

Mrs. GREEN. Thank you, Mr. Morse. You state that the program has not gotten off the ground. What reason do you have to believe that if we accept the recommendations of the administration that the program then will get off the ground? What makes you assume that in the current money market the proposed \$25 fee will enable it to get off the ground?

Mr. MORSE. I have to believe the bankers and the other lending agencies who indicate publicly their strong support for and belief in the program, and their protest that they cannot, except in a token way, participate in the program under the current level of interest because it is a losing proposition. If even with the changes that the administration proposes and which I understand have the support of the banking community, loans still are not made available, then I see no hope for the program.

Mr. Walker and others have indicated that these changes would make it possible for banks to participate and at least break even.

Mrs. GREEN. I have not gone over the testimony that was given a couple of years ago by the bankers, but, if I recall, at that time their testimony was in favor of it and that they would participate as a service to this country. It would seem to me that their testimony at that time would indicate as strong a likelihood of their participation as their testimony of last week. If I recall Mr. Walker's testimony last Friday, he stated that they really desired the \$35 placement fee and \$35 for conversion, and that they hoped it would not be \$25 but at least \$35. Then his statement was to the effect that they supported the proposal of the \$1 charge for every payment, which would bring it up another amount during the course of the year. But, he said, "We can attend to that a little bit later. For the moment we will work on the present proposal."

This does not really give me a great deal of confidence that they are fully satisfied with the administration's recommendation of \$25 at the present time, and that they will wholeheartedly enter into the program. And with the colleges and universities, and the other ones whom you stated agreed with you, it does not seem to me to be enough to give the confidence that this is going to take care of student needs.

Mr. MORSE. I don't know that I have confidence, Mrs. Green. There are some very odd situations in all of this. In the first place, my recollection is that in the hearings back in 1965 the American Bankers Association opposed the administration's bill to establish a guaranteed program on the grounds that it was a Federal guarantee and they opposed it before your subcommittee and they opposed it before Senator Morse's subcommittee on the Senate side.

Then the bill was rewritten in such a way, my understanding is, as to be acceptable to the bankers, who at that time thought it would work, provided the guarantees were provided through the State. But, in all fairness to them, the money market was not as tight then by a long shot as it is now.

Here is the oddity of the situation, Mrs. Green, and one that gives me some hope that this program can be rescued at least as an interim measure. In the past year, and this is what we are talking about, in the past year when the money market has been toughest, the New York State program, from August 1, 1966, through July 31, 1967, has guaranteed \$83.6 million at 6 percent. Granted this was a highly successful program in New York State before the Federal program was enacted.