

Dr. Walker appeared before this subcommittee to campaign for legislation that would increase the profits banks would earn on the student loans.

He said that the 6-percent maximum interest rate permitted on the loans is a "loss rate." In an attempt to justify this statement, Dr. Walker pointed to a study conducted by the American Bankers Association to determine the cost to a bank of making a student loan.

This study, as might be expected, showed that banks were losing money on the student loans. Let us remember that there are some 14,000 commercial banks in this country. Yet the ABA used only 20 banks in its study to prove that the interest rate on student loans is too low.

Less than one-seventh of 1 percent of the Nation's commercial banks were included in the poll. The smallness of the sample is enough to raise grave doubts about the accuracy of the ABA study.

Now it is my considered opinion, Madam Chairman, that all this started right here in Washington, D.C., at the bankers' lobby level. You see nothing from the banks themselves. You haven't seen any banks saying they could not make these loans at 6 percent. Why has not appeal been made by the American Bankers Association or for someone to tell this committee exactly what the score is?

You don't find any statement from banks. You only find it from the bankers lobby. Now then the bankers' lobby, Dr. Walker, last Friday, August 11, gave a notice that was published in the American Bankers publication to the banks. It is carried by the American Banker.

It says:

Charles E. Walker, executive vice president, ABA, said here Thursday "We are going to tell our members that this is going to pass retroactive to July 1st.

"We are urging them to make these loans now, not wait for the legislation. We are sure that the fee system will be applicable to any loans made after July 1st."

In other words, he has pushed Mr. Fowler, Secretary of the Treasury, out of his seat and taken the Secretary of the Treasury's seat and given notice to the banks and the country and Congress that they are going to expect these fees paid retroactive to July 1.

They feel like they are kind of in charge. You have heard the story about more gall than a Government mule. I think this demonstrates it pretty well.

And that parallels what happened at Johnson City, too, one time, when Mr. Johnson, the President, asked for the Federal Reserve Board to come down there December 6, 1965, and discuss the raising of interest rates that the Board was contemplating.

When they got down there to discuss it the President discovered for the first time that the Board the day before had already raised interest rates $37\frac{1}{2}$ percent— $37\frac{1}{2}$ percent. You see, the bankers can get by with that but others have to have collective bargaining, they have to have congressional acts, they have to have everything done.

But in the bankers' case it seems to be a kind of a hallowed ground proposition, sacrosanct, they just go ahead and do it and it is accepted.

Congress does not say much about it. If the country does not say much about it they say the bankers have a right to do that. Now they are coming in on student loans and they don't have any collective bargaining on this either, they just raise them arbitrarily, automatically.