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Seek Secondary Market for Student Loans

Student financial aid legislation that would establish a secondary market for college student loans made by banks and other lenders and let interest rates on these loans go to the market rate has been proposed by President Nixon.

The President proposed a basic restructuring of the guaranteed student loan program under the Higher Education Act of 1965 in a special message to Congress last week.

The legislation places more emphasis on helping low-income students rather than middle-income students as it does today.

"I propose to create the National Student Loan Assn. to enable all students to obtain government guaranteed loans, increasing the pool of resources available for this purpose by over \$1 billion in its first year of operation, with increasing aid in future years," Mr. Nixon said.

The National Student Loan Assn. would play substantially the same role in student loans that the Federal National Mortgage Assn. plays in home loans.

The corporation would raise its initial capital through the sale of stock to foundations, col-

leges and financial institutions. It would issue its own securities—education bonds—that would be backed by a Federal guarantee.



"These securities would attract additional funds from sources that are not now participating in the student loan program," the President said.

The corporation would be able to buy and sell student loans made by qualified lenders—including colleges as well as financial institutions.

The Secretary of Health, Education and Welfare, in consultation with Treasury, would set an annual ceiling on these transactions. In fiscal 1972, the President estimated that the NSLA would buy up to \$2 billion in student loan paper.

Under the revamping, payments

now made to financial institutions to induce them to make student loans would be terminated. HEW now provides an incentive allowance of 2.25% to lenders making college loans. This incentive allowance is on top of the 7% maximum that lenders may charge students for making these loans.

Instead, the legislation proposes that interest rates on student loans be set by lenders according to market conditions.

Mr. Nixon noted that the presence of the Federal guarantee would assure that this rate would result "in a 1% to 2% interest reduction for each student."

Informed sources indicate that this provision of the Nixon bill faces rough sledding in Congress—especially in this election year. Congress has always been reluctant to permit financial institutions to charge the going rate for loans to college students, they point out.

The President's plan also calls for the removal of the minimum repayment period. This would "not only enable students to pay back loans as quickly as they wish but we would make it possible for students to refinance their loans as soon as interest rates are lower."

The Administration proposal
(Continued on back page)

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has filed a registration statement with the SEC on the proposed offering of \$1 million of convertible subordinated debentures due 1995, and 90,909 common shares of stock. First Mid America Corp. is the underwriting firm.

NEBRASKA NEWS

OMAHA: Plans of the Omaha National Bank to build another drive-in in downtown Omaha have been rejected by State Banking Director Edwin A. Langlely.

The action stems from Omaha National's request last month that the director rule the bank's drive-in teller windows at the Brandeis Parking Garage as part of the main bank.

In addition, the bank asked that the drive-in, walk-in at Nineteenth and Dodge Streets be classified as an "attached auxiliary teller office."

This arrangement complies with state law, which permits a bank to have only one attached auxiliary facility and only one detached facility, not more than a half mile from the main bank.

An Omaha National spokesman said that a re-classification of the two facilities would have permitted the bank to build another detached drive-in in downtown Omaha. The bank, he said, had been looking for a drive-in.

WYOMING NEWS

WHEATLAND: Eugene Hayes, vice president, American National Bank, Powell, has been named president of the Stock Growers Bank, Wheatland. The bank is owned by the Wyoming Bancorporation, Cheyenne.

COLORADO NEWS

DENVER: Mrs. Elizabeth Berger, 56, wife of Merriam B. Berger, chairman, Colorado National Bank, died recently.

MINTURN: The Colorado State Banking Board has given approval for the Eagle Valley Bank to open here. Organizers include Roger Reisher, president, First Westland, Bank of

IOWA NEWS

AMANA: Applications for a proposed state-approved office for the Amana Colonies have been rejected by the Iowa superintendent of banking. Apps were filed by both the Iowa County Savings Bank, Marengo, and the Farmers Savings Bank, Walford.

CLEAR LAKE: Tentative plans for the meeting place for the Group 3 meeting is to hold the function at the Sheraton Motor Lodge, Highway 18 between Clear Lake and Mason City, Thursday, May 21.

CRESCO: Jack Thompson, president, Cresco Union Savings Bank, has acquired additional stock, making

him the bank's sole major stockholder. Stock was purchased from Mrs. Marie D. Thomson, William Connolly, James R. Thomson and from the estate of the late Jean A. Thomson.

DES MOINES: Following agreement by the House and Senate on a new tax plan for Iowa banks, it appears that Iowa banks will be taxed 5% on earnings up to \$25,000; 6% on earnings of \$25,000 to \$75,000; 7% on earnings of \$75,000 to \$100,000, and 8% on all over \$100,000. The agreement calls for exemption from taxation of the interest on Iowa municipals and similar securities of other Iowa local governments. Under the plan, one-half of the Federal Income tax will be deductible in figuring net taxable income.

