

We avoid that point system by this placement and conversion fee, as I have indicated, at a very modest budgetary cost.

Mr. GURNEY. I was not arguing the merits of it because I know what you are talking about.

Mr. BARR. Of course you could use points in this program as well.

Mr. GURNEY. Why does the law have the points in FHA and not here? Is that why it exists in the other?

Mr. BARR. Points, I would say, would not work as well with these small loans as they would on a home mortgage loan. We are dealing with essentially small loans here, Mr. Gurney. Points just couldn't work out as well in the marketplace with these small loans—\$2,000 to \$4,000—as with a \$15,000 to \$30,000 mortgage.

Mr. GURNEY. I really don't have any other questions, except I wonder about the \$25 fee, whether it is actually enough here. I think your proposition makes all kinds of sense, and heaven knows it is needed.

I have had several letters in my office from these various people you are talking about with several children. The father is earning a good sum, but he cannot afford to keep several children in college at the same time. Neither can he do it borrowing. Are you sure the \$25 will do the job? Will it make the loan a competitive loan?

Mr. BARR. I believe it will. I believe you are going to take testimony from the lending institutions. I will defer to them whether it will or not. At the last meeting we had with all the lending institutions, they said it would, if we could get to the prime rate. They don't want to be in the position of getting rich off this program. They know the attitude of the Congress and the country.

Mr. GURNEY. I certainly understand that argument and probably as an argument covering most of the country, it would be valid. I am thinking of areas like my own area where you have an enormous demand for money because you have a tremendous amount of business activity, of people moving in, it is a very prosperous area of the country, and I suppose it always will be, and there is an enormous demand for money.

I know the banks can put their loans out in almost gilt-edged things at 6 percent and even above—our usury law is 10 percent—with a minimum of servicing.

I am really saying if you are devising a workable plan here for most of the country, will it tap some of the areas or service some of the areas where you have an enormous demand like Florida?

Mr. BARR. Mr. Gurney, all I can do is speak on a financial level and on the advice the institutions have given me. The advice they have given me is that this is adequate. I think I would have to refer you to your own bankers and lending institutions in your district.

Mr. GURNEY. I am going to make some phone calls because this is the thing I am wondering about.

Mr. BARR. The question is whether they would loan this money if they had a net return of around 5½ percent.

Mr. GURNEY. I almost have my doubts. I hope I am wrong.

Mr. BARR. I would appreciate your reaction.

Mrs. GREEN. What is the situation in the State of New York where they have been so successful with the student loans? Is it 6 percent interest?