Our organization concurs with the thought that these loans cannot be "loss loans" although we are more than willing to make any volume on a very small profit margin. In this respect we have been making our "own plan" noninsured educational loans for two years, having begun shortly after receiving Congressional approval to enter this lending field. We have felt that it was necessary to charge 4½% discount on these loans to attempt to break even. This rate was partially established in accordance with our experience with F.H.A. Home Improvement lending, which as you are aware has carried a 5% discount rate for over 30 years and which after our payment of a ½% insurance premium, insures 90% of the loan balance. It is also important to mention that home improvement loans are generally larger loans and do not require annual disbursements or changes in repayment schedules.

Although I might well question the statistical validity of the $35 placement and conversion fee, I would heartily recommend the theory of such a fee and would suggest that $25 would appear to be appropriate.

I would also concur with Mr. Marshall of the United Student Aid Funds, Inc. in his suggestion to eliminate the interest subsidy after the student leaves school. This recommendation is made as there is truly a very small burden on the graduate by paying the full interest and there would be a measurable reduction in paperwork for both the lender and the government.

The remarks of Chairman Wright Patman before your subcommittee regarding existing subsidies for banks, while possibly very valid for commercial banks, are not appropriate for savings and loan associations. I feel that our institutions, armed with a variable rate ceiling of 6 to 7 percent based on realistic current interest rate levels, together with a $25 placement or conversion fee and reduction of paperwork would be enthusiastic participants in the student loan guarantee program.

Sincerely yours,

GUY E. JAQUES, Jr.,
President.

P.S.—May I also comment that the attached recommendations would certainly not be appropriate for several reasons not the least of which is—let's give the existing guarantee program, possibly with some modifications, a chance before establishing another program.

WHITE HOUSE PROPOSES FEDERAL BANK FOR COLLEGE LOANS

A new Federal bank to make college education loans has been recommended by a select White House panel. Loan repayments would be stretched over 30 or 40 years by students in conjunction with their annual Federal income tax payments. Any student could pledge a percentage of his anticipated income for a 30 or 40 year period after graduation. A repayment schedule of 1% of gross income for each $3,000 borrowed was suggested and a student attending college for 4 years could get a maximum loan of $15,000. The proposal is one of many to facilitate the availability of more money for education loans which is becoming a common way of financing high-cost college education.

U.S. NATIONAL BANK OF OREGON,
Portland, Oreg., September 27, 1967.

Hon. EDITH GREEN,
Representative from Oregon,
Rayburn Office Building, Washington, D.C.

DEAR MRS. GREEN: Your letter of September 1 inviting my comments on proposed legislation relating to the Federal Student Loan Program arrived while I was absent on vacation and this accounts for the delay in my reply.

As you are aware, the banking industry was one of the strong supporters of the 1965 legislation making Federal funds available for additional loan guarantee purposes. I doubt that any experienced banker was so naive as to think that such loans would hold any real profit potential. The feeling was quite general, however, that private enterprise should be given the opportunity to prove its ability to fulfill this important responsibility and that it was far more preferable to have it handled by financial institutions experienced in and equipped for loan administration than to create a new and far-flung Federal agency for the purpose.