

fund, the savings obtained by not paying the banks subsidies each year would equal the initial loan fund investment in 10 years. Eventually the repayments into the fund would make the program virtually self-sustaining on a monetary basis.

Of course, it would require an appropriation for the first several years to keep the program going. Perhaps the appropriation in the first year would have to be \$500 million, but alongside the \$524 million that was spent on small business loans through the Small Business Administration last year, I think the student loan appropriation is clearly justified.

It must also be noted that the percentage of defaults on student loans in the past in all Government lending programs has been extremely small, less than 1 percent, I believe. Based on this, I feel that a direct Government lending program is far more in the public interest than the Barr bank subsidy plan.

I would like to see an amendment to the legislation that would give any student who so desires an opportunity to repay the \$35 acquisition fee, if he so chooses. This would not be a mandatory requirement, but it would simply be a means for a student to show his appreciation to the Government for making the loan possible.

It should also be a requirement that the bank, in providing its statement of the loan account to the student, list the number of \$35 conversion fees that have been paid to the bank by the Government.

This will at least enable the student to see how much money the bank made on his loan; this is in keeping with the "truth-in-lending" legislation that is pending in the Congress.

It is unfortunate that the commercial banks of our country are not willing to invest in a cause so great as the education of our children. That is according to the spokesman here in Washington, D.C. I am not entirely sold on the theory that the bankers are resisting this.

I do not feel that we should reward the bankers for such an attitude. The legislation before your subcommittee in its present form would be such a reward. Not only would it be a reward, but it would clearly put the banks in a position of running the student loan program in that they could force the Government to increase interest rates merely by refusing to make loans.

If this legislation is passed, it will only be a matter of time before the banks are up before you again asking to raise the interest rate to 8 or 10 percent so that they can make more money on the loans.

To demonstrate exactly how much power the banks have, I would like to call your attention to a governmental conference held on July 11 in Washington for financial institutions to discuss the problems of the student loan program.

I have been in contact with Mr. Barr, the Under Secretary of the Treasury; I have been in contact with the subcommittee chairman, Mrs. Green; I have been in contact with Mr. Perkins, the chairman of the full committee, for the last 2 months letting them know about my interest in this. The Treasury knew about it.

Notwithstanding it, I was not even told about this. I did not even know about the conference. Representatives of commercial banks, mutual savings banks, credit unions, savings and loan associations and