to the program if you went to 90 percent to the banks, more encouragement to the program.

Mr. QUIE. If the gentleman will yield I asked that question of Mr. Barr.

He said it is tradition, precedent.

Mr. BARR. You can set this figure any place you want. We took the 4-to-1 reinsurance because there is a certain precedent for it in industry.

Mr. CAREY. The industry was asking for a lifting of the reserve on the student loan program. Your making available Federal paper now in the ratio of 4 to 1 wipes out that request, is that correct?

Mr. BARR. Will you repeat that.

Mr. CAREY. When they were before us they said they were having some trouble with the reserve.

Mr. BARR. That is right.

Mr. CAREY. This plan of giving 4-to-1 paper for what they have outstanding would mitigate that objection.

Mr. BARR. That is right.

Mr. CAREY. Thank you.

Mrs. GREEN. Congressman Gurney.

Mr. GURNEY. Will you restate the provisions of the interest payments after graduation or withdrawal from school? Does the borrower pay it all or only part of it?

Mr. BARR. It depends on his adjusted income level. Maybe we ought to define adjusted income right now.

I have before me a form 1040, the Federal income tax form. What you do is pick up your total income on line 9 of form 1040. You take 10 percent of that. That is the standard deduction. Let us take a fellow with $20,000. That is his total income—salaries, wages, everything else. Take 10 percent of that. That is $2,000. We don't allow for itemized deductions. That brings him down to $18,000. Say he is married and he has three children, $600 per exemption, that is $3,000. That brings him down to the $15,000 qualifying adjusted income level.

Now, the student from that family will pay no interest while he is in school.

While the loan is being repaid he will repay at the rate of 3 percent. We are paying the institution the balance of the 6 percent. He will pay off at the rate of 3 percent.

Mr. GURNEY. But if he comes from a lower income family he might not pay any interest after graduation? I am talking about after graduation.

Mr. BARR. No. There are only two groups of people:

Those with adjusted incomes of $15,000 or below and those with adjusted incomes above. From $15,000 down to zero they are all treated the same. From $15,000 up the student pays the 6 percent while he is in school and he pays the regular rate of 6 percent after he graduates on repayment.

Mr. GURNEY. I don't know that I see the sense of a breakdown after graduation.

Mr. BARR. There is a very good point there. The chairlady raised this issue. After graduation it is a good question whether or not he should have that subsidy. I think it is debatable.