

has now run through its seed money—the ability to guarantee four new loans for every loan which it has already guaranteed.

Congress has appropriated already \$17.5 million of Federal seed money, which would, without State matching, support something like \$175 million of guaranteed student loans. Reinsurance will raise this insurance capacity to \$875 million.

Also, for a State, such as New York, which has made a real effort to support the guaranteed student loan program through appropriations of its own funds, the reinsurance program will multiply the effectiveness of the State effort and give the State a reward for its efforts and a further incentive to continue those efforts in behalf of this great national objective.

How in detail the reinsurance program will operate can be described best, I think, by the people who are actually administering the program. What will happen in principle is this: If there is a default, the State agency will pay the lender and then bill the Federal Government for 80 percent of the loss. That means, in fact, that the State agency will only have to cover 20 percent of the loss, so that its dollars will be able to back five times as many loans as they are now able to back.

ADDITIONAL SEED MONEY

The third major amendment before the committee would authorize an additional \$12.5 million in seed money advances for next year, fiscal 1969. This money would have to be matched, dollar for dollar, by the States.

These additional advances, in combination with the State matching funds and the Federal reinsurance arrangement, would provide a further \$1¼ billion in guarantee capacity starting in the 1968–69 school year.

This arrangement is intended to give the program a major boost next year. The delay is necessary to allow time for State legislatures to appropriate their matching funds. In the interim, the reinsurance plan will provide the immediate increase in guarantee capacity that is so sorely needed in a number of States.

This program is one major part of our commitment as a Nation to assure that every student admitted to college can obtain the financial resources to attend. We are right now in the midst of the period of heaviest lending activity for the coming academic year. I hope that this committee can give prompt and favorable consideration to these amendments, to help carry out this vital national commitment, so that students all over this country will be able to obtain the education loans that they need and want for the coming year. Few endeavors are more important to the long-run future of our country.

Thank you, Madam Chairman.

Mrs. GREEN. Thank you very much, Mr. Barr.

What do you estimate the total cost of the Federal Government would be if the 880,000 students are served by this program as you suggest?

Mr. BARR. The last estimate we have, Madam Chairman, is that the placement and conversion fees would be around \$22 million; that the interest subsidy would be running at the rate of \$56 million. I am talking about fiscal year 1968.