

JEFFERSON NATIONAL BANK OF MIAMI BEACH,
August 31, 1967.

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

DEAR CONGRESSMAN PEPPER: Thank you very much for your letter of August 23, 1967 enclosing a copy of your bill, H.R. 11978 which would offer better incentives to banks granting Guaranteed Student Loans.

We think your bill would make the loans much more attractive to the banks, particularly with the \$35 service fee for processing such loans and up to \$35 for the work involved in consolidation or other conversion when the repayment period begins, and a \$1 service fee with each installment.

We have been cooperating with the Federal Reserve Bank of Atlanta in an annual functional cost analysis and the analysis for the year ended December 31, 1966 indicates that our originating cost on an installment loan was \$38.28 and the average cost of collecting the payment was \$3.15. These cost figures are rather high because of the small volume of loans that we put on our books. However, banks of our size in the State of Florida show the originating cost and collection cost much lower than ours, and if you feel that these figures would be helpful to you, I am sure that if you contact the different Federal Reserve Banks, they can provide you with these figures for every particular area.

As you know, the payments on these loans begin six months after the student graduates or thirty days after the student leaves school. In my opinion, if the interest rate was increased at the time payments begin on the loan, it would be a much more attractive loan to banks. For instance, F.H.A. Title I loans carry an add on rate of 5%. The student loan with the 6% simple interest rate for the dormant period of the loan is a reasonable return for the lender. However, when the installment begins on the loan, I should think that the add on rate should be in the neighborhood of 4½% because that is when our collection problems begin.

I hope this sketchy information will be of some information to you. However, if you have any specific question we will be glad to be of assistance to you.

Kindest personal regards.

Sincerely yours,

THOMAS E. MOTTOLA, *President.*

THE FLORIDA NATIONAL BANK AND TRUST CO. AT MIAMI,
MIAMI, FLA., August 31, 1967.

Hon. CLAUDE PEPPER,
Member of Congress,
House of Representatives,
Washington, D.C.

DEAR SIR: Reference is made to your letter of August 23rd addressed to Mr. E. J. C. Doll. Mr. Doll retired from active service with this bank in August, 1966. Mr. John H. Manry, Jr. succeeded Mr. Doll as President.

Florida National Bank and Trust Company at Miami has been one of the few banks in South Florida to participate in the United Student Aid Funds program. For obvious reasons, we have found it necessary to limit these loans to the children of our depositors.

From our experience, over a two year period, in the United Student Aid Funds Program, we offer the following comments on the over all program.

- (1) Borrowers should pay the interest on their indebtedness.
- (2) The \$35.00 fees seem to be high. \$15.00 to \$20.00 would be more realistic.
- (3) The \$1.00 fee on each installment is realistic and would tend to shorten the maturity of payout notes.
- (4) The fees referred to should be paid by the borrower.
- (5) The original United Student Aid Funds, Inc., plan for borrowing and repaying was simple without complications. It is recommended it be reviewed and studied.

Sincerely,

NELSON E. THOMPSON,
Vice President.