Secretary Barr.

Mr. BARR. Madam Chairman, this has been one of the most intriguing financial studies in which I have been engaged. We have been given the objective of establishing a financial plan that could, by 1972, make available to roughly 40 percent of the college population the opportunity to finance their education by borrowing the money they need.

As a guideline, for the year that we are in right now, money that I was instructed to try, for less than $35 million, to make this program work better than it had been working. Operating under this guideline with a very small amount of money and, potentially a very large volume of loans, operating through the States with a minimum of Federal regulations and standards, and leaving the initiative with the students and the lending institutions, as I say, posed a real challenge.

I am delighted to be able to inform you and the committee, however, that in this past 9 months of negotiations we have had the enthusiastic support of every sector of the financial community: life insurance companies, credit unions, mutual savings banks, savings and loan institutions, and commercial banks. They worked with us carefully; we have had their best advice, and I know that the program has their enthusiastic support. Otherwise, to reach the objective of this size with this very, very small amount of money that is available to us under the budget would be impossible.

Mrs. GREEN. Are there any credit unions which cannot participate in this program?

Mr. BARR. It is my impression that there are some. We have a study going now, looking at this right at this moment. Mr. Muirhead might be able to say something on this. There are 600 credit unions participating at the moment in the program.

Mr. MUIRHEAD. Before you are some amendments that would make it possible for credit unions to participate in the program. They have not participated in it very vigorously up to this juncture because of their own behavior and because they deal with persons from different States. Their procedure in some cases does not permit them to lend to residents of a particular State. The amendment before you that would permit providing a guarantee agency with funds that could deal with the interstate problem.

Mrs. GREEN. Then, the position of both the Office of Education and Treasury is that all credit unions should be able to participate?

Mr. BARR. Yes, Ma'am. To clarify the difficulty, the credit union in, say, Inland Steel, which has employees from Indiana, some possibly from Wisconsin, a lot from Illinois, and some from Michigan, can only lend to Indiana residents. The credit union is situated in the State of Indiana. One of the amendments before you would strike down that prohibition.

I will proceed with my statement, Madam Chairman.

Mr. GIBBONS. May I interrupt here, because I have another meeting that I have to attend.

Your statement, as I read it, Mr. Secretary, is based upon the presumption that the cost of overhead service charges, to use the analogy of FHA or VA loan, that the cost on overhead is between a half or quarter of 1 percent?

Mr. BARR. Yes.