

Mr. BARR. I would see no reason to, Mr. Erlenborn.

I would like to reserve the right to supply another answer for the record but speaking at this juncture I would see no reason for them to, because there is a Federal guarantee behind this. Also, the student probably does not have a credit record.

Mr. ERLNBORN. In the VA or FHA situation does not the bank normally make a credit check?

Mr. BARR. Yes.

Mr. ERLNBORN. To find out if there are judgments outstanding against the loan applicant?

Mr. BARR. Yes.

Mr. ERLNBORN. You do not think that would apply in this case?

Mr. BARR. No; because, as I say, it would be highly doubtful that there would be judgments outstanding against that student.

Mr. ERLNBORN. So that you think it would not be profitable to make an inquiry?

Mr. BARR. No; I do not think so. I reserve the right, however, to correct this testimony, if I may, if further checks indicate that I am wrong.

Mr. ERLNBORN. You certainly may be right.

It occurred to me, though, that, even if a loan is guaranteed, we should not discourage the banker from exercising good judgment and say you should make a loan to a person you know is not financially qualified. I don't think we should encourage poor banking practices simply because we are in the field of education.

Mr. BARR. Of course, the banks are looking at this. They are quite aware of the fact that social agencies are now referring to them young people from disadvantaged families where you could not give the normal financial scrutiny that you would to an ordinary loan. They are going to have to rely on the Federal guarantee and rely on the fact that if that student has the energy and ability to get himself through college he is probably going to be a good commercial risk.

Mr. ERLNBORN. Thank you.

Mr. GURNEY. Madam Chairman.

Mrs. GREEN. Yes. I hope we can turn to Commissioner Howe in just a minute.

Mr. GURNEY. Just one question on credit unions. I had an inquiry here some months ago. A fellow in Florida wanted to borrow from some credit union of a large company working in the space business.

The answer I got back outlawed the loan because he ran into that situation you described before. The headquarters of the credit union were elsewhere. But I also recall the letter said the credit union made no loans in this area at all.

Really what my question is: How far have you gone into this credit union business?

Mr. BARR. Ninety percent of these loans have been made by the commercial banks and mutual savings banks. So they are so far carrying the laboring oar in this program.

If the program is to get out to the dimensions that we envisage, we