

Mr. MUIRHEAD. You are correct that in some of the State programs it is 80 percent and may continue at 80 percent. However, they may go to a hundred percent guarantee. They are permitted to under the law. You are quite correct that in the NDEA loan program it is 90 percent guaranteed because 10 percent is covered by the institution's contribution.

Mr. CAREY. Have you thought about this imbalance having the same guarantee in both programs?

Mr. MUIRHEAD. Yes, we have thought about it. We have given some consideration to having the various provisions in the law made uniform in all the States but we have felt also that there was some advantage in letting each State work out for itself what seemed to be the best mode of operation in that State. We have come down on the side of saying that the States should set up their own requirements for the program as long as they are not in violation with the objectives of the program. So there will be a variety of State practices.

Mr. QUIE. Will the gentleman yield?

Mr. CAREY. Yes.

Mr. QUIE. The Federal guarantee is only 80 percent, however, is it not in the guaranteed loan program.

Mr. MUIRHEAD. They may go to a hundred percent if they wish to.

Mr. QUIE. If they go to a hundred percent then the State will have to bear that 20 percent, not the Federal Government.

Mr. MUIRHEAD. The State will bear the 20 percent anyway under the plan that we have. Any loss which occurs in the program is in the ratio of 80 to 20 percent. So that whatever loss is incurred the State pays 20 percent of it and the Federal Government 80.

Mr. QUIE. As far as the Federal Government is concerned in preparing the student loan program and guaranteed loan program, under default they will have to bear 80 percent of the cost and under the NDEA loan program in case of default they will have to bear 90 percent.

Mr. MUIRHEAD. That is right.

Mr. CAREY. I am looking at the new amendment which states 90 percent of the loan from the institutions in default on student loans will be reimbursed by the Commissioner.

Is that correct? That is under new section 207.

Mr. MUIRHEAD. Under the reinsurance it should read 80 percent.

Mr. CAREY. This is a mistake.

Mr. MUIRHEAD. I am trying to find the reference you have.

Mr. CAREY. It is in the bill analysis on page 5.

Mr. MUIRHEAD. If it does say 90 percent that is an error. It should be 80 percent.

Mr. CAREY. It might be a good accidental amendment.

The final question I have relates to the testimony—

Mr. MUIRHEAD. May I correct the statement that I just made. On the blue sheet that I now have before me that deals with the amendment to the national defense student loan program. It is quite correct in saying that it is 90 percent. In the guaranteed loan program it is 80 percent.

Mr. CAREY. That is why I questioned why we don't do as well with banks as we do with the institution. This would give even more liquidity