been successful, but by using the student loan provision as an excuse for opening up the law, Virginia's usury law could easily be eroded.

I think at this point it is important to look at a typical loan transaction that would result if the pending amendments to H.R. 6232 were enacted. My example concerns a young college student who borrows $1,000 from a bank for each of his 4 years in school.

The bank charges an interest rate of 6 percent on the loan, or a total of $60 a year for each $1,000 borrowed. In addition, the bank receives a $35 acquisition fee for each of the 4 years and an additional $35 when the four loans are consolidated upon graduation.

At the end of the 4 years, the balance sheet looks like this:

Total amount borrowed, $4,000; acquisition fees, $175; interest paid, $600.

Thus, the bank has earned on its investment $775, or in excess of 15 percent, even before the principal repayments began.

Under the Pepper bill, once repayments begin, the Government would reimburse the bank $1 for each payment made.

How considerate will these banks be of this student? Will they answer correspondence? Are they going to consider them and give them attention like customers of banks are entitled to or will they look upon this as a loss and too much trouble and not give them consideration.

Furthermore, banks are in the habit of requiring accounts to be brought to the bank when they make accommodation loans for them. It would not be unreasonable for them to tell this father who comes in there to get a student loan, "You have your bank account over here at X bank; you will have to bring that over here to us if you are going to do business with us. Furthermore, we would like to have a compensating balance from you."

How far will they be allowed to go on fringe benefits like that? There is nothing in here to exclude it, nothing to exclude it.

The $1 is to cover processing and handling. If the student in the example cited repaid the loan over a 5-year period, the bank would receive an additional $60.

Furthermore, keep this in mind. A lot of students will want to repay this 100 percent. They don't want to have a subsidy in their educational program I am sure. Some of them won't. Some of them will not feel so strongly about it and it will be all right. But let us make it possible for them to know what the amount was that the Government had to pay so that if they did want to pay back their part they would have the privilege of doing so.

If we separate this entirely obviously for the purpose of making it not look like usury, by letting the banks pay part of it and the Government reimburse the banks and let the student pay the 6 percent directly, it looks to me like it is to keep it from looking like straight usury in violation of the usury laws.

Certainly the student at the end of the time should be able to know how much this cost Uncle Sam, "I want to pay Uncle Sam back every dollar Uncle Sam is out on my education." A lot of them will want to do that. They should have that privilege and provision should be made for it I think.