

"The major objection still is that it's at least four years before any repayment can be expected." The bank is promoting its own student loan program as an alternative."

Pepper's bill would authorize the President to boost the present 6 per cent interest rate ceiling for student loans in areas such as Miami where local bankers resist the program.

J. Mel Hickerson, Florida representative for United Student Aid Funds Inc., the private agency which initiated the program, said Dade bankers have balked at granting long-term 6 per cent loans in a period of high costs and tight money.

Pepper also asked that the government pay fees up to \$35 for processing a student loan and up to \$1 for each installment during the repayment period, which begins after a student graduates—or when he completes military service.

The government already contributes to a reserve pool for the loans and pays all interest while a student is in school, as well as the balance of interest over 3 per cent during the five to 10-year repayment period.

The United Student Aid Funds organization picks up the check if the student defaults, but defaults are down around one per cent.

Under the program, undergraduates can borrow up to \$1,000 a year, graduate students \$1,500, with an over-all ceiling of \$7,500.

Several Miami banks willingly undertook the program when it was first introduced in 1965—but soon found themselves bearing the burden alone for the non-profit loans.

"It wouldn't hurt anyone if we all went into it," said Tully Dunlap, president of Riverside Bank, one of those which took the plunge.

"But those that went into it found themselves overwhelmed when the others wouldn't join in. We just had to call an end to it so we could serve our regular customers."

Dunlap called Pepper's proposals "very good" but said wide participation still will be essential, as well as a slashing of the paperwork required.

"These changes are required, not to make a profit, but just to bring the loans down to the break-even point," Dunlap said. "You just can't break even on a long-term 6 per cent loan."

Student and parent complaints have mounted as bank doors closed to Miami students. One vigorous protest was fired off to school and government officials by the Dade County Council of Parent-Teacher Associations.

"Our information is that nine banks in Dade County originally participated, but all have now withdrawn," the council wrote.

"They give a variety of reasons, such as excessive paperwork, money tied up too long, interest rate not high enough."

The council demanded to know "whether the federal government contemplates direct loans in the event local banking institutions do not participate, or changes in the law to encourage local bank participation."

Hickerson agreed some of the bankers' objections are legitimate.

"These loans do tie up money for a long time," he said. "They are clearly public service loans."

Other problems have been eased, he said. "For instance, federally imposed paperwork that brought so many protests has been reduced sharply."

Several Dade credit unions offer the federally aided loans for the children of members, and a new ruling is making it possible for any credit union member to obtain the loans, Hickerson said.

But as far as Miami bankers are concerned, Hickerson will say only that "some are reappraising our service to higher education—we are encouraged."

"The program isn't nearly as bad as bankers would have you believe, but then again these aren't 11 per cent loans, either."

"We try to show the bankers that if they don't do the job at 6 per cent, the government will come in and do it at 3 percent."

[From the Miami Beach Sun, Aug. 3, 1967]

PEPPER INTRODUCES BILL—STUDENT LOAN AID ASKED

U.S. Rep. Claude Pepper, D-Fla., urged Congress today to revive the faltering guaranteed student loan program by authorizing the President to set whatever interest rates and administrative fees may be necessary to induce private lending institutions to make such loans.