Mr. HATHAWAY. By the benefits, I mean the benefit to the bank in the long run because these students are getting in the habit of borrowing.

Mr. BARR. There is no question about that.

Mr. HATHAWAY. The students, like General Motors, are kind of loss leaders, will attract others to the bank and they are going to come back to the bank and borrow money outside of the guarantee.

Mr. BARR. That is correct. I think one factor that intrigues the banks, definitely, and it should, is the fact that they are establishing a relationship with a man whose credit rating should be the best in the community at one time or another.

Mr. HATHAWAY. But was the bank rate computed with this other factor, to reduce the amount it is really costing the bank in the long run?

Mr. BARR. I don't believe it is. Perhaps it should be.

Mr. HATHAWAY. I think it should be.

Mr. BARR. Perhaps, in other words, you are saying, Mr. Hathaway, that maybe the bank should be prepared to give to the student a slightly better deal than to General Motors because of the other relationship, is that where you are leading?

Mr. HATHAWAY. Yes.

Mr. BARR. Perhaps it should be.

Mr. HATHAWAY. Plus the fact that isn't it true that more and more lending institutions are getting into the act, getting into the guaranteed loan program?

Mr. MOORE. The volume is increasing.

Mr. HATHAWAY. So, as a matter of fact, there is no real need to give them this additional inducement; is that right?

Mr. BARR. It is my impression, Mr. Hathaway, that more and more of the institutions are getting into the lending program because they have been under the impression, rightly or wrongly, that the Congress is going to at least put them in a little better profit and loss position in this program than they have been in the past. Now, that may or may not be correct.

Is that correct, Mr. Muirhead?

Mr. MUIRHEAD. It is correct, Mr. Secretary, that we had before the Congress in the last session a proposal to provide some supplement to the bank. The bankers have felt it would get favorable consideration by the Congress, and this anticipation probably has affected the behavior of a number of banks in participating in the program.

Mr. HATHAWAY. To what extent have they made this representation to you or others that they anticipate the additional fee and, therefore, they are in the program, otherwise they would drop out?

Mr. MUIRHEAD. They have not made such a representation to us, but the American Bankers Association has informed its membership that there is now before the Congress a proposal to provide a supplement to the 6-percent interest. They went on to say—all they can say, obviously—"We hope it will receive favorable consideration by the Congress."

Mr. HATHAWAY. But they have no indication that the membership will not continue to go along with the program if it were not in there?

Mr. MUIRHEAD. There is no measure of that whatever.