

This amount would be a strong beginning to a student loan revolving fund and would enable the Government to finance the program on a virtually cost-free basis.

True, the Government would have to reimburse the banks for services rendered but if the Government reimbursed for only those services from which the payment does not gain an additional benefit, such payments would be so small that they could be made from the Treasury's petty cash fund.

This plan would do away with the subsidies that are bothersome to Dr. Walker.

I feel it is also time to give serious consideration to a direct Government student aid loan program. In the past, Government lending programs have been opposed by many who contend that free enterprise can do the job more effectively.

This argument cannot be made against a Government student loan program, since the banks have clearly indicated that they are not interested in helping students but are interested only in making as much money as possible, according to the banking lobby here in Washington.

The Small Business Administration was established because banks did not lend to small business. The student loan program presents a parallel situation. Not only would the Government agency provide a better service to students, but its initial expenditure would cost far less than paying banks huge subsidies to do the job.

For instance, in 1972, Mr. Barr testified that the Government would have to budget \$400 million for the operation of the student loan program. Every dime of that money will go to the banks in the form of interest payments and acquisition fees.

Let us look at a comparison of costs between a Government program and a bank subsidized program. It is estimated that 750,000 student loans will be made under this program in fiscal year 1968, for a total dollar amount of \$638 million.

Under the amendments to H.R. 6232, the Government would pay 6 percent interest a year on those funds or a total of \$56 million. In addition, if the \$35 acquisition fee is used another \$26 million will be funneled to the banks.

If the \$25 fee is decided upon, it will mean that \$22 million will go to the banks, but since the Treasury Department is lobbying for the banks on this bill, I feel certain that the \$35 acquisition fee will be finally agreed upon.

In fact, Dr. Walker, the head lobbyist of the American bankers has already told the banks to go ahead and make the loans, the fee will be retroactive to July 1.

What right has he to speak for this committee, for me or for the Congress? But he has already said that. That means that the Government will pay out \$82 million during fiscal year 1968 in a direct subsidy to the banks.

If the Government sets up its own loan revolving fund, it would save \$82 million less the cost of obtaining the funds, which would still amount to a multimillion-dollar saving.

If instead of operating the student loan program as a basis for further subsidizing the banks, the Government set up its own loan