

Madam Chairman, in the past few days, a study conducted by the General Accounting Office, at your request—and I commend you for making that request—concerning the profit and loss incurred on these loans by banks, has been made public. You have done a great service, Madam Chairman, in asking for such a study to clear the air on this matter.

Both Mr. Barr and Dr. Walker have testified in the past that the 6-percent interest received by the banks on student loans is a loss rate.

However, in a recent issue of the respected banking publication, *Bank Stock Quarterly*, a study conducted of 25 banks across the country, concluded that the break-even point for these banks on their loans was 3.89 percent interest.

And in June of last year, the same publication surveyed 50 banks in all size categories across the country and also determined that the break-even point on loans was 3.89 percent interest rate.

I would be the first to admit that a sampling of 75 banks does not represent a full picture of the banking industry but since this is a banking publication and is designed to gather all types of information rather than to provide a specific point, we must give a great deal of credence to the figures compiled by the publication.

I do not want to suggest that the figures presented by the American Bankers Association portraying these loans as losing propositions were fraudulent but perhaps your subcommittee might be interested in looking into the methods used to obtain these figures.

I am certain that if you asked the investigators for the General Accounting Office who conducted the study to testify on the ABA's figure gathering operation, you would be shocked at some of the disclosures.

Also, I cannot understand if banks are making loans that are classified as costing the banks money, why the profit picture of the banks does not reflect these losses.

In 1966, bank earnings topped the \$3 billion mark for the first time in history and indications are that in 1967, bank profits increased by 8 percent over the previous year. Perhaps Dr. Walker or Mr. Barr would be willing to explain to your subcommittee why bank profits have soared if they are making so many loss loans.

Mr. Barr's lack of candor is in keeping with the philosophy of some Treasury officials.

During the 89th Congress—now this is something that is absolutely unbelievable but it happened—during the 89th Congress, the Banking and Currency Committee attempted to obtain some information from the Treasury Department concerning interest rates on various types of debt and savings instruments.

It was information the Treasury was reluctant to supply. After much delay, the committee was finally given what appeared to be the requested information. By mistake, however, the persons submitting the information had overprinted an interoffice memo onto the committee's copy that clearly was not meant for our eyes.

The interoffice memo read :

Attached is a review of developments in the certificates of deposit market which may temporarily answer the question raised by the Patman committee as to the influence of certificates of deposit on our Treasury bill rates. As you note, we have purposefully not answered the question except in a very indirect way.