

APPENDIX B

Estimated annual costs to the government, as of 1972, of the Guaranteed Student Loan Program under the proposed amendment calling for Federal coinsurance of loans. Figures are based on the prediction by Commissioner Harold Howe III that there will be 3,000,000 borrowers a year.

Number of student borrowers-----	3, 000, 000
Annual loan volume, at \$1,000-----	\$3, 000, 000, 000
Total volume student notes (3,000,000,000×4 years) ¹ -----	\$12, 000, 000, 000
Total volume of payout notes-----	11, 000, 000, 000
Total loans outstanding-----	23, 000, 000, 000
Annual cost to government:	
Interest payments on interim notes (6 percent of \$12,000,000,000) -----	720, 000, 000
Interest payments on payout notes (3 percent of \$11,000,000,000) -----	330, 000, 000
Delinquent notes purchased, 3 percent of \$3,000,000,000 -----	90, 000, 000
Total annual cost-----	1, 140, 000, 000

¹ If the \$3,000,000,000 rate is first reached in 1972, the total volume of student loans will be a little less than \$12,000,000,000 for a few years.

APPENDIX C

OPTIONAL DEPOSITS OF A PORTION OF NDEA REPAYMENTS TO GUARANTEE RESERVES

We hope that Congress will authorize colleges and universities to deposit repayments of NDEA loans in the reserve accounts of guarantee agencies, perhaps up to an amount equalling the school's share of guarantee funds appropriated by the state. It is important, both practically and in principle, for the school to have its own economic stake, however small, in the efficient operation of a guarantee program for its students.

United Student Aid Funds will continue its efforts to raise additional guarantee reserves from private sources. And, it might well be that these combined reserves could relieve Congress in the very near future from the need to continue advancing seed money for guaranteed loans.

With a minimum burden on the college, the state, and the Federal government—and without putting the Federal government into the loan guarantee business—such a funding arrangement, in our judgment, could generate whatever sums may be required to meet the genuine loan needs of the college students of America.

Mrs. GREEN. Congressman Quie?

Mr. QUIE. How do you differ from banks in your reaction as to how the coinsurance affects the program?

Mr. MARSHALL. I can't speak for the bankers association. You had Dr. Walker here, but the banker does not administer the guarantee program. The banker makes the loan.

In our case, if he makes the loan under our guarantee, we have agreed with our 9,000 lenders that we will keep a minimum of 8 percent in cash and marketable securities to back up that guarantee.

So the banker can rely on it. He can use the student notes with our guarantees as an asset of the bank. Presumably, he would be in the same position if our guarantee only extended to \$20 of each hundred and the Federal Government guaranteed \$80.

To that extent the banker could say, in essence, if it is a Federal Government guarantee, it is probably better than ours. In any event, he is not particularly interested.

Mr. QUIE. He has no reason to prefer USAF over the Federal Government?