rates to investors. Treasury notes frequently paid interest above 8½ per cent.

As a result, the money of Nevada's big corporations, and its wealthy individuals, went to California, Utah, and the federal government. A bank spokesman adds that millions of dollars of state funds were also invested outside Nevada by State Treasurer Mike Mirabelli.

The effect on deposits in Nevada banks was great. During the years 1970 through 1973, deposits in the state's eight major banks increased at percentages of 15.5, 19, 12.7 and 13.4. But during 1974, deposits increased only .2 per cent, or \$389,000. It is estimated that Nevada lost some \$270 million to other states and the federal government.

This outflow of money created a corresponding decrease in loan capability. From 1970 through 1973, Nevada bank loans grew 6.9, 8.7, 20.8 and 21.8 per cent. But in 1974, loans grew only 2.5 per cent.

While the banks were essentially stagnant, other sectors of Nevada's economy continued to spurt ahead. Gaming tax revenues rose 19.5 per cent, the second largest one-year growth rate in the 1970s. The sales tax rose 16.7 per cent, only one-tenth of a per cent less than in 1973, and higher than either 1972 or 1971.

Obviously, Nevada's growing economy needed a comparable growth in loans. But Nevada banks did not have the money. Subdivision developers and businessmen could not get loans. This meant there were fewer construction jobs, fewer business jobs, and fewer homes for Nevadans to buy. A great majority of Nevadans were adversely affected in one way or another.

Today, interest rates have fallen nationally, and Nevada banks are once again competitive. But many economists fear there will be another upsurge of inflation in 1976 or 1977, due partly to high oil prices and partly to the huge \$50 to \$70 billion federal deficit. If inflation jumps, so will interest rates. And Nevada will once again find itself cramped for money.

In order to avoid a recurrence of this unpleasant situation, banks are asking the legislature to exempt them from the 12 per cent interest rate on commercial loans. Savings and loan associations would also be exempted.

A limit on lending rates was necessary when this nation was a pioneer country, with scattered population and few sources of money. But now there are numerous money sources, and competition between banks helps to keep lending rates within limits. Borrowers also keep lending rates down. As John Blood, president of the Nevada Savings and Loan League noted, Nevada home loan interest rates rose to 12 per cent in 1974, but Nevadans refused to take out loans at these rates, and the lending rate fell back below 10 per cent.

Most states no longer have limits on lending rates. The Nevada legislature should place this state with its peers, and make the state financially competitive with its neighbors.

STATISTICS FOR BANKS IN THE STATE OF NEVADAINCREASE OR DECREASE IN EARNINGS BY BANKFOR 1974 COMPARED TO 1973

BANK OF NEVADA	-	20.0%
FIRST NATIONAL BANK OF NEVADA	+	.8%
PIONEER CITIZENS BANK	-	53.6%
NEVADA NATIONAL BANK	-	27.4%
SECURITY NATIONAL BANK OF NEVADA	-	32.0%
FIRST NATIONAL BANK OF ELY	+	28.0%
NEVADA STATE BANK	+	1.0%
VALLEY BANK OF NEVADA	-	24.8%

Even though the banks still made a profit, although reduced from the previous year, one of the major reasons was that they were able to sell funds to the Federal Reserve at 15%, and also to participate in loans originating in California where there is no real usury limit.

4/16/75

CONTROL COPY

The attached chart is intended to provide a birds-eye view of the usury provisions in the 50 states and the District of Columbia. The emphasis is on residential mortgage loan rates. Other exceptions to the usury laws not covered include bank installment loans and loans by licensed lenders.

Office of the State Legislative Counsel
American Bankers Association

STATE	MAXIMUM CONTRACT RATE			EXCEPTIONS			COMMENTS
	INDIVIDUAL	UNINCORPORATED BUSINESS	CORPORATIONS	VA	FHA	CONVENTIONAL	
ALABAMA	8%	15% under \$100,000 N/L over \$100,000	15% \$10,000 - \$100,000 N/L over \$100,000	X	X		
ALASKA	4 percentage pts. above the discount rate charged by the 12 th F.R. district N/L over \$100,000	4 percentage pts. above the discount rate charged by the 12 th F.R. district N/L over \$100,000	4 percentage pts. above the discount rate charged by the 12 th F.R. district N/L over \$100,000				
ARIZONA	10% 12% over \$25,000	10% 12% over \$25,000	18% over \$5,000	X	X	X	10% for residential mortgage loans for 1- to 2-family dwelling
ARKANSAS	10%	10%	10%				
CALIFORNIA	N/L	N/L	N/L				10% for non-regulated lenders

