

historic position of the common bond, the closed membership of the credit union.

Mr. BRADEMAs. Mr. Patman was critical of the figure of \$35 as the application fee in terms of the bankers' estimates. I notice that you use the same figure, \$35. He said the banks had not broken down that fee and had in effect therefore not justified it.

Mr. MARIN. I don't think they really have. A cost analysis is very difficult here. We have attempted this by sending a form to some 50 large credit unions that we knew were engaged in student loan lending. We asked these questions: We said,

Would you please try to give us an estimate on your cost incurred before the loan enters the repayment status in each of these four categories: One, initial cost of processing the application and include in this the cost of filling out the application, counseling the student, mailing the application to the guarantee agency, and all other matters connected with the origination of the application for the loan.

Now we sent this to 50 fairly sophisticated larger credit unions. Their estimates ran from 50 cents to \$75, which gives you some problems of cost analysis.

On the second question.

The cost of arranging payment to student borrower, include here the cost of making out the check to the student borrower, including the cost incurred when the student desires payment to be made in installments rather than lump sum, and average this one out.

Our estimate here ran from 10 cents to \$5. That gives you some idea of the problem involved.

No. 3.

The cost of maintenance per month. Include here the cost involved in obtaining the interest payments from the Federal Government and any counseling which is done on behalf of the student after the loan is on the books.

Our cost here estimated from 10 cents to \$7.50.

And "The cost of conversion to payment status." This would be the second period when you would collect the final \$35 in this cycle.

Include here the cost of preparing the payout note, the cost of contacting the student, the cost of communicating with the guarantee agency, and federal government.

Our estimate ran here from 12 cents to \$15. Overall, the total of these or median of the credit unions we asked was \$22.91. These credit unions are estimating it would cost less than \$35. As a matter of fact, however, we have one credit union which estimates the whole thing can be done for \$1.92. I think that we would all agree that this credit union has rocks in its head, or they are doing no counseling at all. They have to talk to this student. They have to talk to him again when he is ready for payout. Obviously they are hiring help for 5 cents an hour, if they are doing it for this.

I think the figure is not very unrealistic. I think something like \$35 is probably fair, but I could not prove it. The credit unions that are doing it give us very conflicting information.

Mr. BRADEMAs. I have just one other question. I notice on page 4 of your statement you indicate that many State legislatures preclude the participation of credit unions in the State guarantee program.

Mr. MARIN. In some States they are totally precluded still.

Mr. BRADEMAs. Why should this be?