Of more recent establishment and in somewhat different context than the three college-administered programs is the guaranteed student loan program. The major objective here is to provide long-term deferred-payback commercial loans to assist middle-income families in offsetting the increasing cost of higher education. Administrative arrangements are centered on State loan guarantee agencies, with the Federal Government providing an interest subsidy for students whose adjusted family income is less than $15,000 per year.

The growth of this program has been equally phenomenal. The number of State guarantee agencies has increased from 17 in 1965 to 35 in 1967. Additionally, in five other States, work is now underway in both executive and legislative departments on the creation of State loan authorities, leaving only 10 in which action is yet to be taken. Despite rising costs of money and consequent upward pressures on interest rates, more than 700,000 loans at the 6-percent simple interest rate, totaling two-thirds of a billion dollars, have been made between November 1965 and December 1967.

Against this backdrop of growth and development, let me outline the direction and purpose of the administration's 1968 proposals for modification and consolidation of these programs into the Educational Opportunity Act:

First, to move effectively toward the overall goal of providing educational opportunities beyond secondary school to all our youth that desire such opportunities and can benefit from them. This is to be accomplished, at least in part, by providing substantial assistance to students so that no student of ability will be denied an opportunity to develop his talents because of financial inability to meet basic higher education costs.

Second, in the three college-based programs, to achieve a measure of consolidation and, in so doing, to achieve greater flexibility and convenience at the institutional administrative level.

Third, within this consolidated framework to retain the major objectives and program characteristics already established.

Fourth, in the guaranteed student loan program, to clarify the role of the State as the key administrative element and to indicate more clearly the State responsibility for continuing provision of part of the guarantee funds.

Fifth, in the context of the reinsurance proposals, to provide a second adjustment period to allow States an opportunity to modify existing legislation or, as the case may be, constitutional provisions in order to establish the reinsurance program.

Parenthetically, let me emphasize that the administration's position has been and continues to be that of supporting and maintaining the central role of the State guarantee agency in this program. The current utilization of direct Federal insurance in 17 States is simply an interim device until such time as the guarantee function can be established in the State itself.

Key recommendations for changes in the college-based program are as follows:

First. There would be a single appropriation item for Federal capital in the national defense student loan fund and for the college work-study program with a 90–10 Federal institutional matching ratio, and