

I must also agree wholeheartedly with the flexibility contained in the recommendation of the Barr task force. The fee can be adjusted up to \$35 per loan, depending on money market conditions. The Treasury, which deals with money rates on a daily basis, is in a good position to advise the Commissioner of Education in establishing the rate for any given period. I would also add at this point that the program, when the program is in trouble, in its August and September and peakload period, it would be given the most impetus at this particular time if the fee were set initially at the \$35 level. It would encourage more lenders to join the program now and would be most helpful in encouraging other lenders to remain in the program.

Mr. Patman referred yesterday to Dr. Walker usurping the authority of the Congress in the American Banker article, saying to the banks, "This will pass the Congress retroactive to July 1st, therefore make the loans."

I will not repudiate the reporter who printed that. He is sitting over here at the table beside us. What I was trying to get across was that in view of a letter from the President of the United States to the chairman of the full committee here and in the Senate, in view of the wide support of this in the lending community, in view of the importance of the program, I believed that Congress would adopt this proposal, and it was vital for banks to know this, retroactively, so that loans made in August, right now, would get the fee in the future, and this would stimulate loans at precisely the right time of the year. If Congress would not do so, I would be very much out on the limb with my membership and would have to suffer the consequences.

The second major amendment now under your consideration—the reinsurance concept—is also strongly supported by the American Bankers Association. When I testified last April, I discussed some of the alternative ways to assure adequate reserve funds for State and private nonprofit guarantee agencies. One proposal was for another appropriation of advance funds to be used as seed money. Another was for the Government to advance funds to states on a matching basis.

Both of these have one major disadvantage: an immediate impact on the budget. With the present prospect of a tax increase and intensified efforts to limit Federal spending, efforts were made to devise another method which would achieve the same goal—expanding reserve capacity—without further straining the Federal budget. The coinsurance or reinsurance proposal meets this objective. It has precedence. I think it is a very ingenious and sound approach which officials in Government came up with.

This proposal will permit States which have already established and funded their programs to make additional loans without appropriating additional reserve funds in the next few years. Such a program would also provide a greater leverage to states with limited financial resources. Under the proposal, every dollar appropriated for reserve funds will support about \$40 in loans. When the \$12½ million matching funds are made available next year, each dollar appropriated by a State will support about \$80 in student loans.

You are getting a tremendous bang for the buck, as we say, with this particular approach.