On the whole, I think that the banking industry has responded quite well to the challenge, particularly taking into account the tight money situation and the high rates of interest that have characterized most of the period since the Federal legislation became operative. I feel also that we can be particularly proud of the record here in Oregon where, as you know, the Federal funds provided our state and administered by USAF have been completely used. Our bank has been an active participant in the program since its inception and we have already committed ourselves for full cooperation under the State Guaranteed Student Loan Program which is to become operative this fall through funds made available by action of the last session of our Legislature.

Two factors which have developed since the Federal program commenced have undoubtedly had a deterring effect. One of these which experience has brought to light is the comparatively high cost in the setting up of these loans. Submission of the application, dealing with students who have had no previous experience in such matters, interviews, contacts with the colleges, securing of USAF endorsement and other details involve considerable time and expense, particularly in relation to the amount involved and the ultimate return. The extensive paper work is cumbersome and costly and the dual billing required on collection adds materially to the expense of administration.

Another adverse factor has been the high level to which interest rates have risen and the consequent increasing cost to banks of their "stock in trade." Bankers throughout the country have faced a strong and persistent change in the composition of bank deposits, with an increasing proportion being represented by those drawing interest. In our own case, as an example, just a shade over 52% of our deposits in 1965 were interest bearing, whereas during the current year an average of 57.9% of our deposits has been in this category. This change, coupled with the higher rates of interest banks must pay on these deposits, has required corresponding adjustments in loan interest rates. The economic outlook seems to hold no promise for any near term easing of these conditions. In these circumstances the 6% rate established for student loans is minimal, at best. One needs look no further than the daily financial journals for evidence of the comparable and higher yields obtainable on top quality corporate obligations.

It is my belief that banks recognize the importance of giving support to the student loan program and that their performance to date has demonstrated this, particularly in the light of the economic conditions to which I have referred. I do feel that legislation which would provide reasonable fees for loan setups and conversions would be justified and would undoubtedly be an added inducement for all participants. I note that the proposed legislation contemplates an allowance of up to $35, and in the light of the costs involved and the interest rate differential I have mentioned, I would consider a fee in this range to be equitable and certainly not excessive.

There are other changes which would undoubtedly encourage broader participation in the program. One of these, which I note has been mentioned in the testimony before your Committee, is the elimination of the requirement for billing the government for a part of the interest, with the borrower being billed for the full amount and claiming reimbursement from the government on completion of repayment. Another suggestion has been that the loan interest might be given income tax exempt status, somewhat akin to that accorded municipal bonds. Such a change would result in an interest saving to the borrower because of the lower rate that would then be justified, with the government subsidy being provided through the tax exemption rather than the present sharing of interest.

I understand that the amendments under consideration also contemplate a Federal "reinsurance" program which could be made effective without an appropriation of additional funds during the current fiscal year and a grant of an additional $12.5 million in seed money for the 1969 fiscal year. In my opinion, both of these proposals are constructive and helpful in the continuation and enlargement of this important program at a minimum of expense to the government. They have the further advantage of encouraging State financial participation through their own guarantee programs and of utilizing the lending facilities of the private financial institutions of the nation at an absolute minimum of governmental expense.

I hope that the foregoing will be of help to you.

Sincerely,

LEROY B. STAVER, *President.*

FIRST NATIONAL BANK OF OREGON,
Portland, Oreg., September 8, 1967.

HON. EDITH GREEN,
Congress of the United States,
House of Representatives, Washington, D.C.

DEAR MRS. GREEN: We have read with interest the testimony you sent to me concerning the Guaranteed Student Loan Program.

We have close to $1,500,000 outstanding in student loans under the program which has been administered to date by the USAF program. Matching funds, as you know, have been provided by the State of Oregon and we soon will be participating in that program. To the best of my knowledge no student in the State of Oregon has been turned down for the reason that loanable funds were not available.

Since the program is in its infancy and our experience with pay-out loans is very limited, the co-insurance proposal on a four-to-one basis seems quite liberal. Realizing that the co-insurance is not a budgetary item, the four-to-one factor does create a sizable exposure in the future to the Federal Government. I would suggest that consideration be given to a lesser amount of co-insurance to begin with and then to base any increase on need.

