

Mr. QUIE. Will you yield? If the Congress' action would have anything to do with the loans made this year, we would have to make it retroactive and I don't think there is any approach to making it retroactive. Do you propose to make it retroactive?

Mr. MUIRHEAD. Well, the proposal that is before the Congress does make it retroactive.

Mr. QUIE. No kidding—that is amazing. I mean they made the loan already and we are going to, oh, well.

Mr. GIBBONS. Don't worry about it.

Mrs. GREEN. Isn't this to carry out a commitment made by Government people, that this would go into effect as of July 1, 1967?

Mr. MUIRHEAD. No commitment has been made, Madam Chairman. Quite obviously no commitment could be made.

Mrs. GREEN. Weren't statements made to the American Banking Associations that this would be effective July 1, 1967?

Mr. MUIRHEAD. Statements were made to the American Bankers Association that there was a legislative proposal before the Congress during the last session that would have made the fee system retroactive to July 1967. Of course, it was a matter of public record that the bill was before the Congress, and that it did include retroactive provision. That has been communicated.

Mr. BARR. Mr. Hathaway, may I state that if the Treasury were running this education bank at the moment, we could not begin to loan at 6 percent. I think we, of necessity, would have to get at least 7 or maybe 7.5 if we were to break even without cost to the taxpayer. So if you are asking, "Why the fee?" maybe that is the example. We can get money as cheaply as anyone in the world, but could not run this bank and break even without loaning at, I would say, between 7 and 7.5 percent for these loans.

Mr. HATHAWAY. You are not exactly in the same position as the private loan bank that is loaning at the longrun picture and getting business in the future?

Mr. BARR. That is right.

Mr. GIBBONS. Let's talk about the cost of bank money because I think the picture is all distorted. Most of the bank money is there on demand deposits drawing no interest at all. It does not cost them a nickel, it is mine and yours and everybody else's money. You would have us believe that banks only get money from going out and paying 4 to 5 percent interest rates, and better than half of the deposits in most commercial banks are there completely interest-free and the Government has all of their deposits there interest-free and most of the States and cities have the same situation and the cost of money to banks is just simply not that high.

Mr. BARR. Mr. Gibbons, you can look at the cost of money in several ways. As you pointed out, banks have roughly half of their money in demand deposits on which they pay no interest. On the other half they are paying interest rates ranging from 4 to 5.5 percent. On certificates of deposits, largely they are paying 5.5 percent and on those under \$100,000 they are paying 5. The S. & L.'s have no money on demand deposit.

Mr. GIBBONS. We are not just considering S. & L.'s

Mr. BARR. No; I am talking about all lenders—including S. & L.'s and credit unions.