purpose, and if you want to be sure we achieve this, I think giving him a larger role is the best assurance.

Mr. REID. What some of the subcommittee increasingly think is, the criterion should be the need of the student, not a particular dollar limitation.

Mr. WALKER. Exactly.

Mr. REID. Why we are concerned about it is to make it possible for any qualified student to go to college irrespective of the financial matter involved.

Mr. WALKER. We agree with that.

Mr. REID. Thank you.

Mrs. GREEN. Congressman Hathaway.

Mr. HATHAWAY. Doctor, I want to straighten out two points in your statement. First, on page 4, I am not clear from the second paragraph whether you are saying that the loss on these loans is due to comparison or due to the loan itself, thinking of it as an individual entity?

Mr. WALKER. Not as an individual; no.

Mr. HATHAWAY. The relevant comparison is not between incoming and outgoing, whether there is a slight profit, it says, and you want to compare your losing as a result of lending money, is your loss there as a result of higher interest rate or it costs you so much to lend money to the student?

Mr. WALKER. In that second paragraph, I am referring to what the economists refer to as opportunity costs or opportunity forgoing. If you are chief executive officer of a commercial bank, and say, "I think this is a good program," and let's assume it is break even, you don't lose but break even on the whole operation, but the chief executive officer has to compare, in trying to run a successful institution, if he allocates a million dollars to this sort of lending operation with no net rate of return, what is he giving up in terms of rate of returns on other lending and then say, "I can give to my stockholders and justify this because it is for various reasons in the interest of the public."

Mr. HATHAWAY. What I want to know, is it a computed loss or actual loss?

Mr. WALKER. It is an actual loss as to what the bank would be receiving if it had foregone these loans and lent to big business corporations.

Mr. HATHAWAY. I take it that the loss is not computed on the basis of what it cost you or what you make from the loan itself taking it as an individual entity?

Mr. WALKER. It is no loss on the assumption I just made.

Mr. HATHAWAY. Say you are only in the business of loaning money to students going to school and getting 6 percent, you would be making money?

Mr. WALKER. No.

Mr. HATHAWAY. And had no opportunity to loan money to anybody else?

Mr. WALKER. No.

Mr. HATHAWAY. What would your loss be then?

Mr. WALKER. I am trying to speak—our argument is banks are going in the hole out of pocket—that the money they lend at 6 percent costs them more than 6 percent, let's say 6.5 percent, all things considered. This is out-of-pocket loss.