These limitations constitute psychological barriers in that they may indicate to some credit union managers that the restriction was necessary in order to prevent credit unions from getting into difficulty making this type of loan. The Director of the Bureau of Federal Credit Unions has ample opportunity and authority to police the extent of participation of any individual credit union.

We previously mentioned that credit unions are operated and managed by volunteers without compensation. Of course, there are many of the larger credit unions who do have employed managers on a full-time basis to conduct ministerial operations. Even in these credit unions, the credit committee, which must approve all loans, is made up of volunteers. When the organizational complexity of the guarantee student loan program and the administrative hesitancy and delay in launching the program is placed in this context, I think it is easy to see why some of these volunteers are frightened by the thing and have been slow in changing a mode which they have gotten into over over the years in operating their credit union.

While the Office of Education has done a commendable job of simplifying the administration of the program, there is still room for improvement. We would suggest that all administrative functions be vested in the agency providing the guarantee. This would simplify matters to the extent that the lender would have to deal with two parties only: the student borrower, and the guarantee agency.

Traditional operating practices of credit unions have also provided some built-in barriers. As primarily consumer lenders, credit unions are used to short-term, self-liquidating installment loans. Most State credit union laws, and the Federal law, have a maximum maturity period of 5 years. If you look at the national record, the typical loan is liquidated in some 10 to 12 months; although it is usually undertaken for some longer period of time, it is liquidated ahead of contract. If they know that most of their loans have been for, say, 6 months to 2½ or 3 years maximum, based on the concept of a 10- or 15-year loan, including the educational period plus the repayment period, this kind of frightens some of these amateurs, that is, some of these volunteers. It defies all of their tradition of how they operate, and it ties up their capital for a long period of time and they lose their liquidity position.

Moreover, many credit unions operate with the philosophy that all members should pay the same interest rate for all loans (generally 1 percent per month on the declining balance, or, in truth-in-lending terminology, 12 percent a year). They reason that a person borrowing for medical bills or other emergency purposes must pay the going rate and that it is therefore unfair to grant an educational-purpose borrower a lower rate.

My credit union has frequently considered the possibility of a differential rate for educational loans. We felt it would be bettter perhaps to make loans to students at, say, a 6-percent rate than to go into Government bonds or some other investment with part of our excess funds at a less-than-8-percent rate. But note this problem. We have a student, John Jones, who comes to Aquinas College with all of his tuition saved up. He is ready to pay cash when he enrolls. But he finds that he can get a job somewhere away from