KEY: N/L - No limit
UCCC - Uniform Consumer Credit Code

STATE	MAXIMUM CONTRACT RATE			EXCEPTIONS			COMMENTS
	INDIVIDUAL	UNINCORPORATED BUSINESS	CORPORATIONS	VA	FHA	CONVENTIONAL	
COLORADO	UCCC 18%	N/L	N/L				
CONNECTICUT	12%	12%	18% over \$10,000	X	X	X	N/L any loan over \$5,000 by banks and S&Ls N/L realty loans over \$5,000
DELAWARE	4% points above Federal Reserve dis- count rate. N/L any loan over \$100,000	4% points above Federal Reserve discount rate N/L any loan over \$100,000	N/L	X	X		Residential mortgage loan may not be more than 4% points above the Federal Reserve discount rate
FLORIDA	10% 15% over \$500,000	10%	15%				
GEORGIA	8%	8%	N/L over \$2,500	X	X	X	9% Realty Loans N/L any loan over \$100,000

STATE	MAXIMUM CONTRACT RATE			EXCEPTIONS			COMMENTS
	INDIVIDUAL	UNINCORPORATED BUSINESS	CORPORATIONS	VA	FHA	CONVENTIONAL	
HAWAII	12% N/L over \$750,000	12% N/L over \$750,000	N/L over \$750,000				
IDAHO	UCCC <u>1/</u> 18%	10%	12% over \$10,000			X	10% Realty Loans
ILLINOIS	8%	N/L	N/L	X	X		9-1/2% residential realty loans (until July 1, 1975)
INDIANA	UCCC 18%	N/L	N/L				
IOWA	9%	9%	N/L				

1/ loans not covered by the UCCC are subject to the general usury statute.

STATE	MAXIMUM CONTRACT RATE			EXCEPTIONS			COMMENTS
	INDIVIDUAL	UNINCORPORATED BUSINESS	CORPORATIONS	VA	FHA	CONVENTIONAL	
KANSAS	UCCC 18%	10%	N/L				10% Realty Loans
KENTUCKY	8-1/2% N/L over \$15,000	8-1/2% N/L over \$15,000	N/L	X	X		
LOUISIANA	8%	8%	N/L	X	X	X	10% Realty Loans
MAINE	UCCC 18%	N/L	N/L				16% over \$2,000 on first mortgage loans
MARYLAND	8%	N/L over \$5,000	N/L over \$5,000	X	X		10% residential realty loans

STATE USURY LAWS

STATE	MAXIMUM CONTRACT RATE			EXCEPTIONS			COMMENTS
	INDIVIDUAL	UNINCORPORATED BUSINESS	CORPORATIONS	VA	FHA	CONVENTIONAL	
MASSACHUSETTS	N/L	N/L	N/L				
MICHIGAN	7%	N/L	N/L	X	X	X	N/L loans on single family dwellings by regulated lenders until 12/31/77. 11% for non-regulated lender **
MINNESOTA	8% N/L over \$100,000	8%	N/L				
MISSISSIPPI	10%	15% over \$2,500	15% over \$2,500				
MISSOURI	10%	10% N/L over \$5,000 (except agricultural loans)	N/L				

** Loans of \$100,000 or more to any party with a lien on other than a single family residence may agree in writing to any interest rate (until 12/31/77)

