percent. In other words, this cluster of States represents about half of the loan program thus far.

If other States reach that level of participation, then it will be necessary to have a 4-to-1 reinsurance in those States. I do not expect that the 4-to-1 reinsurance will have much of an impact upon loan participation in the States that I have mentioned, but it will have in many of the other States.

Mr. GURNEY. Now I understand; yes.

Mrs. GREEN. When you were here the last time, I asked if your intent was to provide the fee of up to $35 to the colleges or universities for every transaction that they make under the NDEA. I believe at that time you responded in the affirmative.

Are you offering an amendment to do that?

Mr. MUIRHEAD. The amendment to provide up to $35?

Mrs. GREEN. To colleges and universities who also have a cost in administering loan programs.

Mr. MUIRHEAD. Yes; this amendment is broad enough to cover all eligible lenders, including universities that wish to become eligible lenders.

Mr. HOWE. But not under NDEA.

Mrs. GREEN. I wanted it specifically under NDEA.

Mr. MUIRHEAD. No; we do not have such an amendment under NDEA. As you know, under NDEA we do have a provision to reimburse the institution for its administrative costs. The provisions of that are that they may take from the student loan fund up to one-half of their administrative costs or 1 percent of the total amount of loans outstanding, whichever is the lesser.

Mrs. GREEN. Does this equal the $35 which you are proposing for this next year for placement cost? As I understand it, colleges and universities feel that it costs them more than they are getting reimbursed.

Mr. BARR. Madam Chairman, I think I can respond to this. My debt analysis people tell me that they understand the NDEA provision currently in the law is more liberal than what we are proposing.

Mrs. GREEN. Would you provide for us at this point in the record the information that it does amount to that figure?

Mr. BARR. Yes; I will give you an analysis.

(The information to be furnished follows:)

PLACEMENT AND CONVERSION FEES

The table immediately following shows the interest equivalents of placement and conversion fees at various levels of fee payments for the guaranteed student loan program. The suggested $25 level of payments would increase lender returns under the program by 0.76%, thus, having the same overall net effect on lender returns as an increase in the rate of interest from 6% to 6.76%. Fees at a level of $35 would increase net lender returns by 1.08% and have the same effect as increasing the interest rate in the program to 7.08%, approximately the maximum rate permitted under the direct Federal program in the Higher Education Act of 1965.

It should also be noted that the proposed fees are not intended to match administrative costs but are conceived as a means for adjusting lender returns in accordance with changes in money market conditions so as to keep new loans under the guaranteed student loan program reasonably competitive on a break-