

MINUTES OF THE MEETING
BUSINESS AND INDUSTRY COMMITTEE
MONTANA STATE SENATE

January 24, 1983

The meeting of the Business and Industry Committee was called to order by Chairman Allen Kolstad on January 24, 1983, at 10:05 a.m., in Room 404, State Capitol.

ROLL CALL: All members of the Committee were present.

CONSIDERATION OF SENATE BILL 11: Senator Ed Smith, sponsor of the bill, stated he had proponents from the private sector, Farm Mutual Insurance and from the Commissioner's Office to present this bill. He pointed out the amendments he wanted in the bill.

PROPOSERS TO SENATE BILL 11: Terry Meagher, Chief Examiner, Montana Insurance Department, stated they are aware of this bill and do not oppose it.

Chet Ellingson, Flathead Farm Mutual Insurance Company, stated there are 8-10 farm mutual companies in the state. They would like to be able to put some assets into a liability insurance stock company where they would be the owners. They would operate under Montana laws that exist. This company would sell insurance to farm mutual members and to the public.

There were no further proponents and no opponents.

QUESTIONS FROM THE COMMITTEE: Senator Regan asked by putting some of your assets into a domestic carrier, will it allow you to sell liability and casualty insurance? Mr. Ellingson stated yes. Senator Regan asked if he could sell life insurance. Mr. Ellingson stated no. The other types of insurance he could sell would be surety and marine; however, they don't anticipate this growing into some big company.

Chairman Kolstad asked if they could carry credit life? Mr. Ellingson stated no.

Senator Regan asked how large are these companies? What is your capitalization? It seems this bill would greatly expand the powers you have to insure other things. Mr. Ellingson stated they have about 800 policyholders. They are talking about 3-4,000 people in the State of Montana that have been covered under these mutuals for many years. They would need \$800,000 to set up stock companies to handle liability. They think all stock companies would be just as conservative.

Senator Goodover asked does your company require that they pay a membership fee to get insurance? Mr. Ellingson stated when they are one of the insureds they are considered a member.

Senator Regan asked if she could buy insurance from them? Mr. Ellingson stated no, you would need to live in a rural community.

After the questions from the Committee, the hearing on Senate Bill 11 was closed.

CONSIDERATION OF HOUSE BILL 63: Senator Chris Christiaens, presented this bill for Representative Fabrega who was unable to attend the meeting. He stated that House Bill 63 changes the way finance charges are computed. Last session they lifted the usury ceiling on revolving credit and this current bill would make that permanent and give stores the opt of using: 1) the adjusted month end balance, 2) the average daily balance and 3) the average daily balance within a \$10.00 radius.

PROPOSERS TO HOUSE BILL 63: Gerald F. Raunig, Montana Auto Dealers Association stated they support House Bill 63. Two years ago they thought the removal of the ceiling would put competition back into business and that is exactly what it has done. For the first time in 23 years they are seeing car and truck loans below prime rate. He urged favorable consideration on House Bill 63.

Ralph Anderson, stated he was an auto dealer here in Helena. This bill was created to create competition and that is exactly what it has done. When they had the usury limits the down payments were very high and you had to have gold plated credit. Now the average Montanan is able to buy. He strongly urged passage of House Bill 63.

Samuel R. Noel, Executive Vice President, Bank of Montana System, Great Falls, stated they are the only bank in the State of Montana that owns their own credit card company. They have approximately 19,000 credit card holders holding both Master Charge and Visa. They have approximately \$3,700,000 of outstanding credit on those cards. The average charge is approximately \$42 and the average outstanding balance is approximately \$365. He feels limiting interest rates in this area would be a negative factor for our banks and installment loans and would be a disadvantage in the credit program. He fully supports House Bill 63.

George E. Allen, Montana Retail Association, stated he was a registered lobbyist for the Retail Association. His testimony is attached to the minutes. (Exhibit No. 1)

Gretchen Tea, Montana Bankers Association, stated she supported House Bill 63.

Irene Russell, Great Falls, stated she supported House Bill 63.

Senator Goodover stated two years ago when they removed the usury limits he was a co-sponsor of the bill. He feels there have been no abuses of the bill and urged support from the Committee for House Bill 63.

There were no further proponents and no opponents.

QUESTIONS FROM THE COMMITTEE: Senator Boylan stated he feels that by taking the usury limits off it has allowed people to get back

into business and that is where the competition is coming from.

Senator Fuller asked if they were adding two additional ways to compute interest? Mr. Allen stated in his association they have a lot of small stores that don't have computers. The interest rate will continue to be done on the month end balance. With the computers entering the market, it is figured on an average daily balance. The reason is to make it satisfactory to the needs of the larger companies that have the computer equipment and for the small stores that will need to figure it themselves.

Senator Regan stated they may say it is 18% but the average daily balance is actually 24%.

After the questions from the Committee, the hearing on House Bill 63 was closed.

CONSIDERATION OF HOUSE BILL 64: Senator Chris Christiaens presented this bill to the committee also in the absence of Representative Fabrega. It would remove usury limits on regulated lenders.

PROPOSERS TO HOUSE BILL 64: Jeffrey M. Kirkland, Vice President of Government and Community Relations, Montana Credit Union League, stated he supported House Bill 64. His testimony is attached to the minutes. (Exhibit No. 2)

Samuel R. Noel, Executive Vice President, Bank of Montana System, stated competition forced them to lower their rates. They did this on every one of their 15 banks. He feels if they limit the rate that can be charged it will drive away the source of capital for the consumer in the state. He supports removing any usury ceiling in the State of Montana.

John Cadby, Executive Vice President, Montana Bankers Association. His testimony is attached to the minutes. (Exhibit No. 3)

Senator Goodover stated he just wanted to go on the record supporting House Bill 64.

There were no further proponents and no opponents.

QUESTIONS FROM THE COMMITTEE: Senator Fuller asked how many states carry the usury limits on their state statutes? Mr. Cadby stated the trend now is to eliminate all ceilings and let the money market place dictate the ceiling.

After the questions from the Committee, the hearing on House Bill 64 was closed.

CONSIDERATION OF SENATE BILL 156: Senator Pat Goodover, sponsor of the bill, stated this bill was introduced by request. The bill was passed in the 1979 session; however, it has never developed in that period of time. This law has been repealed in all other states and Montana is the only state left. The bill removes the requirement that products liability insurers report the number of judgments and

verdicts against them.

PROPOSERS TO SENATE BILL 156: Bob James, Lobbyist for State Farm Insurance Company stated they asked that this bill be introduced. They are asking that the subsection be deleted because it serves no purpose. To get the total number of final verdicts or final judgments for defendants and plaintiffs is very time consuming. To get this information, the home office needs to request that information from the 26 offices and they need to manually go through the files that they have. This information is not computerized. Montana is the only state that requests this information. If the public wants that specific information, there is a number of regularly published verdict books and it is easily obtainable. He supported Senate Bill 156.

Terry Meagher, Chief Examiner, Montana Insurance Department, stated they support this bill. He presented a Products Liability Reporting Form to the Committee. (Exhibit No. 4) He stated the forms each year total approximately 450. As custodian of these forms, no one has ever looked at them. In his judgment, this form is totally useless in its entirety. He urged the Committee to support Senate Bill 156.

Glen Drake, Attorney, American Insurance Association, stated they are a group of approximately 150 casualty insurers. He doesn't know how many write products liability coverage, however, he does know the information that this form requests is unique to Montana and therefore is very expensive for the insurance companies to obtain and deliver to the State of Montana. He feels this is an added cost and apparently has no need. He urged the Committee to support Senate Bill 156.

There were no further proponents and no opponents.

QUESTIONS FROM THE COMMITTEE: Senator Lee asked if they were to eliminate subsection 8 would we need another bill? Staff Attorney, Greg Petesch, stated it would be necessary to delete the next two sections also. He could make a committee bill.

Senator Kolstad suggested that we hold this bill in Committee to wait for the committee bill.

Senator Goodover made a motion that we table this bill until we get the committee bill. After some discussion, Senator Goodover withdrew his motion.

Since there were no further questions, the hearing was closed on Senate Bill 156.

CONSIDERATION ON SENATE BILL 117: Senator Harold L. Dover, sponsor of the bill, presented the bill to the Committee. His testimony is attached to the minutes. (Exhibit No. 5)

PROPOSERS TO SENATE BILL 117: Chuck O'Reilly, Sheriff, Lewis and Clark County, representing Montana Sheriffs and Peace Officers Associ-

ation, stated that statewide they have two radio systems, low band which is for sheriffs and high band which is for police. They cannot communicate with the city police because of the two different bands. When they began getting involved in this, the amount of work was staggering when they had to decide who got what frequency. They contacted the FCC to determine what frequencies or channels they could have. They feel the Department of Administration is the proper place to conduct this. They should be able to look at it impartially. During the flood two years ago, they had to bring in radio systems and ham operators with their mobile units to relay messages. Had there been a public radio allocated system, they would have been coordinated. Their Association supports this bill very strongly.

Colonel Robert Landon, Highway Patrol, stated they are in favor of this legislation for the same reasons that Sheriff O'Reilly pointed out. He felt it was right for a state agency to be the coordinator.

Larry Peterson, Chief, Board of Crime Control, stated the Montana Board of Crime Control recommends that the statutory authority of the Department of Administration be amended to include responsibility for developing and maintaining a frequency allocation plan for the purpose of coordinating emergency public safety land-mobile communications.

