year—the $12.5 million would provide important additional loan guarantee capacity for the 1968–69 school year.

In our view, this projection is not accurate.

All of you are far better acquainted than we with State legislatures. But, as I understand it, the vast majority of State legislatures meet only in odd-numbered years. Some 36 States by my calculation would need to hold special legislative sessions in 1968 to take advantage of the proposed matching arrangements in time for the 1968–69 school year.

To assume this emergency action on such a broad scale seems visionary in the extreme. Therefore, for practical purposes, this seed money must be related to fiscal 1970 at the earliest—not 1968–69 as you have been told.

We are still studying the details of the coinsurance proposal. We have had to assume several things in connection with it.

Typically, it would work this way: Student John Doe goes to the Farmers Bank & Trust Co. to borrow, let's say $500, under a guaranteed plan. United Student Aid Funds, or perhaps the State guarantee agency, would underwrite $100 of his loan and would specifically set aside $10—our standard 10-to-1 ratio—to cover the $100. Then the Federal Government, putting up no money at all, would simply sign and promise to pay the other $400 in case of default.

In short, the Federal Government would, while avoiding the commitment of any funds immediately, assume responsibility for 80 percent of the default if John Doe fails to repay the bank after he leaves school.

We already know enough to be sure that United Student Aid Funds would not be the appropriate agency to administer this kind of operation. As you know, we are a nonprofit organization. We are tax exempt. And we are, above all, private. We are private in origin, in philosophy, in financing, and in administration.

We are glad to contract with the Government to handle Federal advances of funds on behalf of various States, and to make loan guarantees on the basis of those repayable Federal deposits—just as we are glad to contract with colleges to make loan guarantees on the basis of repayable college deposits.

So while we are happy to cooperate with the Federal Government—and indeed have leaned over backward to do so in the interest of the tens of thousands of college students who depend on our help—we are scarcely an appropriate agency to be the clerical intermediary for this proposed new Federal program.

Indeed, there is a serious question as to whether we could participate even if we wished. To do so we would have to revise every one of our lender contracts, and we have contracts with more than 9,000 individual lenders.

This legal complication poses very serious practical difficulties for the coinsurance proposal now before you. Obviously, those who drafted it thought of it as a means to increase loan capacity everywhere. They told us they viewed it as particularly helpful in areas where the Federal seed money may soon be exhausted.

Regrettably, it wouldn't be very useful in any one of the States—Colorado, for example, where lenders have the type contracts I men-