

I would authorize the President of the United States, after consultation with the Federal Reserve Board, to set interest rates, by Executive order, in excess of 6 percent when the President has determined that such a rate is necessary for this program to be fully realized in any region of the country, and would provide for Federal payment of the additional interest cost—in fact all of the interest cost over 3 percent.

I am aware that 11 States—Delaware, Maine, Maryland, New Jersey, New York, North Carolina, Pennsylvania, Tennessee, Vermont, Virginia, and West Virginia—have usury laws which set contract rates at a 6-percent maximum.

These States could, however, amend their usury laws to make an exception of the long-term guaranteed student loans, as many States now make other exceptions to their usury laws when it serves an important public purpose.

This interest figure set by an Executive order would be a ceiling, not a mandatory rate and would prevent the establishment by the Federal Government of any arbitrary interest barrier to the effectiveness of this program. It would enable the President to assure that, insofar as the Federal Government would be concerned, there would be no arbitrary barrier across the road of higher education.

Furthermore, private lenders should be entitled to charge certain fees, to be set on an appropriate basis by the Secretary of Health, Education, and Welfare to cover the costs of making these loans that are not adequately compensated for by allowable interest charges.

Private lenders would be permitted up to \$35 for processing each approved student loan application and up to \$35 for work involved in consolidation or other conversion fees when the repayment period begins. A servicing fee of up to \$1 for each installment payable by the borrower would also be permitted. All processing, consolidation and other conversion fees would be paid for by the Federal Government.

Madam Chairman and members of the committee, my proposals are not excessive in view of the needs of our young people or the magnitude of the problem of obtaining full participation of our private lenders.

Recently a leading banker in my area stated that my proposed amendments are still not a sufficient lure to bring his bank into this program. From this, it would seem that perhaps my programs do not go far enough.

But I am hopeful that these improved incentives, combined with a spirit of public service, will be sufficient to make this program more effective and meaningful for the education of our young people.

If we should fail to make this program fully effective, we would have to resort to an expansion of our programs of direct Federal loans; but I hope this will not be necessary. I believe my amendment will remove the banks' major objections to participating in this student loan program.

A democracy such as ours depends for its health and survival upon educating our youth to the best of our ability, and denying to no one the opportunity of receiving a higher education.

I think an improved guaranteed loan program is the best way to assure this educational opportunity for all of our young people who are capable of benefiting from a higher education. I urge the distinguished members of this subcommittee to recommend a program of improved incentives which will enable this program to fulfill the