John Neraas, Department of Administration, stated they have produced a summary document for the State of Montana. One of the major areas was the land mobile radio. He feels there must be frequency coordination at the state level. They would use a plan developed by the state. He stated he supported this bill.

There were no further proponents and no opponents.

QUESTIONS FROM THE COMMITTEE: Senator Lee asked if we pass this bill, will you be back next session asking for money to implement this system? Sheriff O'Reilly stated currently most jurisdictions are going to an 8-channel plan. As far as school buses or ambulances they would only need 2-3 channels maximum. The only thing they would have to purchase would be the crystals.

Senator Severson asked how many of your law enforcement officers have 8-channel radios? Sheriff O'Reilly stated he didn't know how many had 8-channel radios but he did know that those that are changing are going to the 8-channel radios.

Senator Goodover asked what the cost would be of replacing the low bands to high bands? Sheriff O'Reilly stated they are planning for one radio setting instead of two. Basically each individual locality could combine and reduce the cost.

Senator Goodover asked could they amend the bill to require consolidation? Sheriff O'Reilly stated that might be difficult to.

Senator Dover stated it is that the low bands are picking up so much skip that they are having them converted to high bands.

Senator Boylan asked how much is it going to cost to update all of the patrol cars? Colonel Landon stated they have updated 42 out of approximately 115 and they are in the process of converting from the low band to the high band. They have prepared in their budget plans to go on with this conversion.

Senator Boylan asked again how much do you think it will cost to update these vehicles? Senator Dover stated about \$1.3 million to cover the whole state.

Larry Peterson stated the main thrust and intent of this bill is to get a single agency to develop and maintain a frequency allocation plan.

Senator Lee stated the FCC does not take into account that these cars are going to go in a 100-mile radius. Larry Peterson stated the overall plan would allow the State to preselect frequencies and allow distribution of the frequencies and should eliminate duplication of frequencies. It is critical to make good use of the frequencies.

Senator Goodover asked if there were other bills from the Board of Crime Control? Mr. Peterson stated there is a bill, not to implement this plan, but to convert to high bands. The bill coming would be about \$4 1/2 million.

Senator Regan asked if this bill were to pass you could not mandate to have this frequency. Sheriff O'Reilly stated no.

After the questions from the Committee, the hearing was closed on Senate Bill 117.

ACTION ON SENATE BILL 11: Senator Regan made a motion that Staff Attorney, Greg Petesch, prepare the amendments and that the proposed amendments to Senate Bill 11 Be Adopted. Senator Lee seconded the motion. The Committee voted unanimously, by voice vote, that the proposed amendments to SENATE BILL 11 BE ADOPTED.

Senator Severson made a motion that Senate Bill 11 As Amended Do Pass. Senator Lee seconded the motion. The Committee voted 9-1, by voice vote, Senator Regan abstained, that SENATE BILL 11 AS AMENDED DO PASS.

ACTION ON SENATE BILL 117: Senator Regan made the motion that Staff Attorney, Greg Petesch, prepare the Statement of Intent on this bill and that Senate Bill 117 Do Pass. Senator Dover seconded the motion. The Committee voted unanimously, by voice vote, that SENATE BILL 117 DO PASS.

ACTION ON SENATE BILL 156: Senator Goodover made the motion that Senate Bill 156 Do Pass. Senator Dover seconded the motion. The Committee voted unanimously, by voice vote, that SENATE BILL 156 DO PASS. Senator Lee asked that Staff Attorney, Greg Petesch, prepare a Committee bill.

ACTION ON HOUSE BILL 63: Senator Regan asked that we hold House Bill 63 until Wednesday, January 26, 1983, at which time Executive

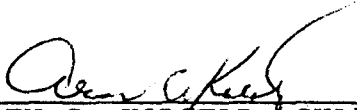
Action will be taken.

ACTION ON HOUSE BILL 64: Senator Regan made the motion that House Bill 64 Be Concurred In. Senator Dover seconded the motion. The Committee voted 9-1, by voice vote, Senator Boylan voting no, that HOUSE BILL 64 BE CONCURRED IN.

ACTION ON SENATE BILL 125: Staff Attorney, Greg Petesch, presented a proposed amendment to the Committee. (Exhibit No. 6) Senator Regan made the motion that the proposed amendment to Senate Bill 125 Be Adopted. Senator Lee seconded the motion. The Committee voted unanimously, by voice vote, that the proposed amendments to SENATE BILL 125 BE ADOPTED.

Senator Fuller made the motion that Senate Bill 125 As Amended Do Pass. Senator Lee seconded the motion. The Committee voted unanimously by voice vote, that SENATE BILL 125 AS AMENDED DO PASS.

ADJOURN: There being no further business, the meeting adjourned at 11:55 a.m.


ALLEN C. KOLSTAD, CHAIRMAN

STANDING COMMITTEE REPORT

January 24

19 83

MR. **PRESIDENT**

We, your committee on **BUSINESS AND INDUSTRY**

having had under consideration **SENATE** Bill No. **117**

Respectfully report as follows: That **SENATE** Bill No. **117**

DO PASS "Statement of Intent Attached"

A.C.

"Statement of Intent Senate Bill No. 117"

A Statement of Intent is required for this bill because it grants rulemaking authority to the Department of Administration in Section 3.

- 1) The Legislature intends that in developing a statewide frequency utilization plan, the Department address the following:
 - a) interagency communications,
 - b) a statewide mutual aid frequency; and
 - c) participation by state and local radio users.
- 2) The Legislature does not intend that rules adopted by the Department make entry into the plan by local government units mandatory.

STANDING COMMITTEE REPORT

January 25

19 83

MR. **PRESIDENT**

We, your committee on **BUSINESS AND INDUSTRY**

having had under consideration **SENATE** Bill No. **125**

Respectfully report as follows: That **SENATE** Bill No. **125**
be amended as follows:

1. Page 10, line 14.

Following: line 13

Insert: "Section 5. Code commissioner instruction. Whenever a reference to a "Montana development credit corporation" is contained in any new material enacted by the 48th Legislature, the code commissioner is instructed to delete the word "credit" from the reference for consistency with SB 125."

Renumber: subsequent section.

And, as so amended,

DO PASS

STANDING COMMITTEE REPORT

January 24

19 83

MR. **PRESIDENT**

We, your committee on **BUSINESS AND INDUSTRY**

having had under consideration **SENATE** Bill No. **156**

Respectfully report as follows: That **SENATE** Bill No. **156**

DO PASS

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STANDING COMMITTEE REPORT

January 24

19 83

MR. **PRESIDENT**

We, your committee on **BUSINESS AND INDUSTRY**

having had under consideration **HOUSE**

Bill No. **64**

FABREGA (CHRISTIAENS)

Respectfully report as follows: That **HOUSE**

Bill No. **64**

BE-CONCURRED IN

XXXXXX
DU PASS

Handwritten initials

Date: January 24, 1983

EXHIBIT NO. 1

Mr. Chairman and Members of the Committee:

My name is George Allen, registered lobbyist for the Montana Retail Association. I am here today in support of House Bill 63, which changes the way finance charges are computed.

During the last session the legislature lifted the ceiling on revolving credit, and it was also determined that finance charges must be computed on the adjusted month end balance.

The bill you have before you today gives the store the same three options that they had three years ago:

1. Adjusted month end balance.
2. Average daily balance.
3. An average daily balance within a \$10.00 radius.

Some companies that do business outside Montana have a real problem with our present law. As you know, we are in the computer age. Computers are programmed to charge a certain percentage rate. For example, in the Western states Idaho, Utah, Colorado, Wyoming, North Dakota and South Dakota, the interest rates are all computed the same way. But when they send their statements to Montana they find they must reprogram their computer to accomodate our billing law. This creates more expense that eventually gets past on to the consumer.

Computing finance charges on adjusted month end balance is an unfair method. Some of the credit card people have raised their finance charge from 18% to 21% just to stay even with what was generated two years ago.

For example: The moneys received through finance charges figured at 18% on an average daily balance, are just about the same as the moneys received on the finance charge figured at 21% based on an adjusted month end balance. This appears to our customers that we have raised our percentage rates. While it is true that the percentage rate is higher, it is not true that the actual moneys paid for the use of credit is higher. This is one example of well intended legislation that ends up confusing the customer.

For a businessman to extend credit he must consider three things:

1. His cost of borrowed money.
2. His cost of bad debts.
3. His cost of administration.

It is easy for someone to compare the New York prime rate of 11% or 12% or whatever it may be, with the interest rates charged by a business of 18% or 21% and feel the business is making a great profit when they are not.

When you consider the three factors that must be included in establishing a rate you can see a company is lucky if it breaks even. Very few companies in the West can borrow at the New York prime rate. We must pay "in house prime" at the local banks, which is almost always higher than the well publicized New York prime.

In the past two years Montana has had a deregulation of interest rates. We all wanted to know if the free interprize system works, would competition hold the line. To help us see the true picture of what has actually happened we wanted an independent, unbiased opinion. We hired John Krutar, Professor of Economics, Carroll College, to help us find some answers. His report is attached to my testimony. Attorneys and economists have one thing in common. They can write things and understand what they wrote, but sometimes the reader finds himself a little confused. Parts of this survey have the same problem. However, the facts that are presented are all factual and understandable.

One of the most important questions we were interested in (is your current finance charge an increase or decrease over that charged two years ago.)

