student is in school, and converting it to a payout operation also. I think if the fee were enacted, it would be quite appropriate for the Congress, the committee, the Office of Education, and others, to keep a very close watch on how this develops and what the costs are.

We will have better cost figures as we go down the pike. We know if it costs x amount to run this now, it will cost x-plus in the payout period because of the double billing operation.

Mr. HATHAWAY. How about the other recommendation that the financial aid officer submit recommendations to you; will that save you any costs in processing the application?

Mr. WALKER. Not a great deal. It will save some mental anguish on the part of the banker in trying to determine how much he should loan. Most of the students ask for a thousand dollars, and who should be cut back on, things of that type.

The really expensive aspect in making the loans involves the complicated process of dealing with, first, a State agency, if there is such; two, with the Federal Government and Office of Education; and, third, the student, the filling out of relatively complex forms having to do with family income, and so on. The most efficient lenders' estimate to put a loan like this on the books it takes officers' time, clerical time, to do this sort of thing, and it is terrifically expensive.

It is reliably estimated to put one of these loans on the books as compared to typical automobile loan or something of that type, where you have one person's security or what have you, is anywhere from 50 percent more or twice the cost of a normal consumer loan acquisition.

Mr. HATHAWAY. Thank you.

Mrs. GREEN. It would be true that you would not have to go to such a long tedious procedure on the second or third loan and would it be reasonable to take up to $35 on the second loan and then up to maybe $25 on future loans that are made on the same student or same institution?

Mr. WALKER. I think it is difficult to say in advance if there will be that much difference involved. There is still a lot of checking and recomputations that have to be done every time the student comes in. His family income may have moved out of the class available for the subsidy and things of that type which will require changing.

Mrs. GREEN. If we put in, as you recommend, greater involvement of the financial student aid officers from colleges or universities as to need plus the preceding investigation you have done for the individual making the application, won't it be reasonable to presume that the fee should be less on loans beyond the first one? Maybe $35 is not correct for the first one, maybe it should be $50, I don't know, but it seems to me the second and third should be less.

Mr. WALKER. Let me make two comments on it. First of all, I think we have to keep clearly in mind that the basic rationale of this fee is not simply to offset precisely the acquisition cost. People are going to vary all over the lot depending on efficiency of the fee.

Inasmuch as the logical approach of raising the interest rate cannot be taken because of usury laws in various States, then a fee can be paid for the purpose of raising the return to the lender on average to a competitive level. I would say that the fee should be varied depend-