which is admittedly based on the assumption that guaranteed loans may be regarded as loans of convenience.

Indeed, the Higher Education Act of 1965 specifically prohibits using "need" as a consideration in determining a student's eligibility for such a loan.

Suppose you, as a college freshman, can borrow a thousand dollars, have the interest paid as long as you are in college, and then take up to 10 years to pay off the principal at just 3-percent simple interest. It's a pretty good bargain no matter how rich you are. You can turn a profit just by keeping your own money in the bank at 5 percent interest and paying your school expenses through guaranteed loans.

If Congress believes need is irrelevant, then we do not see how any ceiling can be put upon the eventual loan demand. It is a maxim of the advertising business that demand, given sufficiently powerful promotion, can be built to any size. The "demand" for loans today is two to three times what it was a year ago.

In certain States, particularly those which appear on the verge of running out of reserve funds, the demand seems to be about six to 10 times as great as it was in the same period a year ago.

If this is the general experience, even the 80 percent coinsurance plan will not be adequate to take care of the demand for long. If need is not to be considered, the only way we know to calculate the potential demand for guaranteed loans is to multiply the undergraduate population by $1,000—the maximum a student may borrow in any one year—and the graduate population by $1,500.

That gives us a rough anual rate of $6 billion for the undergraduates—and perhaps $2 billion for the graduates—say $8 billion a year, in all.

If this amount is deemed insufficient, it would, of course, be possible for Congress to raise the ceiling on individual loans.

The first step toward a manageable guarantee program is a realistic understanding of what is "needed" as against what is simply "wanted." The second step is to reestablish "need"—that is, financial requirement—as a prime consideration in making loans.

The law now provides that no student will be denied the benefits of the guaranteed loan program, based on consideration of his family income or his lack of need. The practical effect of this is that student financial aid officers uniformly feel closed out from counseling effectively with students as to amounts they should borrow.

Further, they are frustrated in their inability to coordinate the total assortment of student aid items they generally administer. They feel they cannot effectively relate scholarship aid, work-study activity, and the like, along with guaranteed lending, into a total package for a particular student.

We think this is a mistake which ought to be corrected.

I want to emphasize, however, that we do not advocate a needs test in the sense of fixing any dollar amount for family income or in the sense of prescribing any dollar level of family net worth as means of determining whether need exists or does not exist.

We don't think a dollar approach is either advisable or necessary. In fact, greater need can exist with a higher income family than with a lower income family, depending on the situation.