

But the problem is that because of the peculiarities of the Federal budget, there is, in any given year, no difference between a grant and a loan. Each is treated as an expenditure. The result is that in tight budget years, which seem likely to be with us for some time to come, the administration is as reluctant to propose enough loan funds as it is enough grant funds to meet the needs we can foresee. We face the prospect this year of having released to the college housing program no more than \$300 million for new housing. As a matter of fact, so far there has been no indication as to when even this \$300 million will be released.

I might interpolate here that your previous witness, Mrs. Mink, has a bill before the House which might well release more than this \$300 million. We are in strong support of that. We face the prospect that no more than \$200 million in loans for academic facilities will be available. Depending on the action in the conference on HEW appropriations, this figure could be lowered to \$100 million, and that \$100 million would be available simply because it was not released in fiscal 1967—the year for which it was appropriated.

What I have just said should not be considered an indictment of the administration. We recognize the pressures under which those who are working with the Federal budget must operate. Rather it is an indication of our growing conviction that, if the needs of higher education are to be met adequately, the strength of the commercial money market must be enlisted. We have got to find ways to tap this source of funds to supplement—not replace—direct Federal lending.

The Participation Sales Act was one way the administration proposed to meet this need. We supported the act, and we still do. As we pictured it, however, we saw it as a method of selling college housing assets—to take one example—in the private market in order to provide additional loan funds for the construction of new college housing. We did not see its purpose to be one of using college housing assets to fund other Federal programs totally unrelated to the needs of higher education. That has been one effect of it, however, and so the sale of \$600 million in college housing assets since the act was signed into law has done nothing to relieve the backlog of college housing needs which we estimate now to be close to \$2 billion. It is our impression that the Congress itself is now skeptical about the participation sales approach. I reiterate that it seemed and seems to us a promising route, but for reasons that we do not quite understand, it does not seem to be working well.

I hope that what I have said does not seem a digression. I think it is to the point. When the guaranteed loan program was first proposed in H.R. 3220 and H.R. 3221, in 1965, we testified before this subcommittee in support of it. But it is important to remember that the bill on which we testified bore little resemblance to the bill that was finally passed. At that time it was a bill to provide some relief to middle-income families who were faced with college costs that were rising far faster than family incomes. It proposed 6-percent loans to be made through banks, and other financial institutions, with a Federal guarantee and with perhaps a 2-percent subsidy of that interest rate while the student was in college. The proposed interest rates were such that the loans would be attractive to people who were hard pressed to meet college bills, but not so attractive as to make borrowing desirable when families had other funds available. There was, in