

Mr. HATHAWAY. Those three?

Mr. BARR. That is correct.

Mr. HATHAWAY. Those are the ones that student loans are competing with?

Mr. BARR. That is correct, also the very best credit. The other guideline set up is the very best credit in the United States—General Motors, Chrysler, Ford, General Electric, and the rest—the prime rate customers.

Mr. HATHAWAY. Could we make a further inducement for them so that we can cut out this other competitive loan so they could not make that argument, that in addition to VA and FHA they could make student loans and that would not count against their portfolios, they could not give us the argument we could use this money for FHA or VA?

Mr. BARR. I could give you a statement from the Comptroller on this. I am not a bank examiner. I would defer to his opinion, sir.

Mr. HATHAWAY. But you have no opinion as to whether or not that would be sufficient inducement so that we would not have to go into this \$35 proposal?

Mr. BARR. No; it would be. I can tell you that, frankly, it would not be a sufficient inducement. We have been asking the lending institutions to make these loans and lose money—actually lose money. They are actually losing money at this juncture.

Mr. HATHAWAY. That is what I want to see your study for because I know they loan money, for example, to certain businessmen in a community probably at the same rate or maybe lower, and if you blocked out those loans, you could say that they are losing money on each one of those loans, but they don't block them out that way, they put them in with all of the others.

When they take the whole cost picture with these low interest loans along with the others, they don't lose money.

Mr. BARR. If you will look at the back of my statement—at the moment a lending institution without any placement fee is getting a return of 4.66. Most banks and savings and loans are today paying up to 5 percent to get the money, with no cost of administration or anything else. So it is a clear loss.

Mr. HATHAWAY. On the \$35 placement fee, why is it necessary to keep continuing the \$35 fee for the second loan that the student makes?

Mr. BARR. This is a question I asked. I think the report will indicate they go through precisely the same procedure.

Mr. HATHAWAY. Would it be easier to make the money available from the bank to the educational institution and have them take care of the administrative work since they have all of the applications and detailed background on the students?

Mr. BARR. I don't believe you can ask a private lender to delegate that much authority over the money he is going to loan. I don't believe they would surrender that much of the responsibility. In the final analysis they are going to want to talk to the student, they are going to want to make the determination.

Mr. HATHAWAY. Don't they now rely considerably on the applications that have been filled out and are in the custody of the educational institution?