have tighter standards and we could clean up all these things if we had a Federal direct loan program. But I don't know how I could get a billion-dollar appropriation a year, which we would need, out of this Congress.

The President feels that we can manage the $22 million I have mentioned.

Mrs. GREEN. Out of the Congress or out of the administration?

Mr. BARR. My guidelines, Mrs. Green, were about $30 million.

Mrs. GREEN. I wanted to be sure where you were putting the responsibility.

Mr. BARR. This is my administration guideline.

Mrs. GREEN. Mr. Howe.

Mr. HOWE. Madam Chairman, what I would like to do, with your permission, is simply to place my formal statement in the record.

I think that the conversation so far has opened up most of the issues of this program and it would be redundant to read this to you.

I think because the statement does trace the provisions of the act, how it operates, and something of the experience we have had with it, I think it would be useful material for the record.

(The statement follows:)

STATEMENT BY HON. HAROLD HOWE II, U.S. COMMISSIONER OF EDUCATION

Madam Chairman and Members of the Subcommittee, Title IV of the Higher Education Act of 1965 authorized the first, comprehensive package of student financial assistance—educational opportunity grants, college work-study programs, and low-interest insured loans—designed to help thousands of young people cope with the continually increasing financial burden of attending college. Some of these were existing programs and others new. One of the new programs, the Guaranteed Student Loan Program, under consideration today, was included in Title IV as a necessary component of the total commitment to improving the higher education opportunities and services for college-bound youth embodied in the Act. Today, more than 1 million college students who might not otherwise be in college are being helped by Federal grant, loan, and work-study programs. If the full potential of the various student financial assistance programs can be realized, by 1972 about 3 million students should be benefiting each year from loan programs designed to relieve the financial burden that education imposes on thousands of families and to help guarantee that none of our youth lack the financial resources for getting all of the education they want and need.

The guaranteed loan program was specifically included in the Higher Education Act as a means of encouraging States and nonprofit private institutions and organizations to establish loan guarantee programs for students attending eligible institutions of higher education. In those States where students do not have reasonable access to a State or private nonprofit program, direct Federal guarantees are authorized. Lending institutions may be banks, savings and loan associations, insurance companies, credit unions, and similar lending institutons, and, in some instances, colleges may be lenders and make loans directly to their students.

To establish a program, the guarantee agency enters into an agreement with lending institutions. The agreement defines the terms and conditions under which the agency guarantees payment in the event of default. All guarantee agencies have established reserve funds to guarantee loans made by participating lenders. Most agencies have provided for a 10 percent reserve, but reserve ratios range from 3 percent to 25 percent. Federal advances in the amount of $17,500,000 have been authorized to supplement the reserve funds of the guarantee agencies and each agency is guaranteed a minimum of $25,000 advance each year.

Loan procedures for students require that the student be enrolled or accepted for enrollment at an eligible institution, that he be in good academic standing,