Mrs. GREEN. I am pleased to hear you say that. In a period when we are limited in funds, it would seem to me that it might be well to look at the interest subsidy after graduation, and cancellation of the forgiveness, and use that money either in economic opportunity grants or in straight loans. It would make the limited money we have go further.

I have one other question, and then I will turn the questioning over to my colleagues. I take it from your testimony that you would like to have a provision written into the bill that the student financial aid officer at the college or university would recommend to the bank or to the lending institution, credit union, or whatever it might be, the eligibility of the student without a tight needs test.

Mr. MORSE. Without a tight needs test, yes. Only he has any idea of what financial support the applicant might be getting. Only he has some reasonable picture of which kids really need some help and which ones obviously don't.

Mrs. GREEN. Thank you.

Congressman Esch?

Mr. ESCH. Thank you very much, Madam Chairman.

I am glad to have you here, Mr. Morse. What you have discussed are interim measures. We might look at the questions and answers in that context. You have suggested that the present program is not as effective as it might be because of the nature of the money market, and that it is very difficult to ascertain how effective it might have been had we not had the tightening of money in the last 2 years; is that correct?

Mr. MORSE. Yes.

Mr. ESCH. Secondly, you also suggested, I think, that there were indications in some States that the programs were thrust on the State without any consultation, and that subsequently, the program has not had an opportunity to be fully evaluated? That was the other factor?

Mr. MORSE. Yes. The reason for my comment, Mr. Esch, is that the bill that this committee was considering and on which it heard testimony was a direct Federal guaranteed program. The concept of the State putting up the guaranteed funds came up after the hearings.

Mr. ESCH. In the light of that, would you say that one alternative could be the putting of more seed money into the States in the future?

Mr. MORSE. That, as I understand it, is the proposal from the administration—well, the reinsurance provision will increase the amount of seed money, will release far more loans. Then there is the proposal to appropriate another \$12½ million in 1969, which would give us 2 or 3 years of trial period.

Mr. ESCH. You have expressed some doubt that even with the feature of the \$25 to \$50 placement fee and other fees for the pending institutions, we do not really know whether or not the proposed program will be enough of a factor with bankers so that it will really resolve the question. Is that right?

Mr. MORSE. We don't know, but I am assuming good faith on the part of the bankers. I assume that their assurance that it has been the tight money market and the inadequacy of the interest rate that has held back the banks from participating should be taken at face value.

Mr. ESCH. Do you see any pressing need for the coinsurance?