"We're big enough," Lehman said, "to start a bank of our own."

Jack Gordon said Dade banks will be asked "how they'd react to having the making of these loans one of the criteria for a school fund depository."

Mrs. GREEN. I have two questions, Mr. Pepper, to clarify your position. Have you a particular interest rate to suggest?

Mr. PEPPER. No; I think it will have to be determined. My bill provides it will be by the President after consultation with the Federal Reserve Board and, of course, what other authorities he might care to consult.

I think it will have to be determined by those familiar with the money market as to what rate of interest will induce the banks to lend the money.

Mrs. GREEN. Then you are suggesting that the legislation from this committee should be silent on the rate of interest?

Mr. PEPPER. That is right, leave it within the discretion of the President and the Secretary of HEW who would have authority in this matter, and who would have the authority to consult the knowledgeable people.

And it might vary in different parts of the country depending on the interest rate in the various parts of the country.

Mrs. GREEN. On page 3 you also suggest an increase of the interest rate above 6 percent and an amount above $35 for a placement fee. You also suggest a servicing fee of up to $1 for each installment payable by the borrower.

Mr. PEPPER. I suggest that but it might be well to put that, too, within the discretion of some executive authority. The best information we can get after consultation with bankers is that probably something like that would be necessary to do that. They consider it costs them something like that to handle these items.

Mrs. GREEN. Are you suggesting that for every month if the student repays it on a monthly basis?

Mr. PEPPER. I don't think those are repaid on a monthly basis, are they?

Mrs. GREEN. They can be.

Mr. PEPPER. I did contemplate that it would be for each repayment because the banks say it cost them about a dollar to handle the item.

Mrs. GREEN. That is quite a high interest rate, isn't it? What would it cost the Government in comparison with the NDEA loans?

Mr. PEPPER. It would cost more because the Government would be paying it, it would take at least 7 percent now, 6½ or 7 percent. They would have to pay 3½ or 4 percent as a direct subsidy to the loan.

I do not know how many payments would be spread out. I didn't think most of these payments were on a monthly basis. I thought they were over a longer span of time, over a period of 5 to 10 years.

It may be high, Madam Chairman. This is the information that I have gotten from the banks, that they say it cost them about this much to handle the item. I tried to offer them an incentive that would induce them to participate in the program.

Of course, if it is too high a price, why it is just too high a price and we will have to accept I suppose that most of them will not participate.