

have indicated that the lender groups are prepared jointly to create a new private non-profit student loan guarantee organization. Discussions among the interested parties is actively underway, looking to the creation of such an organization in the near future, to carry on the guarantee function wherever appropriate. It is contemplated that the new organization would be prepared to take advantage of the proposed reinsurance arrangement.

Executive Branch officials have expressed to USAF their disappointment that USAF is not disposed to take advantage of the reinsurance proposal. USAF has indicated that it will not alter its view on this matter. However, USAF officials have expressed their willingness to cooperate to the greatest extent possible in facilitating an orderly transition from USAF operation of the program in the states concerned to operations by new state or private guarantee agencies. If feasible, this will include transfer to such new agencies of some or all of the Federal "seed money" that has been advanced to USAF.

As an interim arrangement, the direct Federal guarantee authority can be used in any state in which USAF has exhausted its guarantee capacity and no new guarantee agency is yet ready to commence operations.

In summary, it is expected that USAF's gradual withdrawal from the program will require the implementation of substitute guarantee arrangements. Such arrangements can be and are being made, however, and it therefore is not anticipated that USAF's withdrawal will adversely affect availability of loan guarantees to lenders and student borrowers.

Mrs. GREEN. Thank you very much.

The subcommittee will recess until 9:30 tomorrow morning.

(Whereupon, at 12:30 p.m. the subcommittee recessed to reconvene at 9:30 a.m., Thursday, August 17, 1967.)