

to the financial institution. If you don't want to subsidize them, you guarantee the loan and do the best you can—and as I say they will pay 8 or 9 percent. It is for the committee to resolve.

Mr. QUIE. In the case of your proposal where you pay up to a \$35 placement fee, would the Federal Government pay that only for those individuals from a family with earnings of less than \$15,000 or would that \$35 placement fee be made to everybody?

Mr. BARR. That would be made for everybody.

Mr. QUIE. So, in other words, everybody, no matter what the wealth of his parents, gets some kind of subsidization?

Mr. BARR. Yes. In effect, they won't be paying over 6 percent. We would be limiting the rate to 6 percent.

Mr. ERLBORN. Would you yield? Along this line, we are talking about the middle- and upper-middle-income group as you say considering this is an investment rather than a current expenditure, what relevancy is there to the forgiveness of principal payments during the period that the student is in school? It would seem to me if this is a family expenditure and an investment made in this child's education, that the family should begin to repay during the period the child is in school?

Now, if it is a child alone, an individual expenditure, I can see the rationale.

Mr. BARR. I am going to ask the Office of Education to speak to it. Here again I am outside of my field.

Mr. MUIRHEAD. I think you raised an interesting point concerning the program. The way the program is constructed now, it provides a loan to the student; it is not a loan to the family. That would be another approach, but it is not the intent of the program.

It is a loan to the student. There is quite a good case for not requiring the student to begin to pay back the principal of the loan while he is still in school.

Mr. QUIE. Is there any change in the number of States that have usury laws that prohibit charging more than 6 percent, or is it the same as it was last year?

Mr. SNYDER. I don't believe there is a change. There are a number of States considering changes, including Virginia. I think there are five or six.

Mr. BARR. There soon might be quite a few considering a change. The truth-in-lending bill passed by the House puts upon the Federal Government the responsibility for enforcing State usury laws. The FBI would have to check on people charging usurious interest rates, and there might be a few changes here.

Mr. QUIE. Then the problem resolved here then in time?

Mr. BARR. Yes.

Mr. QUIE. I have no other questions.

Mrs. GREEN. Congressman Hathaway.

Mr. HATHAWAY. Mr. Barr, I asked a question yesterday in regard to the \$35 charge. I know you testified on this last year and so did the leading bankers and I was not convinced last year but maybe you can convince me this year on the \$35 charge.

Mr. BARR. The \$35 is the upper limit. You have a sliding scale from \$0 to \$35.