Thus, in a large urban area such as Philadelphia or the District of Columbia, members of the credit union may reside in three different States. Since most guarantee agencies will not guarantee loans made to nonresident borrowers or will not guarantee loans made by nonresident lenders, the credit union is effectively precluded from participating. Military credit unions have a similar situation, since the residency of a serviceman is often in question. You don't know his residency. It is not the area in which he is stationed. If you seek to finance the college education of a dependent of a military serviceman through a credit union, you will run into this residency problem.

A solution to this particular problem can be realized by providing that, in cases where eligible lenders do not have effective access to a State guarantee agency, that it may have access to the Federal guarantee program. I know this raises a lot of eyebrows. So far, the Federal guarantee program has been religiously avoided, but this is at least one of the difficulties we have with most of the State programs, that they are quite restrictive in terms of certain of the lenders.

In turning to H.R. 6232, we would express our support for all of the proposed amendments, since they simply equalize, make uniform, and coordinate some of the many provisions of the entire student loan program. However, in view of our comments, we must say that these amendments are minor and would have no impact toward solving the most basic defects in the program. I suppose I am restating to some extent what Congressman Pepper said yesterday.

We think it is very important to encourage credit union participation in this program. Credit unions serve the economic class that most needs the assistance provided by this program. But we must emphasize our basic belief and that is that the student must be of prime importance. We cannot look at this program as a philosophical battle between State and Federal political rights, or between public and private lending rights. We must look at it as a means of helping students to get an education. We pledge our association to work with you in that endeavor.

I thank you so much for the opportunity to bring this to your attention, and would be perfectly willing to try to answer any questions you might have.

Mrs. Green. Thank you very much, Mr. Marin.

First of all, you disagreed with Mr. Patman on his 15 percent. What do you think the actual interest rate would be?

Mr. Marin. You recall he quoted two rates, one a 9½-percent rate, assuming a 1-year loan, of $60 on a thousand with a $35 processing fee, or a $95 total fee for a thousand-dollar loan for 1 year.

In the discussion, he did indicate this would be the first-year cost. The effective rate would be substantially less than 9½ percent, I believe. I think that this business of the total rate that he quoted on 4 successive years, with the $35 figure added for each of the 4 years, as I recall he had, say, $60 on the first loan for 4 years, which would be $240; and on the second loan, $180; and on the third loan, $120 and $60, and then $35 and $35 and $35 and $35 for placement. And he came up with a figure of something like a 15-percent overall.

But I am reasonably sure that if you did this, particularly through the repayment period and even adding the consolidation fee, which