This same philosophy also should be applied to students in applying for the loans—that there must be a need for the funds. It is obvious that the 6% interest on loans of this type is a losing proposition to the bank and, therefore, I believe that the bank should be entitled to an additional fee for each loan processed. Although the recommended fee of $35 may be high, the $25 fee would at least compensate the bank for services rendered. The Michigan plan of having the student pay the full interest during the pay-out and then applying for a refund from the Federal Government when the loan is paid in full certainly would simplify a great deal of paper work and also be an incentive to the student to pay his loan.

We appreciate your interest in our position in granting these loans.

Sincerely,

JOSEPH J. VOSS, *President.*

SEMINOLE JUNIOR COLLEGE,
Sanford, Fla., September 1, 1967.

Hon. CLAUDE PEPPER,
11th District, Florida,
House of Representatives, Washington, D.C.

DEAR SIR: I have reviewed your proposal to revitalize the Guaranteed Student Loan Program outlined in Bill No. H.R. 11978 and I want to congratulate you for taking this forward step concerning this program.

We have many students who have been denied loans at local banks due to the problems you spell out in your testimony. I hope this Bill will successfully pass and would appreciate your keeping me informed of its progress.

Sincerely,

R. A. SCHREIBER,
Dean of Student Affairs.

ST. PETERSBURG JUNIOR COLLEGE,
St. Petersburg, Fla., August 29, 1967.

Hon. CLAUDE PEPPER,
Member of Congress,
House Office Building, Washington, D.C.

DEAR SIR: Thank you for acquainting me with your Bill HR–11978. This bill is of extreme importance to the junior college graduate. Many attend their local junior college because of lack of sufficient finances to continue their education away from home. Once they have graduated, they then find it necessary to seek substantial sums of money in order to complete their final two years. The guaranteed student loan program could be of significant assistance to them. I wish you success in its passage.

Very truly yours,

M. M. BENNETT, *President.*

North Florida Junior College,
Madison, Fla., August 28, 1967.

Hon. Claude Pepper,
Congressman, 11th District, Florida,
House of Representatives, Washington, D.C.

Dear Congressman Pepper: Thank you for your letter of August 24 relative to your bill to revitalize the Guaranteed Student Loan Program. We appreciate your help in making it possible for more of our youth to receive an education. Loan programs, such as this, are excellent channels for students to receive help and yet assume responsibility for some of the cost.

Sincerely,

Marshall Hamilton, *President.*

Polk Junior College,
Barstow, Fla., August 29, 1967.

Hon. Claude Pepper,
Member of Congress,
House of Representatives, Washington, D.C.

Dear Mr. Pepper: In response to your letter of August 24, I've had the opportunity to read H.R. 11978 and feel that it will definitely benefit the students. We have only one bank in the Winter Haven area willing to make student loans because of the number of forms to be filled in and other matters which make financial institutions reluctant to tie up their money in this fashion.

Your bill takes a new approach toward this problem and I am grateful that you are concerned about the plight of the student unable to finance his college education at that time. My own personal philosophy is that a student who has managed to "do it himself" is usually a better citizen than those looking only for handouts.

Keep up the good work.

Respectively,

F. T. Lenfestey, *President.*

Marymount College,
Boca Raton, Fla., September 7, 1967.

Hon. Claude Pepper,
Congress of the United States,
House of Representatives, Washington, D.C.

My Dear Mr. Pepper: Thank you for your recent letter outlining the bill which you introduced to the Congress of the United States regarding the student loan insurance programs. After reading your letter and reviewing the bill which you introduced, House Resolution 11978, I am convinced that you have put much effort and time in researching methods to revitalize the Guaranteed Loan Program.

Your proposal that private lenders be entitled to charge a service rate to cover expenses and other costs as a result of the additional work load that will be imposed on them, is a step in the right direction. I feel that it will be welcomed by landing institutions who have to date been reluctant to participate in the present Guaranteed Loan Program.

