Mr. MUIRHEAD. It is 6 percent interest in New York.

Mrs. GREEN. Is there a placement fee?

Mr. MUIRHEAD. The State of New York does not have a placement fee for their program. The banks participated in the program.

Mrs. GREEN. Haven't they participated in New York better than almost in any other State?

Mr. MUIRHEAD. They have participated better than any other State.

Mrs. GREEN. Are they breaking even?

Mr. BARR. They are not at the moment. Some of the strongest supporters we have of this legislation are the bankers from the State of New York who want to stay in this program but are faced with this agonizing question: Can they continue in a program where they are actually losing money?

The mutual savings banks, for instance, actually give us figures showing that by staying in this program, trying to do what they think is the right thing to do for the people in their area in the State of New York, they are actually incurring losses at the moment.

Mrs. GREEN. How much of the 6 percent do they figure is in the cost?

Mr. BARR. If you will look back at my table where the first fee figure is zero, they are earning 4.66 percent. That is their net return. They concur with that. They say that might be a little bit high. It might be closer to 4½.

Mrs. GREEN. This is for the State of New York?

Mr. BARR. This is for any institution, taking in all the administrative costs. Their net return with no placement fee is 4.66 percent. Different institutions will vary above and below that line. That is as an average. They are paying 5 percent for their money, Madam Chairman.

Mr. GURNEY. Will the chairlady yield?

Mrs. GREEN. Yes.

Mr. GURNEY. Again back to this problem I speak of. I think your home loans in Florida are going at about 6½ percent.

Mr. BARR. No, sir, Mr. Gurney, they cannot pay that kind of rate to their depositors; 5¼ percent is the limit.

Mr. GURNEY. I am talking about the return.

Mr. BARR. We were going on the other side of the picture. We were talking about what it costs them to get money to loan out.

Mr. GURNEY. I am simply saying the returns are there and their service fee, too. This shows the wide disparity.

Mr. BARR. There are two sides of the equation. One is what it costs to get the money and the allocation of administrative costs to the loan. The other side of the equation is what they can earn with the money on a loan of comparable risk. Those are the two sides.

Mrs. GREEN. Congressman Scheuer.

Mr. SCHEUER. Mr. Barr, you mentioned before that the Government wants the banks to exercise discretion.

Mr. BARR. Yes.

Mr. SCHEUER. What kind of discretion would you like the banks to exercise? In what direction? What judgments should they make?

Mr. BARR. I would like the bank to be assured of the fact that the student is, first of all, enrolled, that he has a good academic standing, that he does have this personal relationship with the bank, so the bank expects to get repaid.