Results show: 25% Increased
 6% decreased
 58% no change
 11% didn't know

As you can see, 25% indicated an increase over two years ago. The important thing to realize here is that the increase of all but two stores raised their interest rates from zero to 18%. Only two stores raised their interest rates

above 18%. The stores that raised from zero to 18% showed that they charged no interest rates previously. The majority -58% - showed no change. This indicates the system does work and we need no controls.

The survey also pointed out that most retailers would rather not extend credit at all, but find it necessary in order to survive. Moneys received on interest rates may not pay for expenses of hiring money, cover losses for bad credit, and pay for administration.

I'd like to call your attention to the last couple of sentences on the survey that say, "there has never been a period of time in recent history when general credit conditions have provided a more legitimate reason to adjust interest rate charges upwards. Perhaps Montana retail merchants are uncomfortable with charging their customers higher interest rates and prefer instead to utilize restrictive credit policies to survive the times."

As can readily be seen, deregulation of interest rates and how billing procedures affect the retailer are important issues. Each individual retailer needs to be able to choose which of the three options, as proposed by House Bill 63, will best benefit his business. House Bill 63 is an important bill and the retailers of Montana support it.

I'd like to give you a few highlights of the survey done by Mr. Krutar. He contacted ten different types of businesses in eighteen cities around Montana, asking seven specific questions regarding credit. The survey pointed out that after all the information was pulled together, the retail community did not abuse their new-found freedom in setting their own interest rates.

It is also important to point out to you that in order to continue offering credit to our customers, we need the flexibility that this bill gives us. We urge you to support House Bill 63.

Respectfully Submitted,

George E. Allen
Executive Vice-President
Montana Retail Association

1624 Broadway
Helena, MT 59601
December 23, 1982

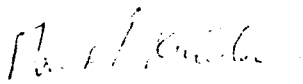
Mr. George Allen
Executive Director
Montana Retailers Association
34 West Sixth Street
Helena, MT 59601

Dear Mr. Allen:

Enclosed is a summary of results from the telephone survey I recently conducted to ascertain credit policies of Montana retailers. I am also enclosing the support documents including the original list of merchants, the random numbers program, and the actual questionnaire form.

If I can be of further assistance, please do not hesitate to contact me.

Sincerely,


Jon A. Krutar
Economist

Attachments

EXECUTIVE SUMMARY
ANALYSIS OF MONTANA RETAIL
MERCHANT CREDIT POLICIES

December, 1982

During mid-December, 1982, Montana retail merchants were called and asked seven questions regarding their retail credit policies. The summary results are provided for the fifty merchants who were randomly selected from a list of 153 names provided by the Montana Retailers Association.

I. Do you extend credit?

Yes	96%
No	4%

II. Do you use a finance charge for your credit accounts?

Yes	75%
No	25%

III. What is your annual percentage rate finance charge?

<u>Rate</u>	<u>Percentage of Respondents</u>
17%	3%
18%	6%
21%	3%
22%	3%
24%	5%
Do not know or would not reveal	17%

IV. Is your current finance charge an increase or decrease from two years ago?

Increase	25%
Decrease	6%
No change	58%
Don't know	11%

V. Has the number of your charge accounts changed during the past two years?

Increase	22%
Decrease	38%
No change	36%
Don't know	4%

VI. Are you currently extending credit to new customers?

Yes	78%
No	22%

VII. Do you have any additional comments about retail credit in general?

Yes	56%
No	44%

Summary of Findings

The seven questions were asked of randomly selected Montana retailers in order to ascertain present credit policies and to determine if there have been significant changes in lending behavior as a result of recent legisla-

tion which removed finance charge ceilings. Unfortunately, in this case, as in all cases of economic research, other factors change as well and a completely controlled experiment is impossible. More specifically, the general deterioration of the economy over the past two years has obviously affected retail merchants' credit policies. Montana merchants, like those across the nation, have been struggling for survival in an environment of mounting uncollectible retail accounts on one side of the balance sheet and more stringent and expensive wholesale credit requirements on the other side.

The results of the survey suggest that while merchants have reacted to the dismal economy and tight credit markets by scrutinizing their lending policies more carefully, they continue to accept the extension of credit as a necessary requisite for survival in the present business climate; and, do not view it as part of their revenue-generating operations.

Even in the best of times, retail merchants must allocate what they view as a reasonable amount of credit among those requesting it. Basically, there are two ways of doing so: ration by relying on traditional credit standards and ration by adjusting finance charges. As indicated by the respondents' answers to the questions as well as specific comments, Montana retailers have been using both techniques. Three-fourths of those extending credit are using finance charges. Only eleven

percent are charging more than 18% and over two-thirds of the sample favored the 18% rate.

There has never been a period of time in recent history when general credit conditions have provided a more legitimate reason to increase interest rate charges. Yet, only a quarter of those using finance charges have upwardly adjusted their rate. Over half of these have just recently implemented a change. The data and comments suggest that, in weathering the current recession, Montana retailers have relied more heavily on adjusting credit standards than upon changing their finance charges. It is impossible to discern whether this reaction has been one of conducting business as usual with the old finance charge or a reluctance to change because of a commonly-held perception of a "just" rate. Since Montana merchants had previously faced finance charge ceilings, it is possible they have failed to respond to the opportunity to alter their rates because of ignorance of the new law or out of sheer habit. Whatever the reason, the recent business and credit environment has certainly been conducive to more active rate adjustments.

HOUSE BILL 64
TESTIMONY OF JEFFRY M. KIRKLAND
VICE PRESIDENT-GOVERNMENTAL RELATIONS
MONTANA CREDIT UNIONS LEAGUE

BEFORE THE SENATE BUSINESS & INDUSTRY COMMITTEE
ON MONDAY, 24 JANUARY 1983

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, FOR THE RECORD I AM JEFF KIRKLAND, VICE PRESIDENT-GOVERNMENTAL & COMMUNITY RELATIONS FOR THE MONTANA CREDIT UNIONS LEAGUE. OUR LEAGUE IS A TRADE ASSOCIATION REPRESENTING 118 OF THE 121 CREDIT UNIONS IN MONTANA. NINETY-FOUR ARE FEDERALLY-CHARTERED, AND 24 ARE STATE-CHARTERED.

ALTHOUGH HOUSE BILL 64 WOULD AFFECT ONLY OUR 24 STATE-CHARTERED CREDIT UNIONS, THE ENTIRE CREDIT UNION MOVEMENT IN MONTANA WHOLEHEARTEDLY SUPPORTS PASSAGE OF THE BILL. WE JOIN WITH THE OTHER REGULATED LENDERS HERE TODAY IN SUPPORT OF THE BILL, SINCE WE BELIEVE THAT THERE IS INDUSTRY-WIDE NEED FOR RELIEF FROM ARTIFICIALLY-IMPOSED USURY CEILINGS.

TWO YEARS AGO, CREDIT UNIONS AND OTHER REGULATED LENDERS ASKED THE LEGISLATURE TO REMOVE OUR USURY CEILINGS, ARGUING THAT INCREASING FINANCIAL AWARENESS OF CONSUMERS AND NATURAL COMPETITION AMONG LENDERS WOULD PRECLUDE UNJUSTIFIABLE INTEREST RATES. IN RESPONSE, THE LEGISLATURE OVERWHELMINGLY PASSED HOUSE BILL 238, A BILL THAT SUSPENDED THE USURY CEILINGS OF ALL REGULATED LENDERS FOR A LITTLE OVER A TWO-YEAR PERIOD, UNTIL 1 JULY 1983.

THOSE OF YOU WHO WERE MEMBERS OF THIS COMMITTEE LAST SESSION WILL RECALL THAT THE ORIGINAL BILL CALLED FOR PERMANENT RE-

MOVAL OF THOSE USURY CEILINGS, AND THAT IS THE WAY THE BILL WAS REPORTED OUT OF THE HOUSE BUSINESS & INDUSTRY COMMITTEE AND HOW IT PASSED THE HOUSE BY A VOTE OF 94-3.

HOWEVER, WHEN THE BILL WAS ACTED ON BY THE SENATE, THE SENATE DID NOT SEEM TO BE COMPLETELY CONVINCED THAT ABUSES WOULD NOT OCCUR AND THAT LENDERS WOULD NOT RAISE RATES UNJUSTIFIABLY HIGH TO THE DETRIMENT OF CONSUMERS. THEREFORE, THE BILL WAS AMENDED IN THE SENATE TO SUSPEND USURY CEILINGS UNTIL 1 JULY 1983.

IF THE PURPOSE OF THE AMENDMENT WAS TO PROVIDE BOTH THE LEGISLATURE AND THE LENDING COMMUNITY A TWO-YEAR TRIAL PERIOD IN WHICH TO ASSESS THE RESULTS OF THE ABSENCE OF USURY CEILINGS, I FIRMLY BELIEVE THAT CREDIT UNIONS--AND THE OTHER REGULATED LENDERS, FOR THAT MATTER--HAVE PASSED THE TEST WITH FLYING COLORS!

