

and that his estimated college expenses be reasonable. He may apply for a loan to a participating lender, the school, or by writing to a guarantee agency. He, and his family, must complete a portion of the application, which includes the adjusted family income. If the lender agrees to make the loan, the application is sent to the agency for guarantee of the loan—either the State agency in the student's home State or the private agency designated to operate the program for that State. The legislation specifies that no student may be denied the benefits of the program on the basis of family income or lack of financial need if the adjusted family income is less than \$15,000 per year. The maximum amount of the guarantee permitted under the statute is \$1,500 for any academic year or its equivalent. In most States, however, the maximum loan for undergraduate students is \$1,000. Students whose adjusted family incomes are less than \$15,000 per year are entitled to receive Federal interest benefits paid on their behalf to the lender. During the inschool period of the loan and prior to the beginning of the repayment period, the U.S. Office of Education will pay the entire amount of this interest up to 6 percent. During the repayment period, the Office will pay up to 3 percent of the interest while the student pays the balance of the interest and the principal. Students whose adjusted family income is more than \$15,000 are required to pay the full amount of the interest.

The maximum period for which a student may have a loan is 15 years, including the period in college, and the maximum repayment period is 10 years. The student begins repayment to the lender when he graduates or withdraws from school. If the total loan is in excess of \$2,000, the student must be allowed at least 5 years in which to repay the loan; for smaller loans the repayment period is determined by an agreement between the student and the lender.

The following sampling of 157,000 student loan recipients gives some indication of the "economic sector" taking advantage of this program:

<i>Range of adjusted family income</i>	<i>Percent within range</i>
\$0 to \$2,999.....	8.9
\$3,000 to \$5,999.....	18.2
\$6,000 to \$8,999.....	26.6
\$9,000 to \$11,999.....	27.4
\$12,000 to \$14,999.....	17.3
\$15,000 and higher.....	1.6

¹ This low figure is accounted for by the fact that most guarantee agencies are not approving loans for students who do not qualify for Federal interest benefits.

At this time, 27 States have established their own guarantee agencies, 16 of these agencies operate their own programs directly and 11 have contracted with the USAF, Inc., to administer their programs. In five States—Arkansas, Maine, Massachusetts, New Hampshire, and Rhode Island—the program is operated by State private, nonprofit agencies. The remainder of the States' and territories' programs are operated by USAF under contract with the Office of Education. (See accompanying Table I).

During the past 12 months' operation of this loan program, an encouraging start was made in implementing the program in many States. About \$400 million in loans to 480,000 students have been made and guaranteed by a State or nonprofit private loan guarantee agency in each of the 50 States, the District of Columbia, and Puerto Rico. However, the volume of loans, overall, was well below the actual potential of the program.

Evidence from experience in four States with previously established programs suggests the potential demand: nearly one-third of the national total of loans guaranteed from July 1, 1966, to December 31, 1966, were extended in New York; three other States—Pennsylvania, New Jersey, and Massachusetts—accounted during the same period for another 22½ percent of the total. Thus, four States accounted for nearly one-half of the loan volume, although they have only 19 percent of the national population in the college-age bracket. If the activity in the other States had been proportionately as great, the volume of student loan activity would have been substantially larger.

Although we have no direct measurement figures, I can say that many students in all parts of the country who would like to borrow under the program to help finance their college education have not been able to do so.