

Really, I suppose at this point I appear to be speaking negatively. I hope to be speaking more positively later on.

The short-term mentality of the credit union leader anyway, faced with this program, will be adjusted as more credit unions get into this program and learn that most students repay their loans in a much shorter period of time than the law allows. I understand the repayment period is shorter than the maximum period permitted under the law. Here again I suspect that the sophistication of the borrower will defeat this in time. If he can borrow money for 3 percent while he has other money invested or other money borrowed for other purposes, he is not going to pay off the 3-percent loan any faster than he has to.

Again, I think as our borrowers become more and more sophisticated, they are more likely to go to the maximum maturity rather than to repay, as many of them have been repaying now. The equal-rate-for-everyone philosophy will probably give way as more credit unions realize that Congress has declared a national policy in favor of, and has provided financing for, public support as a means of helping people meet their medical and educational expenses. In the case of medical expenses, medicare and medicaid were provided. In the case of education, grants, scholarships, work-study, and subsidized loans were provided. Since Congress has asked credit unions, as lenders, to assist in the subsidized loan program, we certainly intend to cooperate to the best of our ability.

This subject of equal rates brings to mind two other problems inherent in our operations. Since credit unions generally charge the same interest to everyone, there is some hesitancy to enter a program which has a statutory maximum less than the general rate. We would, therefore, support the recommendation of the "Barr committee" that the lender be paid an application processing fee by the Federal Government. This would partly alleviate the rate differential. And I would take some exception here again. Despite the tremendous respect I have for Congressman Patman and who is obviously a great friend of credit unions, I believe that in his calculating a rate of 15 percent on a 4-year loan as being the total repayment cost, he inadvertently used an annual basis rather than the average rate over 4 years.

In any event, we have a problem here. We think that of the Barr amendments, the \$35 placement fee, would assist somewhat in breaking the psychological barrier.

The other problem arising from the equal-rate-for-everyone philosophy is the use of the interest refund by credit unions. If the earnings of the credit union are sufficient, the credit union will generally return to the borrower at the end of the year 10 to 15 percent of the interest that the borrower paid. My credit union has, for a number of years, at the end of the year with the earnings sufficient to do it, been rebating 20 percent of the interest. In other words, if a student borrower had paid interest in the course of the year of \$50, he would get \$10 back at the end of the year. If he already borrowed at a reduced rate to begin with, is he entitled to that refund? Probably not.

At least in Federal credit unions—and that is the main group which has been making these loans—the director of the Federal credit unions requires that if you pay a refund you do not differentiate, and you give it to everybody, which means in the case of a 20-percent rebate