

at higher rates of interest and if some person with \$30,000 family income and a number of students come in and say, "I want to borrow money because of an educational financial problem," the banks think under those circumstances they ought to be able to lend to him under their traditional program which would be at more than 6 percent. He is going to argue on the other hand he wants the 6-percent loan.

In the \$30,000 income bracket with the deductibility of interest payments for income tax purposes, it is hard to make a case that that particular borrower needs a 6-percent rate.

Mrs. GREEN. We, in effect, require the bank to give the loans, don't we?

Mr. WALKER. No, ma'am, you can't require the bank to make the loan.

Mrs. GREEN. You are saying that any student is eligible for the guaranteed student loan program if the bank is participating in the program, then we are certainly putting the pressure on the bank and putting the bank in a rather difficult position to say, "No, we won't do it."

Mr. WALKER. They depend on the nature of the customer. He will not say to the bank, "If you don't want to give my son a guaranteed loan, I will take my deposit out." I don't think that is right. I think the vast majority of the citizens in these income brackets will not try to play it that way. Some of them could. It is a leakage in the program, but it is strictly voluntary to what extent the loans are made and in what income groups by the lending institutions.

Mr. ERLBORN. Dr. Walker, it seems to me one of the difficulties we have in the program is legislatively, it has been developed in some way ambivalent; on the one hand it is a student loan and on the other it is a family expense loan and if we determine the eligibility for subsidy on the basis of family income and on the other hand we design the repayment provision of the loan as though it were a student loan, we are really looking at it from two different aspects. It occurred to me after hearing the Treasury talk about how the cost of education could no longer be considered something to be paid out of annual income of the family but as an investment by the family in the student future, is there any justification then for the family in the income bracket above \$15,000 or \$20,000 (wherever the breaking point might be) for these loans not to begin repayment as soon as the loan is made just as you do the commercial loans?

Is there any justification for the 4-year or more grace period of repayment?

Mr. WALKER. Are you talking about the present system?

Mr. ERLBORN. Yes.

Mr. WALKER. You get into certainly a problem because it is the student that borrows the money and if you say the student should begin immediate repayment with really no source of income except to get it from his parents, you have sort of an inherent conflict in the whole theory and philosophy of the thing.

This is something that people have been talking about in studying these programs and as to whether there is some sort of differentiation that should or should not be made. It is in a pretty early stage of discussion, but I think it is something that probably should and would be on the commission's agenda at one stage of the game.