

make a student loan and what it costs to make a consumer loan. That is a very substantial percentage difference.

I suppose also you ought to be prepared to show that you can justify the difference of \$14 in one case and \$13 as distinguished from the credit union cost. I am just asking for some facts.

Mr. WALKER. We will submit them for the record. May I ask why there is not a prima facie case for saying with all of these discussions involved, that is not involved in the consumer loan between the banker, student, guarantee agency, Office of Education, isn't it prima facie clear these loans will cost more to put on the books and considerably more.

Mr. BRADEMAS. I am not really being combative although I appear to be. I am inquisitive. I just want to know and I think the members of our subcommittee would like to know how you justify \$35 as distinguished from \$22 or \$25 or \$2.

Mr. WALKER. We will submit that for the record along with the Barr committee report which very clearly details why these loans cost more to make.

(The information requested to be furnished follows:)

THE AMERICAN BANKERS ASSOCIATION,
New York, N.Y., August 25, 1966.

Hon. EDITH GREEN,
Chairman, Special Subcommittee on Education of the House Committee on Education and Labor, Rayburn House Office Building, Washington, D.C.

DEAR MADAM CHAIRMAN: During the hearings on H.R. 6232 and H.R. 6265, several questions were raised concerning the justification of the \$35 fee. I understand that since I testified, the Treasury Department has supplied the complete data used by the Barr Task Force in arriving at the \$35 figure, so I will not burden the record with the details of our own figures. I should like, however, to make two comments about these fees.

In the first place, it should be made quite clear that these student loans are particularly complicated and time-consuming and therefore expensive.

The extensive study of consumer credit by the Federal Reserve shows that the average cost of acquisition of consumer loans is \$21. These transactions usually involve the bank with one individual, in one interview, and only one form is required.

This is not the case with student loans. An inexperienced borrower must complete a four-page form in most cases. (State application forms vary.) Usually the lending officer must assist the student in completing the form, particularly the section where the student and his family have to compute the adjusted family income to determine if the student is eligible for the interest subsidy. Since the parents must sign the form, the student usually has to make two visits to the bank to make sure it is all filled in correctly. In many instances the banker has to look up the student's Congressional district, since few students know this fact and it is required by the Office of Education. If correct, the student takes the form to the college and has the financial aid officer verify that the student is enrolled and in good standing. The form then goes back to the bank. The bank, if it agrees to make the loan, then sends the application to the state or private guarantee agency. If the application is approved by the guarantee agency, the bank must then get in touch with the student and have the student come in for the check or tell the bank where to send it. The bank must then supply the necessary information to the Office of Education.

Stated differently, the forms involved in a student loan are four times greater than in most consumer loans. The time consumed in interviewing students and answering questions by students and parents, is four or five times greater than for a normal consumer loan. The application forms must be handled four times as often as in a normal consumer loan.

All of these time-consuming operations drive up the cost of making a student loan. When we asked banks to give us their best estimates of the cost factors