I would like to point out that, of the above mentioned states, state-chartered savings and loan associations in Alaska, Kansas and Oregon are authorized to make educational loans only if the loans are guaranteed by the Federal or state government. In addition, in Kentucky, Louisiana, Texas and Vermont, state-chartered savings and loan associations can make educational loans only if the loans are guaranteed in whole or in part by the Federal government. In all the other of the above mentioned states educational loans may be made, whether or not there is a guarantee attached.

In the following states, there is no legislative authorization for state-chartered savings and loan associations to make any type of educational loans:

Arizona	New Hampshire
Delaware	New Jersey
District of Columbia	North Carolina
Florida	Oklahoma
Georgia	Rhode Island
Hawaii	South Carolina
Idaho	Tennessee
Indiana	Washington
Missouri	West Virginia
Montana	

If you require any additional information regarding the survey, we will be glad to provide it.

With kind regards, I am,

Sincerely,

JOHN E. HORNE, *Chairman.*

Mr. ERLENBORN. What, if anything, did you find in your study about favoritism by institutions making the loans available to those who already had some relationship with the institution?

Mr. BARR. There is no question, Mr. Erlenborn, that there is a tendency on the part of some lending institutions to exercise some favoritism in this area.

On the other hand, I can tell you that the American Bankers Association and all these other national organizations are telling lenders that they must be very, very careful about this—that they cannot exercise favoritism, that this is a social service to the community. That is the best answer I can give you.

Mr. ERLENBORN. Do you think that the amendments that we are considering now to make more loans available would affect that situation?

Mr. BARR. Yes. A banker that knows he is going to lose money on a loan might decide "If I am going to lose money I will loan it to the best customer I have." If it gets to a break-even position, or position where the returns are comparable with other types of investment, I think you would see a much more relaxed attitude on the part of lenders, not to confine their activities in this area to their favorite customers.

Mr. ERLENBORN. In answer to some previous questions before you indicated there are only about three things a bank should determine before it makes the loan; that the student is enrolled in college, is eligible for the loan, and the loan does not exceed the cost of his education, taking into consideration other aids that are available.

Mr. BARR. Right.

Mr. ERLENBORN. Do you mean to exclude any consideration by the bank as to the financial soundness of the person, the risk factor involved? Should the bank not take into consideration a past history of default of loans or something like this that the applicant may have? Do they make a credit check? Should they make a credit check?