

make any additional appropriations to the reserve fund. That is the great advantage to the State of New York.

The advantage to a State like North Dakota—which is literally out of funds, and thus far has not taxed itself and appropriated as the State of New York and many other States have done—would be that they can make a small appropriation which would be reinsured by the Federal Government and take care of their demands.

In other words, there are two different situations. The State of New York would be advantaged because they won't have to make any appropriations for several years. The State of North Dakota would be advantaged because they can make a minimum appropriation to take care of their demands.

Mr. GURNEY. Are you saying that although the present demand is only 2 to 1, whereas this reinsurance program will satisfy 4 to 1, that the reason for the 4 to 1 is to take care of years in the future?

Mr. BARR. Primarily it is designed to take care of those State, I think roughly 28 States, who have not seen fit to tax and appropriate the necessary guarantee funds.

Mrs. GREEN. Will you yield at that point?

Mr. GURNEY. Yes.

Mrs. GREEN. Are you saying that in New York the demand would be for four loans under the guaranteed program for every one they are now making?

Mr. BARR. No, ma'am; I am not. I am saying the demand in New York will grow steadily. The trend line will go on as it has been going, but the State of New York will not have to pass an appropriation act probably for 3 or 4 years, because their guarantee capacity will be swollen automatically by the reinsurance.

I am saying that in North Dakota they can pass a minimum appropriation, perhaps in the neighborhood of a hundred or two hundred thousand dollars, and have enough guarantee capacity to meet their loan demand for the next year or so.

Mr. MUIRHEAD. May I respond in part to this question?

Mr. GURNEY. Yes. I realize I don't understand it yet.

Mr. BARR. It is difficult.

Mr. MUIRHEAD. It seems to me that the principal argument for asking for reinsurance at this time that would increase the capacity of the program by 4 to 1 stems from the fact that the program has not by any means reached its potential.

To illustrate, the eligibility for the program at the present time embraces about 80 percent of the college enrollment. In other words, about 80 percent of the young people on the college campuses come from families earning less than \$15,000 adjusted income. In a few States—New York being a very good example, Massachusetts too, New Jersey another—there have been loan programs established for some years, and they have been serving a much larger number of young people proportionately than the other States. Let me give some statistics on that. About one-third of the loans that were supported last year were in New York State. In addition to that, three States—Pennsylvania, New Jersey, and Massachusetts—accounted for another 22½