I can tell this from the phone calls from large and small banks. It is getting to the point where it is a liquidity problem. It is a portion of their assets which they need to earn more money in order to pay the interest to the depositors and do the other things they should do in their community.

Mr. BROADWAY. Madam Chairman, North Carolina's operations of this program is slightly different from some of the other States in that the financial institutions of the State pool their resources in a pool of credit rather than making the individual loans themselves. And have that fund administered for them as the major eligible lender in the State by an educational foundation. We have done some original research in response to your question.

Mr. Paul is here today, the director of the foundation; it might be useful for this committee to have the results of the research he has done on his own lending activity.

Mr. PAUL. I am Duffy Paul, director of the College Foundation of North Carolina. The foundation is a private nonprofit corporation and acts as a collective lender for the North Carolina banking and life insurance industry.

We have 78 participating banks and 12 participating life insurance companies.

Since June 1, 1966, we have made 4,000 guaranteed loans. It has cost us $25 per loan to place these loans on our books.

The foundation, although nonprofit, we understand it is nonprofit, but we are actually losing money by operating the guaranteed loan program for the bank and life insurance industry.

Mrs. GREEN. Do you think there ought to be the same fee for each loan or do you think there ought to be a larger sum, say $35 for the first loan and maybe $20 or $25 for succeeding loans?

Mr. PAUL. I would think that the fee should be the same for each loan.

Mrs. GREEN. There isn't the same cost; is there?

Mr. PAUL. Practically, yes.

Mrs. GREEN. You don't have to investigate the individual and his family?

Mr. PAUL. We do this on an annual basis when the student reapplies.

Mrs. GREEN. The same depth?

Mr. PAUL. Yes.

Mrs. GREEN. Is that a matter of preference or a matter of necessity?

Mr. PAUL. We feel it is a matter of necessity.

Mr. PETRIE. When we started our program in 1964, we began with the Legislative Act of 1964 and started the program the same year. We began paying interest on all the loans we had approved. Then the Federal Higher Education Act came into effect.

We made an agreement so that the Federal Government would take care of the interest on the loans after November 1965. But since the beginning of our program we have sold our lenders on the basis of a community and public relations effort, a community service effort, because I tell many of them who bring up the point of "We can make more money on other loans," "Well, if you are going to look at it that way you are not going to make the first loan."

This is the only way we have been able to keep our banks in the program.