

Mr. CAREY. Mr. Chairman, may I interrupt the witness at this point.

I think you should be on notice that this whole matter of the unavailability of your funds in the nonconforming sector of your deposits has been taken up in our subcommittee hearings prior to this time with Under Secretary of the Treasury Joseph Barr. He totally agrees with your analysis here that these funds should be placed in the conforming loan sector as far as your 18-percent factor and other factors are concerned.

He agrees that he will go to the Ways and Means Committee and his own Treasury Department to seek whatever change in legislation is necessary to bring about just what you seek in this particular point.

I think we can promise you that this makes sense.

Mr. MURPHY. This would make a tremendous difference because right now we are limited in a 18-percent category of assets. The student loan is competing with nonresidential like nursing homes, motels, hotels on which we can get 7½ or 8 percent.

Take it out of the narrow stream of 18 percent of assets and put it into our main flow of money where a 6-percent loan can begin to compete with the FHA or the VA or it can compete with the ordinary mortgage we make of 6 percent and no points in our neighborhood.

The final point is that the league, speaking on a national basis, believes that there should be some form of fee. Again from an underwriting point of view, you have selection of loans to make, FHA, VA, we get 6 percent, we get something to offset the expense.

In the local conventional loan in New York, we cannot charge more than 6 percent, it is usurious to charge anything over that. However, we can charge them for the appraisal and credit report. So there is something there.

With the fee you take the student loan out of a third position and move it up to second and maybe first.

That is as quickly and as succinctly as I can put it.

Mr. BRADEMAs. Thank you, indeed. In effect, do I take it you are sharing the general point of view of the bankers that without such a fee of some kind you are going to find it difficult to make these loans, or are you saying that though hard pressed, you would be able to continue making such loans without such a fee?

Mr. MURPHY. We would only be able to make less of them. Right now we receive no fee from New York State, I am talking about New York State. We make them on an accommodation basis. We will not turn one down for any student that comes in from our territory.

We do not seek them or advertise them overtly, just on location. We would like to get into it. We would like to see our moneys diverted to that.

You are dealing with underwriters, you are dealing with people who have to take the money of their depositors and put it out as best they can. It is helpful if we can make a comparison and say this is as good an investment as that one. That is my real point.

Mr. BRADEMAs. Thank you. I would like, if I may, to call next on Mr. Carey, if it is agreeable with Mr. Erlenborn. Mr. Carey comes from your State, and is one of the ablest members of our subcommittee.

Mr. CAREY. Thank you, Mr. Chairman.