ber it didn't come over in the administration bill in 1965 but it was something that came out of this committee: is that any problem?

Mr. MUIRHEAD. There is no problem in its administration, Mr. Gibbons. Our problem was whether or not it was in harmony with the basic purpose of the act. In making the grant to the student in the package concept, the college does all it can to use its funds to meet the financial need of each individual, and if they have done that then any additional money which the student would receive would be over and above the measure of need which the college had thought was adequate.

Mr. HOWE. Mr. Gibbons, I can see a possible administrative problem developing because some higher education institutions are beginning to loosen their system of measuring student achievement in ways which might make it difficult to establish who was in the top half of the class. For example, the institution I happened to attend, Yale University, recently dropped its marking system and now has a pass-fail system and not an exact numerical average. There is quite a movement in higher education along that line.

Mr. GIBBONS. Let me say on page 10 I support the merger idea of the two student loan programs, the student assistance programs, to cut down the paperwork and cut down the distinction between the types of institutions receiving the loans.

Am I correct in that in your item 1 on page 10 you can get $35 a year plus another $35 conversion fee or 8 times 35, about $300, in addition to the interest the lending institution could draw, that many contracts with that $300 or $35 award?

Mr. HOWE. I don't think this would come in a single year.

Mr. GIBBONS. For instance, a law student goes to school approximately 7 years so there would be 7 times 35 and then the eighth one on the end, so you would have about, on a $7,500 loan, as I recall, roughly, $800 Federal interest subsidy and then another $300 in addition to this. I doubt very seriously we need to reward the lending institutions that high to get their interest in the program.

Mr. HOWE. Let me make a comment and then ask our associates from the Treasury to comment. I think it is possible to pyramid the fee in the way you suggest, and for small loans I think you are raising a very reasonable point. It seems to me that the likelihood is that the loans here are going to be large enough so that there is, when these are added together over a period of years, a reasonable charge for the banking institution when you look at all of the paperwork the banking institution has to go through. I call to your attention also the fact that this is set as a maximum and an amount not to exceed. We would arrange to have this fee set at an appropriate level, perhaps not exactly $35, which would alleviate the situation you suggest to some degree.

Would one of you gentlemen like to comment?

Mr. WEISS. Mr. Gibbons, the problem we discovered in studying the cost elements in the program for banks and other lenders is that this is essentially a small loan operation for the lender. It is not a home mortgage with many thousands of dollars in one loan. It is a loan of $800 or $1,000 at a shot, repeated over several years. In that context, the costs to a lender are fairly high.