Mrs. GREEN. Would it speed up that report if we wrote forgiveness into the guaranteed student loan program?

Mr. BARR. Madam Chairman, I would hope you would not do that.

Mrs. GREEN. You do not respond to my question.

Mr. BARR. I had better let the Commissioner answer that.

Mr. HOWE. We will do anything we can to speed up the report. I don't think we need that additional motivation.

Mr. BARR. I might add Treasury generally does not like to be associated with any debt that is forgiven. We believe in getting our money back.

Mr. QUIE. I am glad you have finally gotten to the study, however, because the conversation has gone on for some years. It is desirable to get beyond conversation and to make judgments with the kind of facts that I hope you will be able to accumulate.

Why is it that the States themselves can't sufficiently take care of the guaranteeing of their own loan programs? In listening to Mr. Howe, when he was questioned by Congressman Gurney, I was confused as to why the States cannot do it themselves. Why does the Federal Government pick up 80 percent of the responsibility?

Mr. BARR. That is a very good question, because the States like New York and Massachusetts have done it themselves. I think, however, that there is a change in the feeling that to borrow money to go to college is something sinful, and not the proper application of credit.

I have always thought this was a mistaken notion; I think that to borrow money for an education makes more sense than borrowing money for a car or a house. This is an investment in an earning asset, which is the best way you can borrow money. You can see this very dramatic shift that is occurring in the United States as the costs of college education go up, as it is more and more difficult for a family to educate two or three children, especially a couple of children at the same time. I think that the costs in a private school today run $3,000 to $4,000 or more a year for a child. Obviously it gets away from the area where you can save and provide for it as a prudent man used to do. It gets into an area now where you have to finance it. People see this, and I think States like New York would be sorely pressed to make the appropriations necessary to continue to meet the demand that lies in the future.

Other States, poorer States, States without the income or perhaps the motivation, simply have not pulled up their socks to go ahead with this program. Now what we are trying to do is to share with them a portion of this responsibiilty—to help with some of the unusual demand that will undoubtedly be confronting the big States, and to make it as reasonable as possible for the small States to participate, but still with a minimum budgetary cost to the U.S. Government.

Mr. QUIE. Why did you decide on the 80–20 relationship? Why not 50–50 or 75–25?

Mr. BARR. That ratio, of course, is open to question, Mr. Quie. There is no magic in this 80–20. It is a normal reinsurance program. As a matter of fact, we lifted it out of the insurance industry. That is a normal procedure. We may propose a somewhat similar reinsurance program to help take care of the riot damage in the cities.

We have something relatively the same in flood control. It has gotten to the place where private companies cannot, either through direct in-