

In July 1966 we increased our interest. We started off on the program of 5 percent. We increased our interest to 6 percent because of the effect of the Federal Reserve Board changing the requirements for the banks and the discount went up to four and a half percent in December of that previous year.

Now we are considering, and I have legislation prepared to increase our guarantee from the present 90 percent to 100 percent, to continue to do what we think is worthwhile and what will hold our program together.

Now I have constant calls—telephone calls and correspondence—which point up the fact that these lenders are looking for the application fees and those conversion fees.

About a month ago, I had a conference with one large bank, a major bank, which had stopped completely making student loans. They were carrying the ones on their books but they were not making new loans to those people in continuing their education.

In a conference with the president of the bank and a couple of his vice presidents, they told me that as soon as the conversion fees and payout fees were approved they would come into the program.

In September of last year, I talked to one of the bankers and he said, "By the way, Dick, I just bought \$4½ million at 6¼ percent and I am making your loans at 6 percent." I said, "You are our friend."

It was just a conversation but this was an actual situation where he had actually paid a quarter of a percent more for money he was loaning out. Traditionally, banks do not loan on a long-term basis. This is something that has to be overcome. It constantly comes up.

Mr. REEHER. Madam Chairman, I would like to add for the record that the State of Georgia initiated a State fee of 1 percent for lenders in July 1967. In the last 6 months of 1967, it enrolled 42 participating lenders, 42 new lenders that were actually making loans rather than simply signing agreements they were enrolling.

Mrs. GREEN. The College Entrance Examination Board report states:

It is extremely difficult to demonstrate accurately the general availability of NDEA loans to students. Participation by lending institutions does not necessarily mean a high volume of lending activity.

Mr. REEHER. This is true.

Pennsylvania, if I may cite my own case, is looked to as one of the leaders in this area. We are the second largest in the country. But we did a survey 2 weeks ago and 50.8 percent of our lenders have fewer than 10 loans. Many of them have none.

Mrs. GREEN. You mean participating lenders have no loans?

Mr. REEHER. Those that are under agreement with us to participate in the program. They get their name on the book and the revenue is not there so they do not actually grant the loans.

Mrs. GREEN. Let me ask you, Mr. Petrie, do your banks require that the prospective borrower's parents have an account at the bank?

Mr. PETRIE. Sometimes this happens. On each occasion I contact the banker and tell them that there are many of these students who are needing assistance to go to school who never have a bank account. They live from week to week on a cash basis.

In this particular case I say, "I hope you will ask them if they do have a bank account somewhere else and if they don't, help that particular student, because he is a future customer of your bank."