loan gross rate. The gross return on automobile lending is 10 to 12 percent—about twice the student loan rate. And even the rate of interest to a prime corporate borrower would be higher, all things considered, than the student loan rate.

Again, I want to emphasize that the commercial banking industry is not asking for full-scale profits on student loans—I am simply pointing out the calculations that must go through the chief executive's mind when he takes this money for student loans and does not use it for other types of lending—although precedent surely exists in the federally insured home improvement loans which allow gross rates approaching 10 percent. In other words, there are federally guaranteed programs which are geared to a full-scale profit for the lending institutions.

The American Bankers Association and its members are convinced that loans to needy students are good for our communities, good for our country, and in the long run certainly good for our banks. We, therefore, will strongly promote the program if we can conscientiously make the case that they are not out-and-out loss propositions.

There is still another point which argues strongly for enactment of the fee proposal. When Congress authorized the 6-percent rate in 1965, interest rates—including the rates banks have to pay to attract savings accounts and time deposits—were much lower than they are now. This is quite clear from the reproduced charts from economic indicators published by the Council of Economic Advisers for the Joint Economic Committee which is appended to this statement.

If 6 percent was fair in 1965, then it is manifestly unfair today. The rate should be raised but, because of the complications arising from usury ceilings in a few States, the fee approach is the best alternative—and it places the burden not on the student but on the Federal Government.

The argument that the program's good performance in recent months—which is very gratifying to us—shows that the program needs no shot in the arm is particularly distressing to leaders of the American Bankers Association who have worked long and hard to promote the program. One reason banks have stayed in the program is because ABA leaders expressed confidence that the fee proposal was reasonable, had strong administration support, and would probably pass the Congress, retroactive to June 1, 1967. A number of banks have made loans on the basis of that.

It is, therefore, highly ironical that this argument be turned around as a case against the fee. Indeed, some very significant lenders have recently told ABA officials that in the absence of the proposed fee, they will have to seriously consider dropping out of the program.

State guarantee programs: Amendments to the guaranteed student loan program contained in H.R. 15067 also include two administration recommendations designed to further encourage States to establish programs to insure student loans. The first of these proposals would authorize a Federal "reinsurance program," under which the Federal Government would reimburse State guarantee agencies for 80 percent of the default claims paid by the State agencies. The second proposal authorizes an additional $12.5 million in seed money