In the guaranteed loan program, each loan earns a placement fee and, assuming each student makes at least two loans, one-half of the conversion fee. In addition, one-half percent per annum from interest payments on the reducing balance is available to cover the lender's costs.

The following examples are based on actual average annual loans of $600 in the NDEA program and $800 in the Guaranteed Loan Program. Each loan is held over a four-year in-college period and a year of grace, and is repaid over a ten-year period.

A. NDEA Loan

A $600 NDEA loan will yield $63 in administrative support to the college (10.5 percent of $600).

The same loan, under the Guaranteed Loan Program will yield $69 in administrative support for the lender:

Placement fee	$25.00
½ of the conversion fee	12.50
½ percent interest on balance [1]	31.50
Total	69.00

B. Guaranteed Student Loan

An $800 loan will yield $79.50 in administrative support for the lender:

Placement fee	$25.00
½ of the conversion fee	12.50
½ percent interest on balance [1]	42.00
Total	79.50

[1] Paid by the Federal Government only if the student qualifies for interest subsidies.

The same loan, made by a college under NDEA, will yield $84 in administrative support.

ATTACHMENT C

COST OF MONEY AND FEES

Based upon current estimates of lender costs other than the cost of money, and the proposal for equal fees (a) each year that a loan is put on the lender's books and (b) for each conversion of a borrower's loan(s) to repayment status:

If the cost of money to lenders or net return on alternative investments is—	*The amount of each fee would be—*
4.66 percent or less	$0
4.81 percent	5
4.96 percent	10
5.11 percent	15
5.27 percent	20
5.42 percent	25
5.58 percent	30
5.74 percent or more	35

Mr. GURNEY. Mr. Barr, getting back to this question I asked earlier as to whether we might talk about a partial repayment of the interest at least in a tax deduction, of course, I know your attitude on it but I would like to pursue it a little further. It costs you some money to supervise these interest figures anyway, does it not, that is whether they are going to pay 3 percent or 6 percent? You have to make some sort of surveillance of income tax returns. How do you handle that?

Mr. BARR. They do it rather simply. The computation is made in the bank. They only have to make two computations, take 10 percent of the gross income and then throw in their exemptions.