

Pepper said, "The inducements afforded by the Higher Education Act of 1965 have not been sufficient, in view of the tight money situation and high cost of education loans, to bring forth the steady stream of private loan money which Congress sought as a substitute for direct federal loans to students.

He urged that Congress revive the faltering program by authorizing the President to set whatever interest rates and administrative fees are necessary to induce private institutions to make such loans.

[From the Miami Herald, Aug. 6, 1967]

STUDENT LOANS: TARGET OF BANK SQUEEZE

(By Don Bedwell)

Dade County's school board hopes a multi-million-dollar lever can pry county bankers loose from their opposition to granting federally assisted student loans.

The board agreed to mail to the reluctant bankers copies of a legal opinion which says the board can swing its lucrative business to banks that agree to grant the loans—and away from those that refuse.

So far, the board hasn't said it will take such measures, but members want banking interests alerted to the legality of such action.

"We don't have to hit them over the head," said Board Member Jack Gordon, a savings and loan association executive. "They'll get the message."

Dade students with more aspirations than money have found local bankers loathe to participate in the United Student Aid Funds program, a non-profit effort to provide funds for collegians.

Complaints from Dade parents prompted Congressman Claude Pepper to introduce a bill this week that would authorize higher interest rates in areas where banker resistance is encountered.

Federal participation in the program is limited to contributing to a reserve pool and helping pay interest on the bank loans. Defaults, which have been few, are paid off by the sponsoring organization.

Basically the program is a private one, a point emphasized by State Sen. Jerry Thomas, a Palm Beach County banker who expects to take the problem up with the American Bankers Association when it convenes in September.

"So what if the loans don't do more than break even? I'd think bankers would want the young people to feel a strong sense of responsibility to the free enterprise system rather than to the federal government," said Thomas, who says his banks are among the few in Palm Beach County granting the loans.

"Not only would they be doing a public service, but they'd make some lasting friends as well."

Thomas said Palm Beach County banks granting the loans face the same kind of troubles encountered by the handful of Dade banks who originally offered them. When only a few banks take part, they find themselves deluged by applicants.

Most banks in both counties have shunned the program, saying it ties up money too long at unprofitably low interest rates and is snarled in red tape.

Dade bankers are quick to point out that they already offer a number of low-interest student loan plans. Students generally can acquire loans at close to the 6 per cent rate featured in the United Student Aid Funds program, they say.

Yet these programs specify that repayment of the principal must begin during the college years, while the USA loans require no principal repayment until after graduation. Also, the student makes no interest payments while he is in school under the USA plan, since the federal government picks up the check.

School Board Member William Lehman said he's been contacted by many parents asking for help to secure the USA loans.

"I feel we should give our business to the bank that's willing to help the kids," Lehman said.

As a lever, the school board deposits appear to be a formidable tool.

"We average \$12 million in monthly deposits for our main funds," Lehman said. On May 31 the total was close to \$28 million, not counting various accounts such as junior college and school lunch funds. Of that sum, roughly \$24 million was in time deposits, the remainder in demand deposits which could be quickly transferred."