OBVIOUSLY, SOME RATES HAVE INCREASED OVER THE PAST TWO YEARS FROM WHAT THEY WERE PRIOR TO THE 6 APRIL 1981 EFFECTIVE DATE OF THE LEGISLATION. THAT WAS TO BE EXPECTED, PARTICULARLY FOR OUR STATE-CHARTERED CREDIT UNIONS WHOSE USURY CEILING PRIOR TO PASSAGE OF THE LEGISLATION WAS 15%. HOWEVER, WHAT I FIND TO BE OF MUCH MORE INTEREST IS THAT MANY OF THOSE RATES THAT WERE INITIALLY INCREASED HAVE ALSO DECREASED DURING THE TWO YEARS AS CREDIT UNIONS ADJUSTED THEIR RATES IN RESPONSE TO RAPID AND SOMETIMES WILD FLUCTUATIONS IN THE MONEY MARKET AND TO COMPETITIVE PRESSURES.

FOR EXAMPLE, ONE CREDIT UNION IMMEDIATELY RAISED ITS RATE ON LOANS COLLATERALIZED WITH HOUSEHOLD GOODS--WHICH, INCIDENTALLY, THE FEDERAL BANKRUPTCY CODE OF 1978 MAKES PRACTICALLY WORTHLESS AS COLLATERAL AND THEREFORE MORE RISKY--TO 24%. HOWEVER, LESS THAN A YEAR LATER, THE CREDIT UNION LOWERED ITS RATE ON THAT TYPE OF

LOAN TO THE CURRENT 18%. INTERESTINGLY, THAT SAME CREDIT UNION CHARGED 15% ON SHARE-SECURED (SAVINGS ACCOUNT-SECURED) LOANS BOTH PRIOR TO AND AFTER PASSAGE OF HOUSE BILL 238. IT SUBSEQUENTLY LOWERED THAT RATE TO THE CURRENT 9%.

YEARS AGO, USURY CEILINGS COULD BE ESTABLISHED BY THE LEGISLATURE WITH LITTLE WORRY THAT THEY MIGHT BECOME OUTDATED BEFORE IT CONVENED AGAIN IN TWO YEARS. TODAY, THAT IS NOT THE CASE. CREDIT UNIONS AND OTHER LENDERS NEED THE FLEXIBILITY TO BE ABLE TO ADJUST RATES IN RESPONSE TO RAPIDLY CHANGING FACTORS: COST OF FUNDS (SAVINGS), COST OF BORROWED FUNDS, AND COMPETITION FROM FINANCIAL AND NON-FINANCIAL INTERMEDIARIES.

HOUSE BILL 64, BY PERMANENTLY REMOVING USURY CEILINGS, WILL PROVIDE CREDIT UNIONS AND OTHER LENDERS THE NECESSARY FLEXIBILITY TO TAILOR LENDING RATES TO CURRENT MARKET CONDITIONS. IN OUR CASE, IN TODAY'S ECONOMIC CLIMATE, WERE OUR USURY CEILING TO REVERT TO THE 15% IT WAS PRIOR TO 6 APRIL 1981, MANY OF OUR STATE-CHARTERED CREDIT UNIONS WOULD HAVE TO CURTAIL MOST, IF NOT ALL, LENDING ACTIVITY TO THE DETRIMENT OF MANY WHO NEED CREDIT MOST.

AND THE ABSENCE OF USURY CEILINGS WILL BECOME EVEN MORE CRITICAL IN THE FUTURE. OVER THE PAST THREE YEARS, CONGRESS HAS INCREASINGLY DEREGULATED THE CEILING RATES FINANCIAL INSTITUTIONS CAN PAY SAVERS FOR PASSBOOK SAVINGS, CERTIFICATES, AND SPECIAL MONEY MARKET ACCOUNTS. AS THE SAVINGS-RATE CEILINGS COME OFF, THE COMPETITION FOR THE SAVER'S DOLLAR HEATS UP--WHICH MEANS THAT CREDIT UNIONS ARE PAYING INCREASINGLY HIGHER RATES FOR WHAT WE'VE BEGUN CALLING "RATE SENSITIVE" FUNDS.

AS LITTLE AS FOUR YEARS AGO, MOST CREDIT UNIONS ONLY OFFERED

ONE SAVINGS RATE--THE BASIC PASSBOOK RATE. THAT RATE HAD A CEILING OF 7%. THERE ARE STILL CREDIT UNIONS IN MONTANA THAT OFFER ONLY ONE SAVINGS RATE, BUT THE FLOOR RATE TODAY TENDS TO BE 7%--WITH SOME CREDIT UNIONS PAYING AS HIGH AS 10%. MOST CREDIT UNIONS, HOWEVER, HAVE HAD TO BEGIN OFFERING HIGHER-YIELDING ACCOUNTS TO RETAIN MEMBERS WHO WANT TO EARN MORE THAN JUST A PASSBOOK RATE ON THEIR SAVINGS. WE HAVE CREDIT UNIONS IN MONTANA THAT HAVE UP TO 73% OF THEIR TOTAL SHARES (SAVINGS) NOW IN "RATE SENSITIVE" FUNDS. AND WITH FURTHER DEREGULATION, MORE AND MORE SAVERS' DOLLARS WILL BE LEAVING LOWER-YIELDING PASSBOOK ACCOUNTS AND GOING INTO HIGHER-YIELDING "RATE SENSITIVE" ACCOUNTS.

THAT IS CERTAINLY GOOD FOR THE SAVER, BUT CREDIT UNIONS AND OTHER FINANCIAL INSTITUTIONS USE INCOME GENERATED FROM LOANS TO PAY INTEREST (CREDIT UNIONS CALL IT "DIVIDENDS") ON SAVINGS. AS SAVINGS RATES INCREASE, SOME LOAN RATES MUST INEVITABLY INCREASE TO COMPENSATE. THE EXISTENCE OF ARTIFICIALLY-IMPOSED USURY CEILINGS MAY WELL RENDER IRREPARABLE HARM TO THE FINANCIAL INSTITUTION THAT HAS TO PAY EVER HIGHER RATES FOR SAVINGS BUT UNABLE TO CHARGE ENOUGH FOR LOANS TO PAY THOSE SAVINGS RATES.

THE CONCEPT OF USURY CEILINGS AROSE HUNDREDS OF YEARS AGO WHEN THE USE OF CREDIT WAS RELATIVELY RARE AND WHEN THERE WAS NOT ENOUGH CONSUMER LEVERAGE NOR ENOUGH COMPETITION TO EFFECTIVELY REGULATE LENDING RATES. TODAY, HOWEVER, THERE IS NO NEED FOR ARTIFICIAL USURY CEILINGS, FOR WHAT THE MARKET GIVETH, THE MARKET CAN ALSO TAKE AWAY. THAT IS, COMPETITION AMONG LENDERS TODAY IS A MAJOR FACTOR IN DETERMINING RATES CHARGED ON LOANS. ONE STATE-CHARTERED CREDIT UNION RECENTLY HAD TO DECREASE ITS NEW CAR LOAN RATE FROM 15% TO 13% TO COMPETE IN ITS COMMUNITY.

COMPETITION IS A POWERFUL FORCE IN OUR INDUSTRY, FOR IF FEWER MEMBERS BORROW FROM THE CREDIT UNION, CREDIT UNION EARNINGS DECREASE. SO THE RATE MUST COME DOWN TO MEET THAT OF THE COMPETITION IF AT ALL POSSIBLE. THAT TYPE OF COMPETITIVE INTERACTION AND NOT USURY CEILINGS HELPS DETERMINE ACCEPTABLE LEVELS FOR LENDING RATES.

TO MY KNOWLEDGE, FROM A SURVEY WE TOOK IN LATE DECEMBER, 19% IS THE HIGHEST RATE BEING CHARGED FOR A LOAN BY A STATE-CHARTERED CREDIT UNION, AND THAT IS FOR AN UNSECURED SIGNATURE LOAN. THE LOWEST RATE IS 9%, AND THAT IS FOR A SHARE-SECURED LOAN. THE REMAINDER OF RATES TEND TO FALL IN THE 12%, 15%, AND 18% CATEGORIES, WITH THE HIGHER RATES BEING CHARGED FOR LOANS OF GREATER RISK.

OBVIOUSLY, CREDIT UNIONS HAVE PROVEN BOTH TO THEIR MEMBERS AND TO THE LEGISLATURE THAT THEY ARE RESPONSIBLE LENDERS--EVEN THOUGH THERE HAS BEEN NO USURY CEILING TO RESTRICT THEM.

IN CONCLUSION, THERE IS A DEFINITE NEED TO ADDRESS THE PERMANENT REMOVAL OF USURY CEILINGS FOR CREDIT UNIONS AND OTHER REGULATED LENDERS. LENDERS NEED THE FLEXIBILITY TO ADJUST THEIR RATES IN RESPONSE TO CHANGES IN THEIR COST OF FUNDS, PARTICULARLY IN LIGHT OF FURTHER SAVINGS RATE DEREGULATION AND INCREASING COMPETITION FOR THE SAVERS' DOLLARS BY NON-FINANCIAL AND NON-REGULATED INTERMEDIARIES SUCH AS MONEY MARKET MUTUAL FUNDS, SEARS, AND THE FORD MOTOR COMPANY TO NAME JUST A FEW.

SINCE CEILINGS HAVE THE EFFECT OF CURTAILING THAT FLEXIBILITY AND IN DOING SO MAKING CREDIT MORE DIFFICULT TO OBTAIN FOR THOSE WHO MOST NEED CREDIT AT RELATIVELY REASONABLE RATES, WE URGE THAT THIS COMMITTEE RECOMMEND THAT HOUSE BILL 64 DO PASS.

