

Mr. MARIN. Partly because of the fact it would require a change in the act and they don't think it is important enough to amend the legislation, and so on. In most cases State laws preclude a credit union from making any loan with a maturity in excess of 3 to 5 years. This would have to be preferential legislation which would permit longer maturities for this class of loan. In many cases the State banking commissioner or the financial institution supervisor in charge simply does not want to do it. He says, "You are not going to do any volume in it, it is too much trouble, and forget it. Let the banks do it."

Although in most States, as the testimony indicates, the final attitude has been most cooperative. In most States this problem has been removed. In Michigan it was removed every promptly, for instance, by a change in the act to permit the participation of credit unions.

Mr. BRADEMAS. Thank you very much.

Mrs. GREEN. Congressman Gurney?

Mr. GURNEY. Thank you, Madam Chairman.

Realizing that there are a number of obstacles in this loan program which need to be surmounted, I would like to talk of the economic aspects, because the testimony we received here indicates to me at least that this is the greatest obstacle so far as credit unions and banks are concerned. From your colloquy with Congressman Brademas there is obviously a great divergency in opinion as to what the economic status is, but the committee is going to be faced with a problem of trying to make a decision on what is going to make these loans competitive so that people loaning in credit unions and in banks are going to loan money knowing that they can make some money on it which will be competitive with their other loans.

Now what is your suggestion on what we ought to do from a credit union viewpoint to make these loans competitive within the credit union structure? As I understand it, most of your moneys are earning 9-12 percent.

Mr. MARIN. Personal loans. But let me point out that the credit union movement alone has about a billion dollars in either idle cash bank balances or short-term governments, or in some cases long-term governments, or corporate securities generally earning much less than the 6-peracent or about the 6-percent rate. It seems to me if there was a single thing in my testimony that would be helpful to the committee it would be the possibility of establishing within the program some kind of a rediscount facility to permit the banks or the credit unions to service these loans just as many banks do on real estate mortgages, and subsequently resell the paper to insurance companies or others.

Because a 6-percent return on a Government-guaranteed investment would look very attractive in the typical insurance company portfolio. But they are not in a position to service these or to process them in the first place, or to counsel the lender, and so on. If, however, legislation were drawn to permit the banks and the credit unions or any lending institution to originate the paper and then subsequently sell it in blocks, thereby recovering the capital immediately in order to permit them to make a further loan and at the proper moment in the history of that loan the paper comes back back home for collection and for repayment to the insurance company, or the pension funds, it seems to me that is the easiest way to solve the economic problem. Because for