that the idea has merit and that it may very well provide a solution to the problem of competing demands for funds.

As we understand the proposal, an institution could, if it so elected, borrow all of or any part of its needed loan funds from the Commissioner. This would be an amount equal to its full approved request for a Federal capital contribution plus an added one-ninth to make up what would otherwise be the institutional contribution. The Commissioner would in turn transfer the notes executed by institutions for these loans to FNMA where they would be pooled with other notes held by the Government and sold on the commercial market in the form of participations. We see certain advantages and at the moment no disadvantages in such an approach.

(1) Institutions would be assured their full share of the direct appropriation for Federal capital contributions if they elected to fund their program as they have in the past.

(2) Additional funds would be provided through the new approach so that any institution electing to borrow would be assured of receiving 100 cents on the dollar of its approved application.

(3) This new approach would not require the institutions to provide one-ninth in matching funds. This would relieve them of an obligation which is proving more and more onerous for all and virtually impossible for some.

(4) The Government's concern for careful stewardship of funds would be preserved, since the institutions would still be responsible for collections and would be liable for 10 percent of any losses incurred through failure of students to repay.

We believe that enough institutions would elect to fund their loan programs through this new approach so that the money available in direct appropriations would be ample to meet the full needs of those institutions who could not, or for some reason chose not, to borrow.

As I have suggested, we have studied this whole approach very carefully and we have been unable to find any flaws in it. It makes no change whatever in the relationship between student and the college. It changes none of the fundamental aspects that have made the NDEA program so successful. And it seems to offer the hope that full loan needs can be met without increasing strains on the budget. We view it as worthy experiment which should be tried out for a year or two, provided it is clearly an optional method of funding the program. If it works, and we hope that it will, it might very well prove to be the ideal way to fund the program in the decades ahead. If it does not, we shall have an opportunity to review it later.

We are also pleased that the bill provides for the use of work-study funds as one element in matching opportunity grants. We never understood why such funds were excluded from matching, since the typical arrangement for a needy student is to package grants, loans, and jobs in appropriate balance, so that the needs of every student may be met. The prohibition against using work-study funds to match opportunity grants has led to almost insoluble problems in financial aid opportunities. We would urge, however, that the elasticity provided to the financial aid officer go one step further.

We believe that if a loan can be arranged for a needy student under the guaranteed loan program, the financial aid officer should be au-