

"overall impact" I mean the overall cost to the Government. I am puzzled by the question of what is the appropriate fee.

Mr. MORSE. I must say that I am disappointed and a little bit startled that the Bankers Association suggested that the \$35 fee was too low, or a floor.

Mr. BRADEMAs. They did not say it was too low. Referring to the fact that the bill said "not in excess of \$35," they said we ought to start at \$35 right now in order to encourage banks to get into the program.

Mr. MORSE. I participated in a meeting with the Bankers Association and the Treasury and was under the impression that they felt up to \$35 was acceptable. The problem of relating the fee to interest is that the smaller the loan made with a flat fee, the higher the interest becomes. If you make a \$400 loan in the youngster's last semester and have a \$35 placement fee and then another \$35 fee for a short collection period, that is a pretty darn high rate of interest.

On the other hand, if it is a \$1,500 loan made in the freshman year, it would be a fairly low rate of interest. I don't know how to calculate it. I suppose you have to assume some kind of average-size loan.

Mr. BRADEMAs. Mr. Barr, in his testimony, placed great stress, as does his interagency committee, on the need for flexibility for the administration in setting the right fee for the right year. That makes some sense to me. I am not a banker, and I raise another question. Is the right fee, to use Mr. Patman's observation, for making a loan at the Chase Manhattan the right fee for making a loan in the same year by a smalltown bank?

Mr. MORSE. Or in States where the interest rate is considerably higher than it is in New York. Obviously this fee is an artificial way of providing an adequate return to the banks for their money. Our position is that as long as there is this flexibility, the Treasury and the Commissioner of Education, basically the Treasury, will protect the financial interest of the country and not allow the fee to go higher than to provide a break-even or reasonable return to the bank. We have to accept that on faith.

Mr. BRADEMAs. I think you have stated what seems to me to be our objective very well. We want the banks to participate and therefore we must be reasonable with the banks while at the same time, we want to be fair in terms of public moneys and of course to the student.

Mr. MORSE. Yes.

Mr. BRADEMAs. I have two other questions, Mr. Morse. With a shortage of Federal funds for the NDEA loan program, to which shortage you referred, do I understand that you are suggesting in your testimony that one reason that you continue to support this program, with the amendments recommended to make it effective, is that this is one of the few viable alternative ways of getting money for student assistance?

Mr. MORSE. It is one of the few viable ways. The other way is contained in the bill before you, the Higher Education Amendments for 1967, which would allow the use of the Participation Sales Act for producing more money. But in view of the action of the Appropriations Committee in eliminating the sale of participation certificates for academic facilities, we are not very optimistic about that route being