

Mr. GIBBONS. You use that as an analogy to say that these people are entitled to some additional compensation because this is about the kind of competition we have to meet. In FHA and GI loans, you have a lot of problems that I don't think you have in this loan program. I throw this out for your thoughts. First of all, in the FHA or GI loan, you have to collect it on a monthly basis. You don't have to collect this one on a monthly basis. You may, possibly.

Second, you have to check, on FHA or GI loans, whether people carry an adequate amount of insurance protection. Then you have the problem also of checking whether they have paid their real estate taxes every year. Sometimes you have to accrue escrows and everything else and keep a tremendous amount of books to see whether their taxes are paid.

I don't know whether the servicing cost on these loans would be as high as the servicing costs on FHA and GI loans.

Mr. BARR. I will be delighted to submit to you for your examination and scrutiny a staff report of the interagency committee that I chaired to study this issue. We took testimony from every type of financial institution. We came to precisely the opposite conclusion—while it costs about one-half of 1 percent to keep a FHA or VA loan on your books—these are the administrative costs—it costs relatively a good deal more to keep one of these guaranteed student loans on the books.

Mr. GIBBONS. Why is that so?

Mr. BARR. First, they are small; second, the borrowers are mobile; third, it is a more involved procedure, without much exaggeration, to get one of these loans on the books at the moment—even though we are trying to simplify the procedure—than it is to put a simple real estate transaction on the books.

These are small loans compared to FHA or VA mortgages. So when you go through about the same amount of time with a bank officer and about the same bookkeeping procedure, you are incurring that on a \$700 loan, instead of against a \$15,000 to \$20,000 loan. It is relatively about three times as expensive.

I think, if you would have time, Mr. Gibbons, to take a look at this report, it would perhaps clarify this issue for you.

Mr. GIBBONS. It takes a great deal of paperwork, I know, to put a FHA or VA loan on the books. It is a large loan, but it takes a lot of time. I don't know why this loan should take so much time, really.

Mr. BARR. It may or may not take as much time as a VA or FHA loan, but you have to take the time of that bank officer who is involved in making this loan and apply that against a \$500 loan or a \$1,000 loan or a \$1,500 loan instead of a \$15,000 or \$20,000 loan. That is where the difference comes out.

Mr. GIBBONS. I think I know the steps that have to be taken to place these loans on the books. I can't see why it takes so long. I admit mobility as far as collections and things like that are concerned, but it does not seem to me that it would be a very long paper transaction. I don't know why you have to tie up a bank "officer," it seems to me that it is a very simple type of loan. If you walked in with the proper credentials, you could negotiate in most banks with someone way down the totem pole.