one of those, as mentioned in previous testimony before you, that has already exhausted its allowable loan capacity with the amount of seed funds made available. The most alarming aspect of this depletion of funds is the timing, for it has occurred only in recent weeks and a new academic year is but a month away. I am therefore most interested in the strengthening of this important program so that in the future we may be more assured of a constant availability of these loans for the thousands of students who need them.

I am cognizant of the many problems that have cropped up during the guaranteed loan program's first year of operation, and I believe that the three proposed major amendments are in the best interests of the enlarging student population we seek to serve through this Federal program. Participation by lending institutions in Hawaii has by and large been exemplary. Major banks became immediately involved, and we have dozens of Federal credit unions eagerly cooperating with our goals. However, if it is the finding of this subcommittee that inadequate participation in other areas of the country by financial institutions has been truly caused by the failure of the 6% interest rate to be competitive with interest returns available from other type loans, the stimulus of the proposed service and conversion fees may be necessary. We are only facing reality when we agree that though this program is not designed primarily to provide profitable transactions for banks, we cannot ask lenders to take actual losses through their participation. The authorization of a flexible placement fee to be paid the lender for each loan, varying according to the interest rate situation at the time the loan is made, would then seem to be reasonable. This I assume would be subject to review as to its effectiveness, i.e., encouraging more financial institutions to enter the program, and to its justification according to future fluctuations in prevailing interest rates.

I am pleased also with proposals that have been advanced to add substantial loan capacity to the States through the reinsurance of 80 percent of each loan by the Federal government, a move which would according to Administration reports expand the present $60 million loan guarantee funds to a capability of as much as $2.4 billion in new loans. I think it very likely that we should now be thinking in terms of drastically increased funds for future years as student enrollments swell and particularly if the passage of these amendments induces more positive and widespread participation by lending institutions. This amendment will have the additional desirable effect of encouraging the States not to abandon their own guarantee programs by holding the Federal reinsurance proportion below 100 percent. I have found previous testimony before this subcommittee of the stimulus of this amendment to enhanced State-Federal cooperation to be very persuasive, and I do think it desirable to enact such amendments which will provide greater incentives for the States which make the greatest effort to implement the loan program with their own funds.

Consequent with my interest in the strengthening of the guaranteed loan program in every way possible, I also hope that the subcommittee will approve the amendment to authorize an additional $12.5 million in Federal seed money for fiscal 1969 on a matching basis with the States. By 1969, if this provision is enacted into law, State legislatures will have had time to allocate matching funds, if they so desire, and our overall loan capacity would receive another major shot in the arm. As the Commissioner pointed out in his testimony, the reinsurance of these Federal-State funds on the 80 percent Federal guarantee plan would make the 1969 loan capacity $1 billion. I feel certain, after the first year's experience, that future needs and demand will convince us that passage of these amendments this year will several years from now appear in retrospect to be an act of wisdom.

Beyond these three major amendments proposed by the Administration, I am hopeful that the subcommittee will give its careful attention to other proposals which have been advanced to eliminate some of the administrative complexity which we all recognize as a major source of frustration in the implementation and operation of the guaranteed loan program. Combining the vocational student loan program under one authority with the higher education loan operation, for example, appears eminently logical and justifiable on the basis of the similarity in the provisions of both programs and their identical goals of expanding educational opportunity regardless of the nature of the post-secondary education desired.

I think it obvious from my remarks that I am an advocate of the guaranteed loan program without reservation. Along with the Elementary-Secondary Act,