

of misunderstandings developed both on definitions of what was outstanding and bad debt. Default can be defined in many different ways. It seems to me that applying a single definition of default through the collection procedures of 2,000 independent and separate institutions just is impossible. Is it 15 days, 14 days, 13 days? It has to be adjusted to the requirements of the college, some negotiation with the Office of Education on this. It seems to me at times there hasn't been.

Mr. GIBBONS. I think the problem is brought about as most problems are brought about: there is always an apple that goes bad in the barrel and they throw out a lot of other apples to get to that one. We have had that problem in the NDEA loan program although it has been extremely minor.

Mr. JONES. [Director of student aid, Massachusetts Institute of Technology.] I have done some consulting with other universities. I am from MIT. I was largely called in because MIT has a very old loan fund of its own, something like 35 years old. We have had a remarkable record of repayment which is probably due to two things:

One, the quality of our students; and

Two, the conservatism with which we have handled the loan fund for a very long time.

For a long time, we had to practically prove you didn't need money to get it. In any case, with a 30-year history involving over \$9 million, we have only written off something like \$25,000.

The point that I discovered in investigating this collection problem with other institutions is in two parts:

One, because of the nature of the collection procedure that was forced on the college, they had to be very inflexible with their students. They had to insist on collection when good educational judgment would have indicated that they should have extended the loan even though it did not match the administrative or legal requirement.

For instance, a girl marries a graduate student and she is in debt, and he goes on to graduate school.

Mr. GIBBONS. A negative dowry?

Mr. JONES. That is correct. I have read letters in folders where these students had every intention of repaying but they simply were not because they were now two and not one—a family rather than a single individual. They didn't have the resources to meet this repayment.

Mr. GIBBONS. You wonder what two of those \$5,000 borrowers would do if they married each other.

Mr. JONES. The second point I discovered was that there is actually a conflict in the law, it seems to me. It seems to me that the Congress had the idea originally that a good deal of risk would be involved in this program if you were trying to reach people who were upgrading themselves, who were probably stretching their potential as it were and consequently the institutions were making loans on quite a risky basis. They were not conservative loans; they were quite liberal; they were definitely risky. You are going to have a higher rate of default with that kind of program than you are going to have if you run a very conservative program which MIT did run for a good deal of its history with its own private loan fund.

We have now gotten very much more liberal with this and it is quite possible that the fine record that we have will vanish, and that