III. Comparison

Since NDEA cost data is available only for FY 1966, and the Guaranteed Loan fees are only in the proposal stage, there is no effective experience base for direct comparison. However, it is possible to use the actual average loan in each program to show parity of treatment.

For calculation of NDEA administrative expense, 10.5 percent of the face of the note will equal the amount of overhead earned by the loan over a 15-year period.

In the guaranteed loan program, each loan earns a placement fee and, assuming each student makes at least two loans, one-half of the conversion fee. In addition, one-half percent per annum from interest payments on the reducing balance is available to cover the lender's costs.

The following examples are based on actual average annual loans of $600 in the NDEA program and $800 in the Guaranteed Loan Program. Each loan is held over a four-year in-college period and a year of grace, and is repaid over a ten-year period.

A. NDEA Loan

A $600 NDEA loan will yield $63 in administrative support to the college (10.5 percent of $600).

The same loan, under the Guaranteed Loan Program will yield $69 in administrative support for the lender:

Placement fee	$25.00
One-half of the conversion fee	12.50
One-half percent interest on balance *	31.50
Total	69.00

*Paid by the Federal Government only if the student qualifies for interest subsidies.

B. Guaranteed Student Loan

An $800 loan will yield $79.50 in administrative support for the lender:

Placement fee	$25.00
One-half of the conversion fee	12.50
One-half percent interest on balance*	42.00
Total	79.50

*Paid by the Federal Government only if the student qualifies for interest subsidies.

The same loan, made by a college under NDEA, will yield $84 in administrative support.

ATTACHMENT C

COST OF MONEY AND FEES

Based upon current estimates of lender costs other than the cost of money, and the proposal for equal fees (*a*) each year that a loan is put on the lender's books and (*b*) for each conversion of a borrower's loan(s) to repayment status:

If the cost of money to lenders or net return on alternative investments is:	The amount of each fee would be:
Percent	*Dollars*
4.66 or less	0
4.81	5
4.96	10
5.11	15
5.27	20
5.42	25
5.58	30
5.74 or more	35

I will say in my opinion it will be more costly, yes. I will say, frankly, that a Government bank would be cheaper in the long run. While saying that, however, I adhere to the conclusion that if this needs to be