Date: January 24, 1983
Exhibit No. 3

MONTANA BANKERS ASSOCIATION

Testimony on House Bill 64

Senate Business and Industry Committee

10:00 a.m.
Room 404

Monday
January 24, 1983

Mr. Chairman and Members of the Committee:

My name is John Cadby. I am executive vice president of the Montana Bankers Association. Our association consists of large and small, independent and system, state and national, city and rural, or approximately 98% of all banks in the state of Montana. In their behalf, we thank you for giving us this opportunity to speak in support of House Bill 64.

A multitude of studies have been made on interest rate ceilings. From the attached study are the conclusions by Donna Vandenbrink, an economist for the Federal Reserve Bank of Chicago:

"Economic research clearly supports the current legislative moves toward deregulation of usury ceilings. The evidence on the impact of usury ceilings shows that they have not achieved their objectives. According to the empirical studies surveyed, usury ceilings have significantly reduced the availability of credit and created hardships for those who were supposed to be protected. Ceilings have encouraged lenders to use such credit rationing devices as higher down payments, shorter maturities, and higher fees for related noncredit services, which increase the effective interest rate. They have curtailed the amount of credit available to lower income borrowers, harming primarily those individuals whom the ceilings are intended to benefit. Finally, the lack of uniformity of usury laws across states has distorted credit flows and economic activity, favoring those states and regions which are less regulated".

We have additional studies on the subject of interest rates by experts throughout the nation, if the committee would like more information on the subject. Virtually every study reaches the same conclusions and supports the position taken by the 1981 Legislature in exempting financial institutions from interest rate ceilings. We urge passage of HB 64 to permanently remove these ceilings for the betterment of Montana's economy.

The effects of usury ceilings

Donna Vandenbrink

Regulations designed to prevent usury, or the taking of "excessive" interest, have been debated from the time of Moses. Today, as a result of a prolonged period of high inflation, record interest rates, and sluggish economic growth, the usury ceilings in effect in many states are the center of controversy. Are the critics of these usury ceilings simply speaking out of self-interest when they argue that interest rate ceilings work to consumers' disadvantage by restricting credit flows and disprotect consumers from abusive lending practices and enable them to obtain loans at reasonable rates, as their advocates claim?

Recent legislation, at both the federal and state levels, has been in the direction of relaxing interest rate controls. The 1980 Depository Institutions Deregulation and Monetary Control Act overrode state interest ceilings on some categories of loans, and additional federal action may be forthcoming. At the same time, many state legislatures have revised their usury statutes. In large part, these recent changes in usury regulation have been in response to the current economic situation. But is deregulation of usury ceilings desirable? And if it is desirable, should it be left to the states or is it best accomplished by federal preemption? This article surveys the economic research on usury ceilings in order to help answer these questions.

Usury ceilings in a competitive market: the theoretical arguments

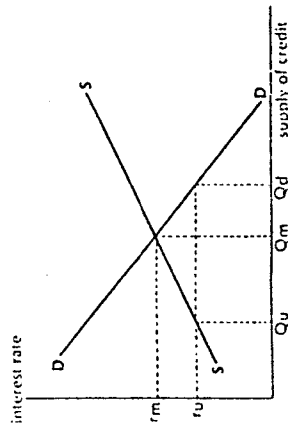
In economic theory, the credit market is viewed like any other market. There are buyers (borrowers) and sellers (lenders) of

¹For a simple theoretical treatment of usury ceilings see Chapter 9 in James Van Horne [25]. For a more advanced discussion see Rudolph C. Bittz and Clifford E. Long [2].

credit; the price of credit is the interest rate. The credit market is easily represented in a conventional supply and demand diagram (see figure). The demand curve indicates the amount of credit borrowers are willing to purchase at various prices (interest rates). The supply curve indicates how lenders' marginal cost of funds varies with the amount of credit supplied and, thus, the amount of credit they are willing to grant at various interest rates, assuming the market is competitive. According to theory, borrowers and lenders will eventually establish an equilibrium in the market at a price which just balances the supply and demand for credit. We can call this price the market rate of interest. Such a rate is shown as r_m .

Usury laws stipulate a maximum rate of interest which lenders may legally charge. When a usury law is introduced, it may alter the way in which both price and quantity are determined in the credit market. Exactly what happens depends on the level of the usury ceiling relative to the market rate. When the legal ceiling is above the market rate of interest (r_m), the law has no effect at all. The

The effects of a binding usury ceiling



market forces of supply and demand are unconstrained by the usury ceiling, and the equilibrium price and quantity of credit are unchanged. However, when the legal ceiling is below r_m , the regulation does affect the market outcome. Such a usury ceiling, like the rate r_u in the figure, is said to be binding or effective.² A binding ceiling obviously alters the price of credit—the ceiling rate becomes the rate of interest charged. Therefore, if the market rate r_m were considered too high, a usury ceiling of r_u would lower the rate of interest for those borrowers who were able to obtain credit.

However, establishing a lower-than-market interest rate by means of a usury ceiling will also bring about a decrease in the quantity of credit supplied. Given lenders' costs (as reflected in the supply curve shown in the figure), the most credit which they will provide when the interest rate is held down to r_u is Q_u . Therefore, the binding usury ceiling will lead to a reduction from Q_m to Q_u in the amount of credit supplied. Furthermore, in contrast to the situation in the unregulated market, this amount of credit will not satisfy all those who are willing to borrow at the ceiling price. The usury ceiling creates a situation of excess demand with borrowers seeking an amount of credit, Q_d , that exceeds the amount supplied by lenders, Q_u . Borrowers are prevented by the ceiling from bidding to obtain more credit and lenders will not provide any more credit at the legal maximum interest rate. Thus, at the legal ceiling price the reduced amount of credit must be rationed among borrowers by some means other than price.

The important implication of this straightforward supply-demand analysis is that usury laws can succeed in holding interest rates below their market levels only at the expense of reducing the supply of credit to borrowers.

²What has happened in many states over the last decade is that for various economic reasons, market interest rates have risen above what were initially non-binding statutory ceilings. While the ceilings always existed, only recently have they begun to impinge on the market.

The effect of usury ceilings on the quantity of credit supplied: the evidence

Potential borrowers would surely find it less than desirable if binding interest rate ceilings did have the predicted effect on the supply of credit. In order to test this predicted relationship and to measure its importance, investigators have examined a number of different credit markets.

Because commercial loans are usually exempt from state usury ceilings, there have not been many studies of the effects of usury ceilings on commercial lending. In one of the few such studies, Robert Keleher of the Federal Reserve Bank of Atlanta [9] determined that banks in Tennessee extended fewer commercial loans the further market interest rates rose above the state's 10 percent usury ceiling.³

More widely studied has been the mortgage market, where binding usury ceilings also have been found to have very restrictive effects on credit supplies. The Federal Reserve Bank of Minneapolis [3, 20] analyzed Minnesota's experience with an 8 percent usury ceiling on conventional home mortgages. In this case, the usury ceiling had a significant impact on the composition of mortgage credit even though the total volume of mortgage lending apparently was unaffected. The Minneapolis study found that when market rates climbed to between 9 and 10 percent in 1973-74, home financing in Minnesota shifted substantially from conventional mortgages that were subject to the ceiling to FHA or VA loans that were exempt from the ceiling. About 40 percent of all new mortgage loans issued in the state in late 1974 were FHA-insured, almost double the usual share, and conventional mortgages were virtually unavailable in the Twin Cities.

More formal analyses of the effect of

³The exceptions were loans to nondurable and durable manufacturing and loans to service industries. Keleher speculates that these loans were not adversely affected by the ceiling because of previous commitments, strong customer relationships, and nonprice rationing.

usury ceilings on the supply of mortgage credit were carried out by James Ostas [16], Philip Robins [19], and James McNulty [12]. Ostas and Robins approached the issue indirectly, looking at the impact of ceilings on home building rather than on mortgage lending. Ostas estimated that the number of authorized housing permits fell by 11 to 19 percent for every one percentage point that the market rate was above the usury ceiling. Robins found that for each percentage point by which market rates exceeded usury limits, single-family housing construction was reduced by 16 percent. Looking directly at mortgage lending, McNulty found that usury ceilings have an impact on the supply of credit even before the average market rate hits the ceiling. He estimated that as the average market rate rose from a point below, but still close to the ceiling, mortgage lending was lowered 7.5 to 12.5 percent for each 1 percentage point rise in the market rate relative to the ceiling.⁴

Usury ceilings appear to have some adverse effect on the supply of consumer credit as well. In a technical study for the National Commission on Consumer Finance (NCCF), Robert Shay [21] found that state usury ceilings had a small but statistically significant negative effect on the number of consumer loans extended. Each 1 percentage point decrease in the usury ceiling on small loans was associated with 18 fewer loans per 10,000 families.⁵ In addition, Shay found that lower rate ceilings were associated with fewer new auto loans. However, he found no significant effect on the supply of credit to purchase other consumer goods (mobile homes, boats, aircraft, and recreational vehicles).

⁴Despite finding this impact on the number of loans extended, McNulty did not find that Georgia's ceiling had a significant impact on housing construction. McNulty believes this was because Georgia's ceiling was only moderately, and briefly, restrictive during the period under study.

