

Mrs. GREEN. This would not be serving 880,000, then?

Mr. BARR. More, including students who borrowed earlier.

Mrs. GREEN. You plan to serve 880,000 in fiscal year 1968?

Mr. BARR. This projection is based on a total of 750,000 loans under the Higher Education Act and 130,000 loans under the National Vocational Student Loan Insurance Act. The budgetary cost in fiscal year 1968 would be \$78 million: \$56 million of that for interest subsidy, and \$22 million for the placement and conversion fees.

Mrs. GREEN. What do you estimate the average loan would be?

Mr. BARR. Roughly \$800.

Mrs. GREEN. That is what it has been?

Mr. BARR. Right.

Mr. HOWE. It is lower than that for the vocational loans, Madam Chairman, but the average loan under the Higher Education Act has been about that.

Mr. BARR. That is correct.

Mrs. GREEN. You are paying the full amount of the interest subsidy for the student in college?

Mr. BARR. That is correct.

Mrs. GREEN. \$56 million, is it—

Mr. BARR. That is interest rate subsidy to support all the loan made through fiscal year 1968.

Mrs. GREEN. How long do you think the \$12.5 million extra seed money will last?

Mr. BARR. Combined with the reinsurance program, it is our impression that this would carry the program down 2 or 3 years at least; and then, with the reinsurance program, where a State puts up a dollar we put up \$4, it would be my judgment, Madam Chairman, that the Congress would never be asked again to put up any additional seed money. This is a very attractive proposal for a State. A State like New York, for instance, has \$30 million in guaranteed funds, nearly \$29 million of this being State funds. The reinsurance proposal will give them a total guarantee capacity of a billion and a half dollars and an unencumbered margin of over a billion dollars.

Now in a small State like North Dakota, which has not acted up to now, if they could appropriate a hundred thousand dollars, that hundred thousand dollars appropriation would carry a loan program of \$5 million. I think we have an extremely attractive proposal here of minimum cost to the State and maximum advantage to the students.

Mrs. GREEN. Do you see any problem with the 50-50 matching requirement?

Mr. BARR. I am not an expert in this area. I don't know what the experience is in this area. Maybe Mr. Muirhead has a comment on that.

Mr. MUIRHEAD. It seems to me that the initial reinsurance would probably postpone the need for matching for the additional seed money made available in 1969 in most States. I would think by that time, Mrs. Green, that the program would have been so well established in all of the States that they would see the advantage in matching the \$12½ million, primarily because it carries with it the reinsurance provision so that each dollar that they put up would be multiplied by 4, as the Under Secretary has said, and then would provide of course a ratio of 10 to 1 in terms of available credit.