This would include an extension of the Federal seed money advances. Such an extension would, in an orderly manner, furnish the leadtime needed for the remaining 16 States to make their decisions on establishing and funding their own guarantee operations. This would be more immediately workable than any other suggestion which has been made.

(3) We recommend the elimination of the interest subsidy after the student leaves school. This would impose little or no burden on the graduate, would eliminate an enormous amount of paperwork, and would more than meet any budgetary problem engendered by the payment of appropriate lender fees or additional seed money.

(4) We recommend that the law be amended so that responsible advisers will no longer be foreclosed from considering family circumstances in counseling with student borrowers and recommending guaranteed loans.

(5) We recommend whatever fee to lenders is necessary to take these loans out of the lost category. While we are not competent to take a position on the precise amount of such a fee, we believe that these should not only be nonprofit loans, they should also be nonloss loans.

(6) There are a number of less urgent amendments we would commend to you. Most of these we have outlined in prior testimony, so we won't repeat ourselves in this oral presentation today. We do include, however, as appendix C, attached to this statement, a proposal for the optional use of a portion of the repayments of NDEA loans to increase guarantee reserves. Our feeling on this is that it would serve to increase the effectiveness of the NDEA loan program. We have discussed this in other appearances before your committee.

Madam Chairman, this concludes our formal testimony. Mr. Luebbe, Mr. McCabe and I will be glad to answer any questions.

Mrs. GREEN. Thank you very much, Mr. Marshall. I find your statement most interesting.

I would like to commend you for the way you have outlined need versus want, and need versus manipulated demand. I must say to you that with a subsidy on the interest in school and after graduation, that if there is not a needs test, I think any kid who does not apply for such a guaranteed loan is not smart enough to be in college.

I heartily support some kind of need requirement. I think otherwise Congress is going to be rightly charged with creating a situation where we could have a major boondoggle. The taxpayers would be financing home loans and everything else for fairly well-to-do people.

Mr. MARSHALL. Could I add to that thought, Madam Chairman, that if you add it to a Federal guarantee, then in addition to the boondoggle you are going to have the problem of collecting? The Federal Government will have the problem of collecting millions of dollars' worth of individual small loans. It would be in the small-loan-collection business.

Mrs. GREEN. On page 5 you raise a question. If the Federal coinsurance goes through, would you be able to continue to participate?

I have been advised that USAF would withdraw if the coinsurance plan is adopted. You would not withdraw from the activities in which you have been participating for the 6 years, but you would withdraw