Your interest in assisting students who would not be able to continue their college education without such support, is certainly appreciated.

Sincerely,

Sister de la Croix, R.S.H.M.

Orlando Junior College,
Orlando, Fla., September 10, 1967.

Hon. Claude Pepper,
Member of Congress, 11th District, Florida, Congress of the United States, House of Representatives, Washington, D.C.

Dear Congressman Pepper: Thank you for your letter of August 24. I appreciate your sending me a copy of H.R. 11978, a bill which you introduced in the House of Representatives.

I have read the bill and the other material that you sent me concerning the Federal Student Loan Program. I am sure that you are very sincere and that you mean well. May I respectfully, however, say that I disagree completely with the continued move of the federal government into the area of education, a function which I feel is best left to the individual states. I therefore must say in all honesty that I neither favor the bill nor any federal program which has the net effect of further centralizing education in these United States.

Historically, this has been the position of Orlando Junior College, which is, as you know, a non profit, private institution. The board of trustees is very proud of the fact that it has never used tax money of any kind.

Thank you again for your communication. I am sure that you will respect our point of view as we certainly respect yours.

Sincerely yours,

MORRIS S. HALE, Jr., *President.*

UNIVERSITY OF FLORIDA,
Gainesville, Fla., September 12, 1967.

Hon. CLAUDE PEPPER,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN PEPPER: Just before President Reitz left office your letter concerning the Guaranteed Student Loan Program written to him was referred to me for reply. Student financial aid falls under my administrative jurisdiction and therefore I am glad to give you my reactions and those of our Director of Student Financial Aid.

We heartily support your efforts to increase the interest rate, with the federal government paying for the increase and also the $35.00 allowance to banks for clerical costs of loan processing.

Many banks have not been participating but even so we have already utilized the Guaranteed Bank Loan program to the extent that our allocated reserve permits. Your improvement in the program, I believe, would encourage bank participation and thus facilitate a better distribution of student borrowers throughout the state.

We have, on the other hand, some misgiving about the wisdom of the President's recomendation to provide a four-fold expansion of reserve funds through a "re-insurance" system. We are inclined to believe that action on this should be deferred for at least a year until the effects of such a step can be analyzed and we could have another year's experience with the present program as currently operated.

Thank you for your efforts to improve the availability of loans for students.

Sincerely yours,

LESTER L. HALE.
Vice President for Student Affairs.

FLORIDA TECHNOLOGICAL UNIVERSITY,
Orlando, Fla., September 12, 1967.

Hon. CLAUDE PEPPER,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN PEPPER: I appreciated receiving your letter of recent date concerning the proposed legislation you have introduced, H. R. 11978, which would offer better incentives to banks offering financial assistance under the Guranteed Student Loan Program.

I have read the attached copy of your bill along with your testimony on this subject before the House Special Subcommittee on Education. You may count on my continued deep interest in this general subject, and my appreciation for your keeping me informed as to the progress of this proposed legislation.

With kindest regards, I remain,

Sincerely yours,

CHARLES N. MILLICAN, *President.*

FLORIDA ATLANTIC UNIVERSITY,
Boca Raton, Fla., September 12, 1967.

Hon. CLAUDE PEPPER,
Cannon Building, Washington, D.C.

DEAR CONGRESSMAN PEPPER: Thank you for your recent letter calling attention to House Bill No. 11978 authored by yourself, along with your statement reprinted in the Congressional Record of August 21, 1967, which would, in my opinion, go a long way toward solving many of the difficulties which have arisen in connection with the guaranteed student loan program.

You have placed your finger on the problem, as I have personally observed, especially in your attempt to provide some incentive for more of the banks to participate in this program, and also to encourage the banks to take a more liberal attitude toward loans. I do not know how the problem, of the banks having a tendency to loan only to established customers, can be overcome. However, I am delighted to know of your attempt by this legislation to be of assistance to students who so badly need this type of help. I will continue to follow with interest the progress of this legislation, and wish to thank you most sincerely for having advised me of your concern.

