

Mr. MARSHALL. They are the same lenders Dr. Walker is talking about. Practically all our 9,000 are commercial banks.

Mr. QUIE. How is it possible for them to be lending money with your guarantee if they run \$25 to \$35 short on the Federal guarantee?

Mr. MARSHALL. Actually, there is no Federal guarantee in effect at at the present time.

Mr. QUIE. Not at the present time, but if this coinsurance goes through, then there would be a four-fifths guarantee. Isn't that right?

Mr. MARSHALL. That is right.

Mr. QUIE. Eighty-percent guarantee. They have to have \$25 to \$35 addition money.

Mr. MARSHALL. I don't think that relates to who guarantees the money. I don't think they care about who guarantees it. They just say it is costing us to make these loans more than the 6-percent simple interest, whether you guarantee it or whether the Federal Government does, and they need the money.

Mr. QUIE. Are they coming to you for the same?

Mr. MARSHALL. Yes.

Mr. QUIE. What would you plan to do?

Mr. MARSHALL. We can't—we follow the provisions of the Higher Education Act so that our students can get the interest subsidy on their loans.

Mr. QUIE. What were you doing prior to the guarantees?

Mr. MARSHALL. Prior to the amendment of this act, we had our private program in effect. We had, maybe, 6,000 or 5,000 lenders.

We were guaranteeing those loans. We had a maximum interest rate which could be charged, then, at 6 percent.

Of course, at 6 percent some of them are losing money, and some of them are making a little money.

Actually, the bankers in some States in our program prior to this were charging less than 6 percent. In some Eastern States they were charging $5\frac{1}{2}$ percent to student borrowers.

Mr. McCABE. I might emphasize, Mr. Quie, that the proposed fee for lenders would apply irrespective of the identity of the guarantor, whether State or private or Federal. That fee proposal is between the Federal Government and the lender, as we understand it. It is not dependent on the identity of the guarantee.

Mr. MARSHALL. Provided the terms of the loan meet the provision of the act.

Mr. QUIE. Do you feel we need to follow Mr. Barr's approach of the \$25 to \$35?

Mr. MARSHALL. I think under the present conditions of the money market the banks are, in a great majority of cases, losing money on these nonprofit loans. In order to get, or retain their interest, these should be no-loss loans as well as no-profit loans.

Mr. QUIE. Back to the farm credit system again, the 6-percent limitation was withdrawn there. What would be the case if we did the same? The usury laws in some States would still make it prohibitive to make the loan.

Do you think these would compete with any other lending agency in the State affected by the usury laws?