STATE	MAXIMUM CONTRACT RATE			EXCEPTIONS			COMMENTS
	INDIVIDUAL	UNINCORPORATED BUSINESS	CORPORATIONS	VA	FHA	CONVENTIONAL	
MONTANA	10%	✓ 10%	4% over Fed. Reserve rate 5% " " " " " 10% No limit over \$10,000 10%	8% 10% " " " " " " " "	which same greater on loans up to 750,000 " " " " " " " "	150M to 300M	
NEBRASKA	9%	9%	N/L				
NEVADA	12%	12%	12%				
NEW HAMPSHIRE	N/L	N/L	N/L				
NEW JERSEY	6-8% 6-9.5% for loans secured by one borrower- occupied 1-3 family dwell- ing	6-8%	N/L	X	X		Commissioner of Banking establishes the rate wit in the given ranges; currently it is 9.25% fo mortgages on a 1-3 fami residence and 8% for all others not falling withi another exception. N/L any loan over \$50,00 on other than a 1-3 fami residence

STATE	MAXIMUM CONTRACT RATE			EXCEPTIONS			COMMENTS
	INDIVIDUAL	UNINCORPORATED BUSINESS	CORPORATIONS	VA	FHA	CONVENTIONAL	
NEW MEXICO	10%	10%	N/L				12% Unsecured Loans
NEW YORK	5-8% ^{1/} N/L over \$250,000	5-8 ^{1/} N/L over \$250,000	N/L	X	X		Banking Board establishes the rate
NORTH CAROLINA	9% N/L over \$100,000	10% \$50,000 - \$100,000 12% \$100,000 - \$300,000 N/L over \$300,000	10% \$50,000 - \$100,000 12% \$100,000 - \$300,000 N/L over \$300,000				N/L Realty Loans (until June 30, 1975)
NORTH DAKOTA	Greater of 7% or 3% above maximum bank deposit rate (9-1/2%)	N/L over \$25,000	N/L				12% ceiling for S&Ls
OHIO	8%	8%	N/L				N/L any loan over \$100,000

^{1/}

Banking Board has additional authority to increase the rate to 8-1/2% upon determination, after holding public hearings, that the availability of credit, in particular the available supply of funds for conventional home mortgages, is inadequate. Authority exercised effective October 11, 1973. One to two-family home mortgage loans are subject to usury limits.

STATE USURY LAWS

STATE	MAXIMUM CONTRACT RATE			EXCEPTIONS			COMMENTS
	INDIVIDUAL	UNINCORPORATED BUSINESS	CORPORATIONS	VA	FHA	CONVENTIONAL	
OKLAHOMA	UCCC 18%	N/L	N/L				
OREGON	10%	10%	12%				N/L any loan over \$50,000
PENNSYLVANIA	6% N/L Unsecured loans over \$35,000 N/L any loan over \$50,000	N/L over \$10,000	N/L	X	X	X	Secretary of Banking s mortgage rate monthly 2-1/2% above monthly index of U. S. Governm Bond Yields.
RHODE ISLAND	21%	21%	21%				
SOUTH CAROLINA	8%	8%	N/L if Corp. has capital stock over \$40,000	X	X	X	9% realty loans up to \$50,000 10% all loans \$50,000 - \$100,000 12% all loans \$100,000 \$500,000 N/L all loans over \$500,

STATE	MAXIMUM CONTRACT RATE			EXCEPTIONS			COMMENTS
	INDIVIDUAL	UNINCORPORATED BUSINESS	CORPORATIONS	VA	FHA	CONVENTIONAL	
SOUTH DAKOTA	10%	10%	N/L				
TENNESSEE	10%	10%	10%				
TEXAS	10%	10%	18% over \$5,000				
UTAH	UCCC 18%	N/L	N/L				
VERMONT	8-1/2%	N/L 12%	N/L 12%	X	X		

STATE	MAXIMUM CONTRACT RATE			EXCEPTIONS			COMMENTS
	INDIVIDUAL	UNINCORPORATED BUSINESS	CORPORATIONS	VA	FHA	CONVENTIONAL	
VIRGINIA	8%	N/L over \$5,000	N/L	X	X	X	N/L Realty Loans
WASHINGTON	12%	12%	12%				N/L loans over \$100,000 to money lenders and re estate developers in Washington.
WEST VIRGINIA	8%	8%	N/L				9% Realty Loans (until July 1, 1975)
WISCONSIN	12%	12%	N/L				
WYOMING	UCCC 18%	N/L	N/L				1407
DISTRICT OF COLUMBIA	8%	8%	N/L	X	X		D.C. Council is autho- rized to exempt certain loans, and to change rat of interest. 10% residential mortgage loans