I would like to invite you, in behalf of the students and faculty of Florida Atlantic University, to visit our campus at your earliest convenience as I believe you would be pleased and excited to see the progress which has been made at this University in Boca Raton.

Warm regards,

Sincerely,

KENNETH R. WILLIAMS, *President.*

ST. JOHNS RIVER JUNIOR COLLEGE,
Palatka, Fla., September 13, 1967.

Hon. CLAUDE PEPPER,
Congress of the United States,
House of Representatives, Washington, D.C.

DEAR REPRESENTATIVE PEPPER: I was glad to receive your letter of August 24 concerning the Guaranteed Loan Program. Federal and State competition to local enterprise has long been a concern of mine as I have seen the encroachment of our colleges under the guise of student services multiply daily.

The NDEA Loan Program was ill-conceived in administration, but not in thought and purpose. In my estimation, the Guaranteed Loan Program puts the administration where it ought to be with reputable lending agencies. Certainly, your proposals will strengthen the program to the point where it should be more palatable to these lending agencies.

I have never been in favor of complete hand-outs and we have had great success in our student work study programs where the student works for his education. These young people are usually the ones that become self-reliant and an asset to our nation rather than a detriment.

I would be most pleased if during your travels through this area, we could schedule you to speak to our 1,500 student body.

Most sincerely,

CHARLES W. LAPRADD, *President.*

UNIVERSITY OF WEST FLORIDA,
Pensacola, Fla., September 13, 1967.

Hon. CLAUDE PEPPER,
Congress of the United States,
House of Representatives, Washington, D.C.

DEAR SENATOR: I was interested to receive your recent statement in support of the Guaranteed Student Loan Program.

Since The University of West Florida is vitally concerned with providing appropriate student financial assistance, I certainly endorse your bill to revitalize the program. A number of our prospective students have experienced difficulty in securing these loans, and I feel that your proposal offers the necessary incentives for private lending agencies to participate actively in the loan program.

I would like to express my appreciation for your interests and efforts in behalf of the large number of students who could be relieved of added financial burden by participation in this program.

With kind regard, I am,

Sincerely,

HAROLD BRYAN CROSBY, *President.*

FLORIDA STATE UNIVERSITY,
Tallahassee, Fla., September 28, 1967.

HON. CLAUDE PEPPER,
U.S. House of Representatives,
Old House Office Building, Washington, D.C.

DEAR CONGRESSMAN PEPPER: Thank you kindly for your recent letter and attached copy of H. R. 11978 along with your comments relative to this bill in the Congressional Record of August 21, 1967.

We at the Florida State University are most grateful for your strong, continuing interest in the welfare of students. We agree with you that we need changes in legislation to make the granting of guaranteed loans to students more attractive to banks. We would, however, hope you would examine more carefully the extent of the Federal subsidy.

Our concerns with respect to the Federal subsidy under H. R. 11978 are that the proposed $35 charge for processing or consolidating guaranteed loans could result in a subsidy as large as $175 if a student received four loans—one for each year in residence. In addition, the $1 service fee for each monthly installment could be substantial if loans total more than $2,000 since the repayment period may be from 60 to 120 months. An increase in the interest rate above the present 6-percent limitation is also of concern to us. We would hope also that you would examine carefully the need for large interest subsidies for students from middle and upper income brackets. We believe that it would be desirable for college and university student financial aid officers to be authorized to advise lending agencies on whether or not a student applicant needs a loan as well as the extent of the loan needed.

May I respectfully suggest that you might want to consult with Mr. John F. Morse, Director of the Commission on Federal Relations for the American Council on Education, Washington, D.C.; Mr. William W. Wharton, Administrator of the Florida Guaranteed Loan Program, State Department of Education, Tallahassee, Florida; Mr. Robert Kimmel, President, Southern Association of Student Financial Aid Administrators, Director of Student Financial Aid, The Florida State University.

We appreciate so much your interest in higher education in general and the Florida State University in particular. We look forward to having you visit with us at Homecoming.

Cordially,

JOHN E. CHAMPION, *President.*

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