

potentially active lenders, or as complicated a pattern of guarantees, subsidies, advances, and other types of Federal, State, and private support as the guaranteed student loan program. Therefore, it is not surprising that major problems have arisen during the initial period of operation.

We recognize that the program has not yet met the expectations of comprehensiveness intended when it was authorized but we believe that with the necessary amendments, now proposed, it will be more comprehensive and effective. It is apparent that the need for such financial assistance will continue and intensify in demand. It is estimated that by 1972-73, average college expenses will have increased over 1966-67 levels by 18 percent for an education at a public institution, or \$1,940 per year, and by 14 percent at a private institution, or \$2,940 per year. By 1980-81, these costs will jump to \$2,400 at a public institution and \$3,640 at a private one. Financial assistance programs must be flexible and must reflect in their availability the financial burdens which increasing costs of education will make on students and their families.

The Office of Education fully recognizes the need for the student loan program and the problems and shortcomings encountered in its operation thus far. We have already undertaken measures designed to improve the functioning of the program by simplifying the procedure for determining family income used as a basis for establishing the eligibility of the borrower for interest benefits; and simplifying the procedure and forms used in computing and reporting interest payable by the Federal Government to the lenders.

In addition, an Interagency Committee, with representatives from the Treasury Department, HEW, and BOB, under the chairmanship of Under Secretary of the Treasury Barr, completed a study of the operation of the program and its problems. This Committee received the advice of representatives of State and private loan guarantee agencies, commercial banks, savings and loan associations, mutual savings banks, and credit unions. The task of the Committee was directed to making recommendations for streamlining the operations of the program and for assuring maximum lender participation under changing money market conditions. In order to be able to base its recommendations on reality of program operation and needs, the Committee met with representatives of lender agencies and institutions of higher education, in addition to receiving written comments on various aspects of the program. Based in part on the recommendations of this Committee, we proposed that the guaranteed student loan program be amended to:

Authorize the Federal Government to pay the lender a service fee at the time the loan is processed, not to exceed \$35 on each loan made, and not more than one to any student per academic year, and a similar fee to cover the administrative costs incurred by the lender in arranging the repayment schedule when the repayment obligations begin. The payment of the service fees should help to offset the low rate of interest and long repayment period which have made many lenders reluctant to participate in the program.

Authorize the Federal Government to retain and accumulate the Federal interest payments on student loans and to pay such accumulation, with interest at a rate determined by the Treasury based on the average yield of U.S. obligations of 5-year maturity to the lender when the final payment falls due. This should help reduce the paperwork for the lender during the repayment period when both the student and the Federal Government must be billed.

Authorize that the guaranteed student loan program for college students be merged with the insured loan program for vocational school students as a single loan insurance program under the Higher Education Act of 1965. This would eliminate unnecessary administrative burdens, excessive paperwork, and confusion for financial institutions participating in the programs now administered as separate programs under different statutory terms.

Authorize the Commissioner of Education to guaranty, on behalf of the United States, 80 percent of each student loan insured by a State or non-profit private institution or organization pursuant to an agreement with the Commissioner under the loan insurance program. This guaranty feature would be available to States and private insurers who enter or have entered into agreements with the Commissioner, and who, in addition, satisfy the Commissioner (a) that with respect to the portion of any loan guaranteed, such guaranty shall serve in satisfaction of any State law or regulation requiring funds to be reserved by the insurer against defaulted repayments of such portion, (b) that due diligence will be exercised in the collection of federally guaranteed loans, and (c) that