

On the original \$4,000 loan, the bank would receive \$600 interest during the 4-year college period, \$175 in acquisition fees, \$60 in monthly handling fees and \$626.24 in interest over the 5-year repayment period of the loan.

When the student's loan is fully repaid, the bank will have received in addition to the principal loan amount extended, \$1,461.24 in the form of interest and other payments. On the initial investment of \$4,000, the bank receives in return, \$5,461.24.

These are the figures as computed under the Pepper bill. However, the only difference between the figures for a loan under the Pepper bill and a loan under H.R. 6232 would be the \$1 monthly handling charges. These are concrete figures, not ones that are pulled out of the air in order to prove a point.

I think it can be clearly seen at this point that the amendments under H.R. 6232 and H.R. 11978 are nothing more than another bankers' bonanza.

In other words' a bankers' bonus bill.

The banks contend that it costs more to put a student guarantee loan on the books than it does for a regular consumer loan. In fact, ABA states that it costs only \$20 to put a normal consumer loan on the books as opposed to the \$35 cost for the student loan. The banks further argue that the \$35 cost remains the same when the student comes in for additional loans.

Once again, the American Bankers Association's lobby neglects to present facts justifying these figures, or perhaps the ABA lobby has decided that \$35 is what they feel the cost should be and now they are developing figures to prove their point.

Dr. Walker throughout his entire appearance before this subcommittee attempts to compare the student loan program with the banks' normal consumer loan program. Not once, however, does he mention that the student loan carries a guarantee for which the bank is not required to pay a penny.

The banks are not out on this. They are fully guaranteed anywhere on earth. The bank is allowed to pass the cost of the insurance along to the borrower. Thus, the bank is assured of 100 percent repayment on the student loan, while it has no such assurance on the consumer loan.

In determining a break-even point for student loans, the bankers have completely overlooked the guarantee factor.

I cannot accept the statement that it costs the bank more to put a student loan on its books than to make a normal consumer loan, nor can I see the justification for the \$35 acquisition fee payment each time the student receives a new loan.

Mr. Barr attempted to justify this recurring payment in his appearance before the committee yesterday, but I do not feel that he made a case for it. I would also like to ask why is the \$35 fee an across-the-board payment?

This means that a bank the size of Chase Manhattan and a little country bank will both receive the same subsidy for making the loan, and certainly the cost of putting the loan on the books of Chase Manhattan is far less than for the country bank.

Why has Mr. Barr not come up with a recommendation based on actual cost to each individual bank, rather than a flat fee?