DES MOINES: The Missouri Valley Chapter of Robert Morris Associates will hold its annual spring conference on April 16-17 at Johnny and Kay's Hyatt House, Fleur Drive. Participating will be bank lending officers from Iowa, Nebraska, Colorado, Missouri, Kansas and Oklahoma. Edward Heath, vice president, Federal Reserve, Chicago, will discuss Truth-in-Lending Regulation Z proposed changes. I. M. Teterud, vice president and secretary, Massey-Ferguson Credit Corp., will discuss role of captive finance companies. A discussion will be held on raising capital in today's money market.

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Vail, Erie Bank, and Wheat Ridge National Bank, and persons associated with these banks. J. Robert Young will be the bank's executive officer. Total capital accounts will be \$200,000. Opening will be in the fall.

NORTH DAKOTA NEWS

ASHLEY: Lester Dempsey and Wade H. Zick were promoted to vice presidents at the McIntosh County Bank.

FARGO: Merchants National Bank and Trust has elected James Bierdeman as assistant secretary with the trust department, and David M. Kramer as auditor.

RAPID CITY: R. P. (Dick) Peterson, 63, vice president, First National Bank, Black Hills, died recently. He was manager of the bank's installment loan department.

MINNESOTA NEWS

BREWSTER: John J. Porter, chairman and president of the First National Bank, has sold his controlling interest in the Bank to Grover Forester, president of Forester Distributing Co., Minneapolis, distributors of Motorola and other consumer products. He is also associated with Steven Adams, Minneapolis, who owns eight other banks. Mr. Porter will continue as president. Gerry M. Osterberg has joined the bank as cashier, replacing Fred Koster, retired.

CHASKA: Carver County State Bank is currently observing its 100th anniversary.

KIESTER: The two owners of the First National Bank sold their inter-



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est to M. A. Passer, K. R. Bird, E. M. Underbakke and Edward Eilerton, all of Kiester and Ed Christian of Albert Lea. The former owners were Gus W. Carlson, Jr. of Caledonia and Lester Johnson of Carlton. The change became effective immediately and the new owners state no major personnel changes are expected.

New officers and directors named are M. A. Passer, president; K. R. Bird, vice president and cashier; E. M. Underbakke, vice president and insurance manager, and Edward Eilerton, chairman of the board.

REDWOOD FALLS: Elwood Phelps, assistant cashier at First National Bank of Watertown, S. D., has been transferred by Northwest Bancorporation to the First Northwestern National Bank here, effective May 1.

ST. CLOUD: Raymond A. Charlton has resigned from the Grafton National Bank, Grafton, N. D. to join the Northwestern Bank & Trust Co.

as vice president in the commercial loan department.

ST. PAUL: Sidney Applebaum, executive vice president of Applebaums' Food Markets, Inc., has been named a director of Highland Park State Bank.

SANDSTONE: Open house was held recently by Sandstone State Bank, to observe new quarters and the completion of 25 years of service by Nels Lundorff, president.

SPRINGFIELD: Farmers and Merchants State Bank has promoted Charles K. Pederson to vice president. He is the bank's ag representative. Gary Weedman has been named cashier.

WADENA: Funeral services were held recently for William J. Browne, president, Wadena State Bank. He was 79.



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Student Loans...

(Continued from Page 1)

would continue to relieve all students of interest payments while they are in college, but would defer rather than totally forgive those payments.

However, the proposal calls for extending the maximum repayment period from 10 to 20 years to ease the burden of repaying a student loan.

In addition, the President asked that the maximum annual individual loan be increased from \$1,500 to \$2,500.



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Suggests Loans for Reserve Base...

Supplemental reserve requirements based on loan volume rather than deposits should "be explored" as a means of reducing the uneven impact monetary restraint programs have on some sectors of the economy, Federal Reserve Board member Andrew F. Brimmer suggests.

Banks now free to choose more profitable corporate loans against requests for funds for housing groups and municipal improvements, might have less incentive to aid business expansion at the expense of the latter two if a lending reserve requirement was imposed, the Fed governor noted.

By staggering the reserve levels, any mix or financing needed for a particular section of the economy could be induced, he maintained.

Home mortgage financing could be exempted entirely from reserve levels if this category were to have highest priority. Business loans, by contrast might be saddled with a reserve level of 20% or more.

The thrust of the proposal, which Mr. Brimmer said was being made privately and without board endorsement, would be primarily to channel lending only after it reached a pre-determined volume, thus making the supplemental reserve a marginal, rather than actual levy.

ILLINOIS NEWS

BLUE ISLAND: Richard T. Wojcik, formerly vice president and manager of industrial banking division of Standard Bank and Trust Co., has been elected president, succeeding Gavin Weir.

CHICAGO: Illinois State Bank has appointed Julian J. Stevens as assistant vice president in its marketing division.

COUNTRY HILLS: FDIC has approved insurance for the newly-chartered South Suburban Bank. Walter G. Johnson is president. Capital accounts are \$750,000.

WANT ADS

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