

Mr. MARSHALL. One of the suggestions I made before this committee some months ago was that you might incorporate in this law the same provisions that were in some other laws where the interest rate would be set by the Secretary of Health, Education, and Welfare, after consultation with the Secretary of the Treasury, and in view of the current money situation, set the maximum interest rate that could be charged.

That would, in effect, accomplish what you have in mind. It would be a flexible interest rate. It would enable the rate to be reduced, too. Don't forget that.

There comes a time when you have easy money, and the 6 percent plus the \$35 fee might be affected.

Mr. QUIE. The interest rate across the country might vary.

Mr. MARSHALL. Yes; it probably would vary. But I would suggest that you don't complicate it by fixing different interest rates for different States—but simply fix the maximum.

Mr. QUIE. Have the Secretary fix it for the different States? If he sets a maximum and the maximum were high enough to take care of the most expensive States, then there would be a flexibility as there has been in the past.

However, as I understand the proposal for the \$25 and \$35 fee, this would be made in every case.

Mr. MARSHALL. Yes, that is my understanding.

Mr. QUIE. That is all.

Mrs. GREEN. Congressman Gibbons?

Mr. GIBBONS. Let me say, first of all, I appreciate the very intelligent and understandable testimony and your specific recommendations. I think you have done the committee a great service.

I am not as informed about your operation as I need to be in order to make some decisions here. If you will allow me to probe further so that I may obtain more information.

Mr. MARSHALL. Certainly.

Mr. GIBBONS. Will you explain to me how the United Student Aid Fund works—the basic concept?

Mr. MARSHALL. May I first go to our basic original plan?

Mr. GIBBONS. Yes, sir.

Mr. MARSHALL. We solicited deposits from colleges and gifts from philanthropists. If the college deposited with us a thousand dollars, we agreed to guarantee loans to students at that college of \$12,000—12½ times that.

We agreed with the bank who made the loans to keep in cash and marketable securities at all times against our guarantee, 8 percent of the loan.

Under that, hundreds of colleges came in. We had philanthropists who gave us a lot of money. There came a time when we had substantial funds.

Mr. GIBBONS. You invested those funds?

Mr. MARSHALL. Yes, those were invested in trust accounts, and we use the interest on those funds to help cover the operating expenses.

Mr. GIBBONS. And your losses?

Mr. MARSHALL. No. We now have this insurance that is permissible under the Higher Education Act of a half percent that is charged