

the college, and he would now like to borrow some money to buy a used car. But we have a 6-percent rate, let us say—we don't, and this is the reason we don't—we have an 8-percent rate on an educational loan and 12-percent rate on the car. He has the money to pay for his education, but instead, he buys a car with it and he borrows the money from us at 6 percent to buy the car, although he tells us it is to finance his education. Of course, you can't tell, when the funds are commingled, which money is which.

The difficulty here is that our kind of credit union would soon be making all its car loans at 6 percent, because you could not really tell whether it is an educational loan or what it is. So we have finally come to the conclusion that, given this difficulty of segregating the funds and knowing really how they are used, that since the credit union cannot operate and pay a dividend to its savers within the 6-percent pattern, that we have to stick to a single rate. Because it is simply too difficult to police differential rates.

This is a very widely held position in credit unions. Whether you believe in it philosophically or not, there is a great deal of difficulty in solving the problem which is raised here.

Mrs. GREEN. May I interrupt there? Why would not that same thing occur under the proposed plan? Why might the Government not find itself subsidizing loans to families for payment of mortgages or cars or other debts?

Mr. MARIN. I am sure that it is because, while it is required under the act that the loan be for educational purposes and the borrower signs such a statement, as I understand, nevertheless, it is true that once the loan has been made he may very well use the money for educational purposes and use money he already had for educational purposes to buy a car. This is the difficulty we are citing here. I am sure there is some abuse of the present program, funds being borrowed ostensibly for education which may actually end up being diverted to something else, because this is a low-cost program.

I don't really know how you police this. I merely raise it as an issue which we have faced in my own credit union, and still have not solved.

Mrs. GREEN. The proposed law would say that the only thing that the university is to provide is a statement of enrollment at the university and that the student's expense estimates are reasonable. From usual experience both in the credit union and in the college, you think it might help to police this a little bit better if something else were required from the university?

Mr. MARIN. I think so. I think that it would be a desirable situation. Let me, again, just take the devil's advocate position for a moment now. As a former student financial aid officer for an institution with 1,300 students, without even part-time secretarial help—and this is the kind of situation you get in college administration—in small colleges particularly, there would be a lot of screaming. But I think that it is a provision that makes sense from the standpoint of the general welfare and from the standpoint of the prudent use of Government funds, either as a guarantee or, if you subsequently were to get to a direct program as was suggested as a possibility yesterday.

It is a real knotty problem, and it is only one of the problems.