⁵Shay also found a positive but insignificant relationship between the dollar volume of loan extensions and usury ceilings. If the average size of each loan were to rise while the number of loans fell, the usury ceiling might not affect the total dollar volume of loans extended.

achieve a higher effective return on the smaller amount of credit they will offer. For example, by such means as strengthening loan terms, adjusting borrower-screening criteria, or increasing noninterest fees and charges, lenders may be able to skirt the impact of usury ceilings on their overall profitability. It is important to consider how these strategies affect the borrowing public.

As pointed out above, under binding usury ceilings borrowers demand more credit than lenders are willing to provide. This requires lenders to rely on nonprice means to allocate credit among potential borrowers. Many of the strategies lenders are likely to follow in this situation can be expected to concentrate the impact of usury ceilings on certain borrowers. For example, making loan terms more stringent reallocates credit away from those who are unable to afford larger down payments or the larger monthly payments necessitated by shorter maturities and higher minimum loan size. Determining credit-worthiness according to individual borrower characteristics rations credit away from high-risk consumers who might be willing to pay higher-than-ceiling rates. Finally, adding noninterest charges eliminates from the market those for whom these extra costs are too great.

By encouraging these lending practices, usury ceilings may fail to give consumers the protection and benefits which they were intended to provide. For example, usury laws may work against the goal of ensuring that credit is available to small, inexperienced borrowers. When lenders ration credit by some means other than price, small borrowers, low-income borrowers, and high-risk borrowers are likely to find it more difficult to obtain credit. Prime borrowers, on the other hand, may obtain even more credit than they would have at normal market interest rates. Furthermore, when lenders institute noninterest charges to compensate for interest rate ceilings, they effectively raise the cost of credit for the successful borrower. This means that, while a ceiling may reduce the explicit price of credit (the interest rate), it may not

result in lower overall costs of borrowing even for those able to obtain loans. The non-interest charges also make it more complicated for customers to comprehend the total cost of borrowing and make it more difficult to make well-informed credit decisions.

These lending practices and their undesirable consequences may exist in the absence of interest rate ceilings. However, some empirical studies have found that the extent to which these devices are used is influenced by the restrictiveness of usury laws. Several studies have established that loan terms do become less favorable to borrowers when usury ceilings become more restrictive. For example, the Minneapolis Federal Reserve Bank [3, 20] found that during one period when Minnesota's ceiling on mortgage loans was binding, the average maturity of conventional mortgages in the Minneapolis-St. Paul SMSA fell significantly. The same study found that required down payments increased much more sharply in the Twin Cities compared with SMSAs not subject to binding usury ceilings. Similarly, according to the New York State Banking Department [10], down payment requirements increased and maximum maturities decreased during the 1974 credit crunch when market interest rates rose above New York's 8.5 percent ceiling on mortgage loans.

Phaup and Hinton [18] actually measured the magnitudes of the changes in noninterest mortgage terms due to New York's usury ceiling. Using data on new mortgage lending for single-family dwellings in Schenectady, New York for 1961 through 1976, they estimated that for each 1 percentage point the market rate rose above the usury ceiling, there was a 4 percent shortening of mortgage maturities and an 8 percent decline in loan-to-value ratios.⁶

Peterson's study [17] indicated that usury ceilings have similar impacts on noninterest loan terms in the consumer credit market.

⁶Ostas also found mortgage down payments were larger and maturities shorter, the more binding the usury ceiling. The maturity effect, however, was not statistically significant.

This study found that maturities of auto loans in Arkansas were shorter than in states with less restrictive usury laws. In addition, the average minimum size for personal loans at commercial banks and credit unions was 2.5 times larger in Arkansas than in other states covered by the study. Peterson found that Arkansas lenders charged higher fees for mortgage credit investigations and appraisal than did lenders in other states with less restrictive interest rate ceilings. Arkansas residents also paid higher charges for checking accounts and overdrafts. (Moreover, retailers faced bigger discounts and less desirable terms when selling their retail credit contracts to other creditors.)

Empirical research has also tended to confirm the expectation that the burden of usury ceilings falls unevenly on the borrowing public. The availability of credit to certain groups of borrowers appears to depend on the restrictiveness of usury ceilings. Peterson, for example, found that cash credit was significantly less available to low-income and high-risk borrowers when usury ceilings were more restrictive. The lowest income group and the three highest risk groups of consumers in Arkansas obtained a larger proportion of their credit from point-of-sale sources than in other states in the study with more liberal interest rate ceilings. In their study of the Schenectady, New York mortgage market, Phaup and Hinton [18] found that lower income areas felt the impact of usury regulations on mortgage lending activity more than other areas. They found that mortgage activity in census tracts of the lowest economic stratum was more sensitive to the usury ceiling and to noninterest credit terms than mortgage lending in tracts characterized by higher economic status. Johnson and Sullivan [8] found that Massachusetts' lowered ceiling had a greater impact on the availability of small regulated loans than of large ones, particularly at small, local finance companies. They concluded that less prosperous consumers who needed and could afford only small loans "were progressively excluded from this portion of the legal cash loan market" (p. 14).

borrowers. Usury ceilings also affect consumers and the economy in a more general way. This broader impact is a consequence of the particular way in which interest rate regulation has been implemented in the United States.

Diversity of usury ceilings. Since colonial times, the responsibility for regulating interest rates on credit has rested with the states. As credit markets have evolved since that time, states have developed complex sets of statutes which apply to specific types of lenders and specific types of credit, often with different limits depending on the size of the loan. As a result, there is great diversity in the coverage of interest rate ceilings within individual states.⁷ Furthermore, there is also great diversity in ceiling rates and coverage across states.

These legal arrangements have important implications for the economic impact of usury ceilings. Lack of uniformity of limits and coverage means that some forms of credit are constrained by ceilings while others are not. Under these circumstances, lenders will want to shift their portfolios into loan categories which are not subject to binding ceilings.⁸

State-imposed usury laws establish interest rate ceilings on credit extended to borrowers within a particular state. But, since credit markets are not confined by state boundaries, lenders may find it more attractive to extend credit across state lines to borrowers in states which offer less constraining

⁷A 1981 listing by the Financial Institutions Bureau of the Michigan State Department of Commerce contains 25 different loan categories subject to interest rate ceilings imposed by state law. The effective maximum rates ranged from 5 percent on personal loans by individuals for nonbusiness purposes to 36 percent on loans by pawnbrokers. A 1980 survey of low usury laws summarized that state's current interest rate ceilings under 9 categories, with maximum permitted rates ranging from 5 percent (the legal rate) to 36 percent (the maximum rate on the first \$500 of a loan by a chattel loan licensee).

⁸For example, according to an article in *Business Week*, March 22, 1982, finance companies are switching emphasis from consumer lending to commercial lending in part because commercial loans are generally exempt from usury regulation while consumer loan charges are not.

usury laws. Thus, interstate differences in limits and coverage will distort the geographic distribution of credit and alter the allocation of funds to credit-sensitive economic activities.

Many of the studies cited previously provide implicit support for the notion that the diversity of usury ceilings among states affects the geographic distribution of credit. Studies comparing loan volumes across states with different usury ceilings suggest also that credit availability varies among states depending on the restrictiveness of their usury ceilings.

A study by the staff of the New York State Banking Department [10] shows somewhat more directly how credit flows away from states with restrictive usury ceilings. The study found that during the period 1966 to 1974, when national mortgage market rates were almost continuously above New York's usury ceiling, savings and loans in New York increased their proportion of out-of-state mortgage holdings from 6.5 percent to over 18 percent. Over the same period, in-state conventional mortgage holdings by these institutions fell from 67 percent of total assets to 47 percent and from 75 percent of total mortgages to 57 percent. Clearly, New York State S&Ls responded to the ceiling which bound in-state conventional mortgage rates by increasing their relative holdings of uncovered loan categories, including out-of-state mortgages.⁹

In the long run, state differentials in usury ceilings may even influence the location of suppliers of credit and of credit-sensitive economic activities. Arkansas, which had a low, comprehensive 10 percent usury ceiling, provides several examples of the locational effects. There are no consumer finance

⁹Savings banks and state-chartered commercial banks did not exhibit the same large, steady increase in the proportion of out-of-state mortgage holdings. However, New York State savings banks already held almost one-half of their mortgages on out-of-state properties. Furthermore, in-state conventional mortgages, those subject to the ceiling, comprised very small proportions of the total assets of savings banks (approximately 12 percent) and commercial banks (approximately 2 percent) compared with S&Ls.

How ceilings vary among Seventh District states

	First mortgage	New auto loan	Bank credit card	Unsecured personal installment loan*
Illinois	No limit by state law	No limit	No limit	No limit
Indiana	No limit by state law	No limit	2 1/2% or 18% on unpaid balance to \$1,800	36% on unpaid balance to \$540 18% on unpaid balance to \$1,800 15% on unpaid balance over \$1,800
Iowa	No limit by state law	2 1/2%	18% on unpaid balance to \$500 15% on remainder	31% of unpaid balance to \$150 24% of unpaid balance to \$300 18% of unpaid balance to \$700 12% of unpaid balance to \$2,000
Michigan	No limit due to federal override	16.5%	18%	18% or 31% of unpaid balance to \$500 13% of unpaid balance to \$1,000
Wisconsin	No limit by state law	Greater of 18% or 6-month T-bill rate + 6%	18% or no limit when 2-year T-bill rate remains above 15% for 5 consecutive Thursdays**	Greater of 23% or rate on 2-year or 6-month T-note + 6%

* Separate ceilings are in effect for lender limits when no limit permitted for any lender. Under the 1980 Monetary Control Act, banks, SAs and credit unions can have the greater of the Federal Reserve discount rate plus 1 percent or the higher rate permitted any state lender for the type of loan in question.

