

Mr. WALKER. What I am talking about is the student and telling him a few facts of life about credit and what it means and how bad it is if you ruin it. The counseling comes in when he is in the payout, he has lots of things he wants to do. He just got married. He wants to buy a car, a house, do this and that, take a vacation.

The bank can say, "Wait a minute. You are talking about paying this loan over 10 years, and you can do that under the law. But stop and think how fine it will be if you pay this out in 5 years. You develop a good credit rating."

You put off a few of these other things. It is just a good start in a basic American tradition of thriftiness and character that is so important in credit.

I am distressed by these personal bankruptcies. These figures are alarming. It is partly because the average American does not understand or use credit wisely. It is a good way to get them started. That is the counseling I am talking about.

Mr. HATHAWAY. Don't you have the same counseling with respect to other loans to workers? They have the same problems they want to go on vacation and so forth?

Mr. WALKER. Well, we are engaged in and participating in the establishment of consumer counseling operations in other cities, but we are talking about starting with 17- or 18- or 20- or 21-year-old students when they graduate versus a person coming in for an automobile loan. You don't counsel with him. If he looks a little bit shaky on the risk side, you have security for the loan. Ultimately you have the possibility in some States of garnishment and things of that type for protection. You don't sit down with an average consumer lender who is 45 or 50 years old and say, "Look, I want to talk to you about a few facts of life about credit."

Mr. HATHAWAY. This is gratuitous on your part and you are adding it on the cost of processing the loan?

Mr. WALKER. This is a vital part of it.

Mr. GANNON. These applications are two- or three-page applications. As I pointed out earlier, the student has to figure out that adjusted family income before he knows whether he is eligible for an interest subsidy. In many cases the banker has to help the student fill out the application. It is very cumbersome.

Then this application has to go to the college. It comes back from the college. Then the bank has to turn around and send it to the State or private guarantee agency. It comes back from there. Then there are forms that have to be filled out by the bank, sent to the Office of Education.

None of these things is involved in a normal consumer loan. That is what drives up the cost. When you have 5 different parties involved in a loan, there is only so far you can go in reducing the paperwork.

Many times the parents are involved. Many times it is two or three interviews with the student to make sure he has figured out everything right.

Mr. HATHAWAY. Maybe we should look into the complication of the form and try to streamline it.

Mr. WALKER. We would appreciate that.