

Mr. GURNEY. I have a couple of other questions here. In a colloquy I think with Mr. Quie you developed this idea that sometimes these loans may be made and used for other purposes. I suspect that will always be true, particularly as borrowers become more sophisticated. Let me ask you this question, as a loan officer of a college. What would be wrong in having the lending institution, credit union in your case, make the check directly out to the educational institution? This would not require any more administrative work.

Mr. MARIN. It is usually done that way now. This, of course, does not avoid the possibility of diversion of other funds which he had intended to use.

Mr. GURNEY. I realize that you would never get away from that.

Mr. MARIN. In most cases the check is made out jointly to the college and student borrower.

Mr. GURNEY. However this is not required by the legislation?

Mr. MARIN. This, I am unaware of, what the present requirement is. As a matter of practice, I think it is normally done that way. Certainly it would not be a difficult requirement.

Mr. GURNEY. From the viewpoint of you, not as a credit union man but as an educator?

Mr. MARIN. It is a desirable technique.

Mr. GURNEY. Do you think this would in any way throw any roadblock into the usefulness of the program?

Mr. MARIN. No.

Mr. GURNEY. It would not cost any more administratively?

Mr. MARIN. No.

Mr. GURNEY. I have one other question, Mr. Marin. Some colloquy also was directed to the point of the many loans, the great volume of loans, both in numbers and size, that you make at the going interest rate—9, 10, 12 percent, whatever it was, but considerably in excess of this figure—and that there was no reluctance on the part of the students or the parents to enter into such loans.

Can you shed any light for the committee as to what economic bracket these students are in who are making these conventional loans at the high interest rate now? What I am trying to get at there is, are they middle-income families or low-income families. What are they?

Mr. MARIN. I would say lower middle, up into very high income. In fact, I would—and this may seem ridiculous—but I would submit that I think typically the very high income family is less likely to make any inquiry about the interest rate or to understand the interest rate. I think, for instance, at Aquinas College we would have more high income families using EFI than using the credit union.

Mr. GURNEY. What about low-income families?

Mr. MARIN. The low-income families are more inclined to use the credit union, because they are more used to the credit union where they work. If this man is a professional, doctor or lawyer, he does not know about credit unions and he makes no inquiry. If he gets something that says "educational funds" and "tuition plan" it sounds like it is made to order, because it is a monthly repayment plan and he pays 18 percent or 20 percent for his plan.

Mr. GURNEY. You say the interest rate is less the factor that the acquaintance of the borrower with the lending institution?