** The effective limit has been 18% since the law became effective November 1, 1981.

companies located in Arkansas and that state has a much larger number of pawnbrokers than Illinois, Wisconsin, or Louisiana, which have more lenient ceilings on consumer credit. In addition, a survey of merchants in the adjacent cities of Texarkana, Texas and Texarkana, Arkansas [1] revealed that there were many more automobile, furniture, and appliance dealers on the Texas side of the border than on the Arkansas side. Furthermore, 84 percent of the merchants interviewed indicated that Arkansas' usury ceiling had been an important factor in their decision to locate in Texas.

Differences in state usury regulations also were cited in recent decisions to relocate the credit card operations of Citibank, First National Bank of Maryland, Philadelphia National Bank, and the First National Bank of Chicago. In addition, banks in Seattle and Detroit are reported to be considering relocation.

¹See *Wall Street Journal*, December 5 and 15, 1981 and *The American Banker*, September 30 and October 30, 1981. The ability of banks to take advantage of interstate differences in ceilings on credit card lending derives from a 1978 Supreme Court ruling in *Marquette National Bank v. First of Omaha Service Corporation*, the Court determined that national banks may charge out-

other forms of consumer credit can affect the level of consumer purchases and retail trade. The survey of merchants in Texarkana, Arkansas, and Texarkana, Texas [1] revealed that approximately 38 percent of credit sales among merchants on the Texas side of the border were to customers from Arkansas. This substantial out-of-state shopping, which is presumably due to the 10 percent usury ceiling in Arkansas, represents a significant loss of potential business revenues for Arkansas-based retailers. Furthermore, as the authors of the study concluded, it represents a loss of jobs and local tax revenues.

A state's usury ceiling is likely to have far-reaching consequences for the state's real economy. Its effects can be expected to show up first in the level of credit-financed expenditures and eventually in levels of state employment and income. A study by Richard Gustely and Harry L. Johnson, described by Harold Nathan [14], used an econometric model of Tennessee to examine the impact of that state's comprehensive 10 percent usury ceiling. According to Nathan, the authors found that Tennessee's economy grew faster than the national economy except at times when market interest rates exceeded the state usury ceiling. The ceiling was estimated to have cost the state annually between 1974 and 1976 \$150 million in output, \$80 million in retail sales, and 7,000 jobs. This study indicates how restrictive usury ceilings may deprive a state of the credit needed to keep its economy expanding. All residents of the state are affected, not only those borrowers who find credit difficult to obtain.

Usury ceilings and competition

As the foregoing discussion has shown, the impacts of usury ceilings extend well beyond simply holding a lid on interest rates. The adverse effects on the economy as a whole may even be sufficient to outweigh the benefit to those who are able to borrow at below-market interest rates. However, a common argument is that without usury laws borrowers would be forced to pay exorbitant

interest rates, or at least rates that were unreasonable in relation to the cost of supplying credit. Thus, evaluation of usury laws is not complete without a consideration of the consequences of not having usury ceilings.

According to economic theory, a competitive market is sufficient to prevent lenders from exercising power over pricing or earning more than a normal return. The price established in a competitive market reflects suppliers' costs of providing the given amount of the good. To be sure, removing a binding usury ceiling will result in higher interest rates. However, if credit markets are competitive, the resulting market rate of interest will not exceed lenders' cost of providing credit. It is when competition is absent that consumers may face unreasonable interest rates. Thus, the consequences of not having usury ceilings depend importantly on the competitiveness of credit markets. Indeed, the absence of competition is the only clearly defensible theoretical reason for imposing a usury ceiling.

We might argue that U.S. credit markets today are fairly competitive. Many types of institutions—banks, finance companies, credit unions, thrift institutions, and retailers—make up the supply side of the credit market and frequently offer credit in closely substitutable forms. Moreover, in many (but not all) local market areas, consumers can choose among several lenders of any particular institutional type. However, competition in credit markets may be hampered by the fact that lending institutions have become specialized according to the types of credit they offer and/or the types of borrowers they serve. In the area of personal consumer credit, for example, banks and other depository institutions primarily offer cash credit to lower risk borrowers while finance companies specialize in servicing higher risk customers. Thus, the question of whether credit markets are sufficiently competitive to protect consumers from unreasonable interest charges is one which must be answered empirically. Unfortunately, studies of the extent of competition in credit markets do not provide a definitive answer to

the question.

Smith [22] concluded from a study of the structure of rates on personal loans at commercial banks that there is a considerable degree of interbank competition for the more profitable type of loans, but that this does not extend to the small high-risk loan where the social problems of credit regulation are most acute (p. 524). He also found evidence of interinstitutional competition in the influence of consumer finance companies on bank loan rates and portfolio composition. On the other hand, Geer's analysis of the NCCF data on personal loan rates [5] did not allow him to conclude firmly that finance companies and commercial banks compete vigorously.

The NCCF Report provided some evidence of the existence of competition in its findings regarding the pattern of interest rates across states. The Commission's 50-state survey revealed that rates on auto loans and unsecured loans at banks clustered within a rather narrow range (the market rate?) regardless of state usury ceilings.¹² Also, average observed interest rates for these loans were in the same range even in states with no ceiling at all.¹³ In contrast, in the finance company loan market, the Commission noticed a much closer correspondence between observed rates and the state usury ceilings.

The conflicting findings of these few studies illustrate the difficulty in reaching a definitive conclusion about the extent of competition in credit markets. The studies described here suggest that competitive behavior may vary considerably among different segments of the credit market. Rates on finance company personal loans, for example, appear to be set less competitively than rates on auto

¹²Of course, it could simply be that the state usury ceilings were above the optimum price for an oligopolistic competitor. Even if that were the case, however, the situation indicates that the rate oligopolist lenders establish is below what most legislatures consider usurious.

¹³In addition, an investigation by the Federal Reserve Bank of St. Louis revealed that mortgage rates in the Chicago, Minneapolis, and Pittsburgh SMSAs did not rise to state ceilings when these usury limits were allowed to float. See Lovatt and Gilbert [11].

Rate ceilings may impede competition in various other ways. The NCCF argued that different rate ceilings for different types of consumer lenders tend to segment the market artificially and restrict interinstitutional competition [15, p. 147 and 5, p. 60]. A recent study by Sullivan for the CRC [23] supports this argument. She found that the extent of competition between banks and finance companies for consumer loans depended on whether the two types of lenders operated under the same or different rate ceilings. In a local personal loan market in Illinois, which differentiates ceilings by type of institution, borrowers from banks had significantly different risk characteristics than borrowers from finance companies. Such segmentation was not found in a comparable local loan market in Louisiana where all lenders are treated equally.

Another difficulty with usury ceilings, suggested by Shay's findings, is that rate ceilings may offer convenient focal points for setting rates higher than they might otherwise be set, when lenders already have some power to set prices [21, p. 457]. Finally, the Treasury Department's Interagency Task Force on Thrift Institutions [24] recently argued that very low usury ceilings discourage thrift institutions from adding consumer loans to their portfolios and from actively competing with finance companies by offering consumer loans. According to all of these arguments, the removal or easing of usury ceilings would tend to make credit markets more competitive.

Knowledgeable, informed borrowers also foster competition in credit markets. When consumers do not know or cannot compare rates being charged by various lenders, each lender has more scope to charge whatever rate he chooses. Thus, a high level of borrower awareness can place a natural constraint on interest rates, in lieu of the external constraint of a usury ceiling. Indeed, as the NCCF pointed out, "Not all consumers need be aware of the APR [annual percentage rate] or shop for credit to bring about effective price competition. A significant marginal group of consumers who are aware and do shop is sufficient to 'police' the market" [15,

p. 175].

It is difficult to say exactly what the size of that group needs to be, but the Commission suggested that one-third to one-half of all borrowers is certainly sufficient. By this criterion, today's consumers seem to exert a rather effective pressure on lenders. A 1977 Consumer Credit Survey sponsored by the Board of Governors of the Federal Reserve System [4] classified 65 percent of consumers as aware of APRs on revolving credit. The awareness level on bank credit cards was 71 percent, and on closed-end credit it was 55 percent.

Consumer awareness levels were not always this high. Surveys comparable to the 1977 one were conducted in 1970 and 1969. Only 38 percent of credit users were found to be aware of APRs on closed-end credit in 1970 and only 15 percent in 1969.¹⁴ Awareness levels on retail revolving credit and bank credit cards were only 35 and 27 percent, respectively, in the 1969 survey, although they stood at 56 and 63 percent by 1970.

At least some of the improvement in consumer awareness since 1969 revealed by these surveys is probably attributable to the consumer protection legislation enacted in the late 1960s and 1970s. The Truth-in-Lending Act (Title I of the 1968 Consumer Credit Protection Act) was passed only shortly before the 1969 survey, and its impact seems evident in the 1970 survey results. This association of improved consumer awareness with the passage of Truth-in-Lending suggests that, in the absence of usury ceilings, such legislation could effectively ensure consumers of reasonable interest rates by fostering more intense price competition in the credit market.

