I think we have to find some alternatives for these major loan programs, some alternatives or supplements to direct Federal lending. Now if the Participation Sales Act is not the route, we have to find some other one.

Mr. QUIE. I agree we have to find some way of tapping it. I feel that the participation sales approach has been found wanting so far, and it will be found wanting in the future. I do want to compliment you, however, on the remainder of pages 3 and 4 with regard to your concept of what a guaranteed loan program should entail. I think Congress, at that time, was suffering under a delusion that it could reduce the cost of the student loan program to low-income families by moving to a subsidized loan program.

Since we have found that the guaranteed loan program is more expensive than the NDEA, would you now support a change in the guaranteed loan program so that it would conform to your first impression of what it should be? It would be strictly a guaranteed loan program and any subsidy would be limited to the time while the student was in college. You would not have to make, as you suggest here, any "need" test.

Mr. MORSE. Yes, we would support it as I have already indicated, although I am troubled by the extremely needy student who will not be able to get an NDEA loan this year because there are not enough NDEA loan funds. But even here, the original reason for the heavy interest subsidy in NDEA was that it was the only financial aid program available to the neediest kids and it was assumed therefore that they would have to do all of their financing through borrowing.

Now, with opportunity grants and work-study opportunities also, there is perhaps less need for the interest subsidy after college, even for the NDEA loan program. I am not proposing that it be eliminated, but we would be content, our position has been on this guaranteed loan program, content with the idea of no interest subsidy after the student graduates.

Mr. QUIE. Do you think it would be wise to take the money that the Federal Government loses by forgiveness of the loan and add that amount to the loan program in order to make more loans available?

Mr. MORSE. I would rather see it added to the opportunity grant program, for the extremely needy kid, regardless of what field he happens to be going into.

Mr. QUIE. Do you feel now, judging on the limitation we have on the NDEA student loan and limitation on the opportunity grant, that to make the best use of the money that is now going to the forgiveness feature that it would be wiser to put it in the EOG than the loan?

Mr. MORSE. Yes, so long as the test for the EOG is extreme need.

Mr. QUIE. I will take a look at it. I may agree with you. I haven't looked at it that closely.

That is all.

Mrs. GREEN. Thank you very much, Mr. Morse.

Mr. MORSE. Thank you.

Mrs. GREEN. The next witness before the committee is the representative from the United Student Aid Funds.

Will you proceed, Mr. Marshall, as you wish?