

First, they will make some loans under our program. If they do make loans, they will meet the terms and conditions of our program. And we agree to keep the 8 percent in cash and marketable securities on deposit to back up our guarantee.

Mr. GIBBONS. That is what I want to get into next.

What happens if the one-half of 1 percent that is paid by the borrower becomes inadequate? Then is that reserve of 8 percent available?

Mr. MARSHALL. Yes.

Mr. GIBBONS. After the reserve of 8 percent of yours is exhausted, the banks are on their own?

Mr. MARSHALL. That is right.

By the way, the experience to date runs about like this. Ours is pretty good. It is better than all except a few State program.

Our experience to date is that we buy from banks about 3 percent of the loans that become due. We expect to collect—and so far our experience is pretty good—half of the loans. So our default ratio will be about 1½ percent of the loans that are due and payable.

Mr. GIBBONS. You have answered all the questions I have.

Mrs. GREEN. I thank you very, very much, Mr. Marshall, Mr. Luebbe, and Mr. McCabe.

I hope that later on we may call on you for informal conferences, or perhaps for another hearing, as we get ready to mark up the bill.

Mr. MARSHALL. Mr. McCabe is available here, and I will be at the other end of the telephone and will come down any time you want.

Mrs. GREEN. Fine.

The meeting will then adjourn, subject to the call of the Chair.

We have asked for additional information. The administration will come back also, I think, maybe after the Labor Day recess.

(Whereupon, at 12:35, the subcommittee recessed, to reconvene at the call of the Chair.)

(The following material was submitted for the record:)

OFFICE OF THE SECRETARY OF TRANSPORTATION,
Washington, D.C.

Hon. EDITH GREEN,
Chairman, Subcommittee on Education, Committee on Education and Labor,
House of Representatives, Washington, D.C.

DEAR MADAM CHAIRMAN: I have been informed of your Committee's legislative program in connection with H.R. 6232, the Higher Education Amendments of 1967. Although I understand the hearings have been completed, Mr. William Gaul of your staff has advised that the Department of Transportation may still present its views and supporting evidence having a bearing on the proposed legislation.

The administration has proposed combining the present provisions of the National Vocational Student Loan Insurance Act of 1965 with those of the Higher Education Act of 1965 into one student loan insurance program which will provide loans in the amount of \$1,500 per academic year to a maximum of \$7,500. The Department of Transportation supports this amendment.

Government guaranteed loans are available in the aviation field for Airframe and Powerplant Mechanic students and for many dozens of other occupations outside the aviation field. Several bills now pending before the Senate and the House will provide some relief for flight training for the veteran, if passed. Currently, loans for flight training for non-veterans are available only through the Higher Education Act provided the student is enrolled in an institution of higher learning and pursuing a course for which a college degree is awarded. Vocational guaranteed loans are not available for flight training except for an extremely limited number of institutions in two states. A person desiring to pursue a career