Policy action and options

Over the past few years there has been a spate of legislative activity affecting usury

¹⁴In analyzing the results of the 1970 survey, the NCCF found awareness levels in the "general market"—the market comprised mainly of higher income, more highly educated, white, homeowning borrowers who live in nonpoverty areas and use mostly cash credit—sufficient to police the market. The high-risk market, on the other hand, had disturbingly high levels of unawareness.

MONTANA DEPARTMENT OF INSURANCE
PRODUCTS LIABILITY INSURANCE EXPERIENCE

Supplement to the December 31, 19 81 Annual Statement
 (to be filed on or before April 1 for the calendar year immediately preceding)

INSURANCE COMPANY OF NORTH AMERICA

Insurance Company Name

Each insurance company doing business in Montana that insures against product liability losses shall make and file this report pursuant to Section 33-2-721, MCA. (Use whole dollar amounts rounded to the nearest dollar)

	<u>Montana Exhibit</u>	<u>Nationwide Exhibit</u>
A. Premiums written	\$ 18,773	\$ 39,313,745
B. (1) Premiums earned	\$ 6,291	\$ 25,748,376
(2) Losses incurred	\$ 37,020	\$ 36,851,441
Loss adjustment expenses	\$ 42	\$ 5,835.896
(3) Reserve for unpaid reported losses	\$ 31,500	\$ 48,489,477
Reserves for incurred but not reported losses	\$ 25,063	\$ 31,925.750
(4) Other reserves for other product liability losses	\$ 0	\$ 0

C. For any claim, loss, or action for bodily injury, death, or property damage (arising out of products liability insurance coverage) allocated to Montana experience, if there has been a final judgement or a settlement in any amount or if there has been a final disposition not resulting in a loss payment on behalf of the insured, submit an exhibit disclosing the following information on each claim:

- (1) a description of the type of product involved in each claim;
- (2) the date of occurrence from which the claim arose;
- (3) the state or other jurisdiction wherein the claim was adjudicated, settled, or other disposition made;
- (4) the date legal action commenced, if filed;
- (5) a brief description of the occurrence out of which the claim arose;

	<u>Montana Exhibit</u>	<u>Nationwide Exhibit</u>
(6) total number of all claims	3	
(7) total number of all claims closed without payments	0	
(8) total number of final verdicts or final judgements for defendants	0	
(9) total number of final verdicts or final judgements for plaintiffs	1	

Section 33-2-723, MCA. No liability may arise against any insurer or against its agents or employees as a result of making this report.

SENATOR HAROLD L. DOVER

SENATE BILL 117

Last session we appropriated funds for a pilot project for a state-wide land mobile communications system - to be used by Highway Patrol, Highway Commission, National Guard, Fish and Game, and other state agencies - as well as local agencies - sheriff, police, etc.

The present state land mobile radio network is a relatively fragmented area of communications. We must depend on Mont. Highway Patrol, Highway Maintenance, ^{ham} ~~town~~ operators, etc. No single agency has the statutory authority and responsibility for overseeing the development of a comprehensive land mobile radio management program. They are now managed autonomously by individual state and local agencies. There are also some problems with Canada and neighboring states, there often is a lot of interference from outside sources - and this problem can only get worse as more users come on line.

Frequency coordination between statewide users is poor. There is a need for better spectrum management in order to avoid overuse and overcrowding of frequencies, particularly since more and more users are in need of new frequencies each year.

Frequency coordination is a major issue, and often a controversial one. Jurisdictions using land mobile radio

service are highly protective of their ability to use the airwaves, while at the same time resent interference which may be caused by users adjacent to them.

It is therefore imperative that someone be responsible for a plan - and assignment of radio channels so it can function properly without outside interference.

SB 117 would give the communications division of the Mont. Dept. of Administration the responsibility for developing and maintaining a frequency allocation plan for the purpose of coordinating emergency public safety land-mobile communications. The communications division will function as the Federal Communications Commission (FCC) contact agency for the coordination of emergency public safety allocations in the State of Montana.

Establishment of mutual aid frequencies is an important step in developing a coherent statewide radio communications network and in enabling an effectual response among cooperating agencies to disaster and emergencies.

The main function of frequency utilization planning is to enable the allocation of frequencies on an orderly basis and make public safety radio communications a more valuable tool. It can prevent detrimental interference between systems as well as provide the capability of inter-agency communication for coordination purposes.

If the Dept. of Administration properly carries out its function, it can:

1. Expedite the issuance of licenses.
2. Individual operators will get less interference.
3. We can have a workable state-wide emergency land mobile communications system.
4. Local government and state agencies will be able to communicate better.
5. Costs of communication will be reduced.

Proposed Amendment to SB 125

1. Page 10, line 14.

Following: line 13

Insert: "Section 5. Code commissioner instruction. Whenever a reference to a "Montana development credit corporation" is contained in any new material enacted by the 48th legislature, the code commissioner is instructed to delete the word "credit" from the reference for consistency with SB 125."

Renumber: subsequent section.

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Joseph Morales	Sears, Roebuck and Co	63, 64	✓	
Steve Bowering	Mt. Home movers	—	—	—
Diane Ostermiller	Montana Homeowners	—	—	—
Ed JUDGE	COUNTY MUTUALS			
Roger Exon	Hill County Farm Sup	SB 11		
Patricia Ten	Montana Bankers Assn.	63+64		
Ruth Wanner	" " "	^{HB} 63+64	—	—
Net Ellinger	Flathead Farm Mutual Pro Co	SB 11	✓	
Karla Gray	MTLA	—		
Lois M. Gledhill	IND INS. AGENTS OF MT	SB 11		
Sam Noel	Bank of Mont. System	^{HB} 63+64	✓	
Steph Drobny	Am Ins Ass'n	156	✓	WXX
T. L. Lusk	Int. Comm. Fair Ass			
Janette Fullam	Mont. Chamber	63, 64	✓	
Terry Meagher	Mont. Insur. Dept.	SB 11, 156	✓	

NAME: Terry Meagher DATE: 1-24-83

ADDRESS: 423 So. Fee St.

PHONE: 449-2996

REPRESENTING WHOM? Mont. Insur. Dept.

APPEARING ON WHICH PROPOSAL: SB 11, SB 156

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: GERALD F. RAUNIG DATE: 1-24-83

ADDRESS: HELENA

PHONE: 442-1233

REPRESENTING WHOM? Montana Auto Dealers Assoc.

APPEARING ON WHICH PROPOSAL: HB63

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: RALPH ANDERSON DATE: 1/24/83

ADDRESS: HELENA

PHONE: 442 6310

REPRESENTING WHOM? AUTO DEALER

APPEARING ON WHICH PROPOSAL: HB 63

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Samuel R. Noel DATE: 1-24-83

ADDRESS: Great Falls

PHONE: 727 3100

REPRESENTING WHOM? Bank of Montana System

APPEARING ON WHICH PROPOSAL: HB 63 & 64

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: George E. Allen DATE: 1-24-83

ADDRESS: Helena MT.

PHONE: 447-3388

REPRESENTING WHOM? Montana Retail Assn.

APPEARING ON WHICH PROPOSAL: HB 63, 64

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Irene H Russell DATE: 1-24-83

ADDRESS: 901-9th No. W Fellsmont

PHONE: 454-3911

REPRESENTING WHOM? Russell's Timeway

APPEARING ON WHICH PROPOSAL: HB63 - AB-64

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Jessy M. Kirkland DATE: 1-24-83

ADDRESS: 2842 Festival Road

PHONE: 227-5901

REPRESENTING WHOM? Montana Credit Unions League

APPEARING ON WHICH PROPOSAL: HB 64

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: BOB JAMES DATE: 1/21/83

ADDRESS: BOX 2885 GREAT FALLS

PHONE: 707-2311

REPRESENTING WHOM? STATE FARM Ins. Co.

APPEARING ON WHICH PROPOSAL: SB 156

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Chuck O'Reilly DATE: 1-24-83

ADDRESS: Helena

PHONE: 443-1010 ext 243

REPRESENTING WHOM? Mont. Sheriffs & Peace Officers Assn.

APPEARING ON WHICH PROPOSAL: SB 117

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Col. R.W. Gandon DATE: 1-24-83

ADDRESS: Highway Patrol Helena

PHONE: ~~552-4492~~ 449 3000

REPRESENTING WHOM? Highway Patrol

APPEARING ON WHICH PROPOSAL: SB 117

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: The state needs a plan and
an agency responsible to put a frequency
plan before the users and then implement
the plan

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Larry Peterson DATE: 1/24/83

ADDRESS: 303 No. Roberts, Helena

PHONE: 449-3604

REPRESENTING WHOM? MT Board of Crime Control

APPEARING ON WHICH PROPOSAL: SB 117

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: The Montana Board of Crime Control recommends that the statutory authority of the Dept. of Administration be amended to include responsibility for developing and maintaining a frequency allocation plan for the purpose of coordinating emergency public safety land mobile communications.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: John Nevras DATE: 24 JAN 83

ADDRESS: Rm 222 Mitchell Bldg Helena

PHONE: 449-2586

REPRESENTING WHOM? Dept of Administration

APPEARING ON WHICH PROPOSAL: SB 117

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: HIRAM STAN DATE: 1-24-83

ADDRESS: ~~242 6th~~ COMMUNICATIONS DIVISION - DEPT. ADMIN.

PHONE: 449-2586

REPRESENTING WHOM? COMMUNICATIONS DIV.

APPEARING ON WHICH PROPOSAL: SB 117

DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.