Mr. QUIE. If he receives a Federal subsidy while he is in school there would be Federal control over the interest rate.

Mr. WALKER. We don't object to this 6-percent rate with an adequate placement fee to move this thing back up toward the break-even point.

Mr. QUIE. How do you know what that break-even point is if you don't have the placement fee, it would be just a straight guaranteed loan, the student would pay all the interest from the time the loan was granted.

Mr. WALKER. The break-even point under today's money market conditions would still be above 6 percent. It would still be higher than 6 percent.

Let me say this. The 6-percent rate has precedence, rates of 5 to 6 percent, simply because of the operation of State plans and U.S. student aid funds and so on. These had their genesis in periods of much lower interest rate in the economy when banks were paying one, one and a half, two and two and a half percent on their time deposits, when to get the money last year we were paying up to five and a half percent. If we are successful in maintaining a healthy vigorous economy I would expect to see the interest rate level over the years remain closer to the levels of 1964–67 than the depression levels of 1933–35, low interest rates are what accompany depressions. So there has to be some scaling upward, I think, in the basic idea that 5 or 6 percent was a fundamental break-even rate. But I see nothing wrong with subsidizing the student while he is in college and saying banks can charge only 6 percent. If we get the placement fee along with that I have confidence that the program will be sufficiently attractive and avoid the losses that are involved to pull more lenders into the program, if we can get the savings and loans and the credit union groups to come in strongly, if we can develop packages of these loans that can be sold to insurance companies. When you are dealing with the commercial banks, and also credit unions and mutual savings banks you have a half trillion dollars of financial assets involved there. You bring in the insurance companies and they would come into the picture in the same way they buy mortgages.

Mortgages and commercial banks and others make local mortgage loans, package them and sell them to the insurance comapnies for servicing. I would like to see the development of this arrangement for student loans so that the bank in my own town of Austin, Tex., which is deluged with demands from the University of Texas students, could meet these loan demands and then sell the loans in packages of 50,000 to 100,000 each to Morgan Guaranty & Trust Co. in New York, Metropolitan Life Insurance Co. or to the pension funds Mr. Patman mentioned yesterday.

We would be delighted for the pension funds to come into the picture. They wanted 4 percent like he said, but I would delighted to see them come in.

Mr. QUIE. In the States that have usury laws which prohibit charging higher than 6 percent, how is it possible for them to make any money if the break-even point on student loans is higher than 6 percent and they have nonguaranteed loans to the local farmer who has to prove he is a good credit risk which is kind of difficult these days for people in agriculture.