

volved by our bank in issuing these loans, and we have come up with the following figures:

Cost of money at present—3.23%.

Cost of making loan—\$39.60.

We have computed a hypothetical loan in the amount of \$4,000.00 to be advanced \$500.00 per semester with cost and income as follows:

Our costs:

Cost of putting loan on bank's books.....	\$9.60
Monthly handling cost for 84 months.....	159.24
Cost of money.....	481.27

Total.....	640.51
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Student's cost:

Interest first 48 months at 6 percent (no payments).....	\$600.00
Interest for 36 months on \$4,600.....	440.00

Student's total cost.....	1,040.00
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Our net income on the \$4,000.00 loan for seven years would be \$399.49, which is far less than what Government Securities are currently yielding for the same amount.

Our cost figures above were taken from a cost analysis survey computed for us by the Federal Reserve Bank last year.

We agree wholeheartedly with your views on the Bill as to its importance, and also that the 6% rate is inadequate to make bankers look favorably on this type of financing on today's market.

With every good wish to you and Mildred, I remain,

Sincerely yours,

ROLAND M. STAFFORD, *President.*

UNIVERSITY NATIONAL BANK,
Coral Gables, Fla., September 5, 1967.

HON. CLAUDE PEPPER,
Congress of the United States,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN: In reply to your letter dated August 23, 1967 pertaining to House of Representatives Bill 11978 on student loans, requesting my opinion on said subject, please be advised that in my opinion you are taking a very realistic approach to this problem for, as you well know, the interest rate provided by law is not competitive in today's money market. As a matter of suggestion, a formula on interest rate tied to the Federal Reserve prime rate, that is, so many percentiles over the prime rate, might be a more equitable formula for everyone concerned. While there certainly is a moral obligation on the part of banks toward the community, and in this case students specifically, this factor is overlooked as a practical matter, and until recent date it is my opinion that we have been one of the few banks in Dade County that has extended loans to students. However, I must admit that our Board discouraged us from making additional student loans some time ago due to the low interest rate involved.

With reference to the cost involved by our bank in issuing these loans, it is the undersigned's opinion that \$35-40 is a realistic fee. The other recommended fees, per your statement before the House's special sub-committee on Education appears to be realistic.

As a matter of suggestion, there should be, in our opinion, some provision that would require the student to at least annually report to the lending bank their present address and estimated time of graduation for too often we have found that students drop out of school, extend their courses, or change their addresses without notifying our bank. In addition, if there was some method by which all banks participated in extending this type of loan, it would be most helpful to the banks that have in the past made student loans, for obviously good banking practice dictates only so much concentration on a specific type of loan when analyzing the overall note case of a bank.

Kindest regards.

Sincerely yours,

WILLIAM C. HINES,
Chairman of Board and President.