

It is clear that the program is on the right track. Half the states have already made appropriations to guarantee programs for their own citizens. Inasmuch as legislative sessions are not simultaneous in all the states, it seems reasonable to give the remaining states more time to take action on behalf of their citizens, with the stand-by Federal guarantee remaining inoperative, as it is now. We believe activation of a Federal guarantee program would soon dry up existing state and private guarantee effort. We also believe it would depress bank participation, and in this view the American Bankers Association concurs. Under the circumstances, continuation of Federal "seed money" for a limited period appears to be advisable.

THE DANGER OF OVER-BORROWING

A second matter that I hope this Committee will reconsider is the existing prohibition on consideration of need in recommending or granting loans. I do not think this prohibition has worked out quite the way Congress intended. Simply stated, the law provides that no student will be denied the benefits of the guaranteed loan program, based on consideration of his family income or his lack of need. The practical effect of this is that student financial aid officers uniformly feel closed from counseling effectively with students as to amounts they should borrow. Further, they feel frustrated in their inability to coordinate the total assortment of student aid items they generally administer. For example, they feel they cannot effectively relate scholarship aid, work-study activity, and the like, along with guaranteed lending, into a total package for a particular student.

We think this is a mistake which ought to be corrected. I want to emphasize, however, that we do not advocate a needs test in the sense of fixing any dollar amount for family income, or in the sense of prescribing any dollar level of family net worth as means of determining whether need exists or does not exist. We don't think this dollar approach is either advisable or necessary. In fact, it is often the case that a greater need exists with a higher income family than with a lower income family, depending on the situation. A boy or girl from a \$30,000 income family may have greater need in a particular case than a boy or girl from, say, a \$12,000 family. This will depend on many things. The higher income family might have three or four children in college at the same time, the lower income family perhaps only one. All we suggest in this whole situation is that the law and its intent be stated in such a way that the student financial aid officer may be a meaningful participant with the student, the student's family and the lender in helping the student decide on the amounts he will borrow. As the law is now written, this kind of participation is foreclosed.

Information which comes to us almost daily from lenders and colleges all across the country convinces me that this is a real problem. For example, I am informed again by both bankers and college administrators that there is a sharp and continuing rise in loan applications from students who appear to have adequate resources. And a growing number of students are borrowing up to the full \$1,000 annual limit, whether or not they need that much.

This unnecessary borrowing certainly does the borrower no good. Sooner or later he is going to have to pay that money back, and the more he has to pay the more difficult it will be. Prudence in borrowing, like promptness in repayment, is as good a rule for a college student as it is for his father.

Over-borrowing has the additional effect of reducing the amount of money remaining for loans to the young men and women who without such help might really be forced to discontinue their education. The funds available for nonprofit loans are limited, and banks would like to allot them to students who need the money most.

I suggest that this portion of the Act be changed to say that income level alone should not be a factor in granting or refusing a loan.

ADDITIONAL RECOMMENDATIONS

I understand that a Treasury task force is now making a study which may lead to recommendations for lightening the cost load to lenders—one of the most serious obstacles to getting the added banks we need into the program. We shall therefore make no recommendation on this point now.

We do, however, have one last suggestion. We should like to see colleges have more loan options. Some colleges have substantial funds which can only be used