

short, a total distinction between the NDEA loan program designed for extremely needy youngsters and the then proposed guarantee program.

In the various rewrites of the bill, on which we had no opportunity to testify, the guaranteed loan program was so revised that the terms of the loans became almost indistinguishable from the NDEA program except that the bill was designed to tap into the commercial money market rather than the Treasury. We doubt very much whether in the long run this bill is the answer to meeting the needs of students and parents who must finance education. If it really is for middle and upper middle income families, we question the need for the large interest subsidy. We question the desirability of precluding any kind of judgment as to whether the would-be borrower needs a loan. Without suggesting that there should be a rigid needs test, we do believe that at the very least the college financial aid officer should be permitted to indicate to the lending agency whether in his estimation the applicant needs a loan, and, if so, what the approximate amount of that loan should be.

But now I come to the critical nature of the present situation. The national defense student loan program is financially pinched, I would say severely pinched, for two reasons. The approved requests of participating colleges total well over \$230 million. This total was set by panels working for the Office of Education and is therefore scaled down from what the original institutional requests had been. Furthermore, many original requests were below what the institutions knew they needed. They cut their requests because of their inability to provide the matching funds. Thus, the need for money and even the approved requests for money are well over the amount authorized in the act, which is \$225 million. This amount in turn has been pared down still further in the President's budget and by Appropriations Committee actions to \$190 million. Here again, then, recognizing the problems faced by the administration and by the Appropriations Committees, we believe we must turn to the commercial money market for relief.

Now at last I come to the specifics of the administration's proposed amendments. The guarantee program has never got off the ground. I think I should qualify that. I was looking at it from the point of view of a national program. We just heard about the fine record in Hawaii. New York State has a magnificent record. But nationally it has not got off the ground, and under its current terms and with the current status of the money market, there seems no likelihood that it will do so. Yet if we are to get over this current emergency it must be pushed off the ground.

I think the administration and the bankers and we, when we were testifying in 1965, believe that a 6-percent interest rate would at worst be a break-even, and at best be a modestly profitable, enterprise for the commercial market. Obviously at the moment it cannot be. As one who is putting his family through college, I might be glad to see banks make educational loans at a loss, but as one who occasionally has a few dollars to put in the bank, I would not. One obvious solution might be to allow banks to charge a higher interest rate for these loans. But this would violate the usury laws in a number of States. So, the administration's proposal to provide banks with a fee of up