

Mr. WALKER. We would argue they have not been slow. We would argue the program has not been going very long as a matter of fact. Although the act was signed in November 1965, they were no regulations until 1966, no forms or seed money or necessary approvals until August, September, and as late as October 1966. We have really had less than a full 12-month experience under this program in the full operating forms.

Furthermore, there were certain deficiencies in the original proposal which would encourage States to drag their feet because it was promised or implied that if they did not set up a State operation, Uncle Sam would come in and guarantee the loans directly.

Why would a State administration appropriate several million dollars if they thought that the Federal program would be triggered or activated later? This was a problem that confronted us in Colorado, North Dakota, and other States and led to a great deal of discussion.

Mr. GURNEY. Is this deficiency being corrected in the present bill?

Mr. WALKER. Yes, sir; it will be corrected by the President's recommendations. You will have two carrots and a stick in the operation. The first carrot is the coinsurance proposal which gives a tremendous leverage on State funds, the second carrot will be the \$12½ million on a matching basis. This was an error to begin with, you see, because the seed money was not on a matching basis.

Thirdly, it is contemplated in the recommendation that the authorization for standby Federal insurance will be phased out so that that alternative would not be open to the States.

I can confidently predict that no State administration in the country could politically stand the pressure involved of not setting up a student loan program under this sort of system. They would just have to move; no question.

Mr. GURNEY. I am interested in the line of questioning that you had with Mr. Brademas about the \$35, but from a different point of view.

I am not content that the \$35 is going to be sufficient motivation to go ahead with the program. It may well save the cost of putting the loan on the books, but it occurs to me that there is a rather substantial cost to the banking institution when you get into the fees of servicing the loan during the collection period, which is not, of course, covered by this \$35 fee.

When you furnish the information for the committee and the breakdown of the cost, frankly I think the information would be far more useful if you tackled it not as a means of justifying the \$35, but actually letting us know what the costs are, average costs of course, of putting the loan on the books and then servicing the loan later on. Because if the cost of servicing the loan is not covered, then a couple of years from now or 3 years from now, when we get into the loan collection phase of it, it will be received with a great deal less enthusiasm than it is now.

I think we should have a complete breakdown of what this thing is going to cost.

Mr. WALKER. You raise an excellent point there. As a matter of fact in our original presentation to the Barr committee on this subject last January, we suggested exactly what Congressman Pepper suggested yesterday, which was something along the lines of \$1 per month during the payout period.