

of the interest on behalf of eligible students and through the use of Federal credit to help provide the necessary backing for the loans.

To provide the lenders with an adequate return so as to encourage their active participation.

To provide the lenders with maximum assistance—from the colleges, the States, and the Federal Government—through interchange of information, a minimum of paperwork, and the establishment of common procedures.

To see that colleges are involved to the extent of providing full and adequate information to the lenders.

Prior to the passage of the Higher Education Act, guaranteed loan programs were in operation in 17 States. Recognizing that legislation would likely be needed at the State level, the Congress provided a 2-year interim period and encouraged the development of adequate State programs by authorizing Federal advances of "seed money" to establish or help strengthen the reserve fund of the agencies. The act further provided that, if a State would not be able to establish such a program during any year, the Office of Education could contract with a nonprofit private agency to do the job. In the event that neither approach would provide students reasonable access to loans, the Congress authorized a standby program of Federal insurance.

Since November of 1965, guarantee agencies have been created in 18 additional States, bringing the total of State-based programs to 35. In the remainder of the country and in those States that did not provide for students attending college out of State, the Office of Education contracted with United Student Aid Funds, Inc., to administer the program. Twelve of the State agencies further contracted with U.S. Air Force to operate their programs.

However, the reserve funds of 17 States were not sufficient to enable continuation of their operation, and the Federal insured student loan program has been established on an interim basis in order to continue the loan guarantee function until such time as the States' reserves can be increased.

Madam Chairman, at this point, I will ask my colleagues to give you a brief visual presentation to clarify the picture I have just presented of the movement among the States in gradually adopting the program and the way the different methods of administration have developed over the past several years. I think this will help to clarify the picture, and it won't take us long.

Mrs. GREEN. Yes, please do.

Mr. MOORE. This first of four slides shows by virtue of color coding the development of the State agency-based guaranteed loan program in this country. You will notice first of all in the New England area, Louisiana, Tennessee, and Georgia, in this kind of brown color the pattern of State agencies which existed at the time the Higher Education Act of 1965 was passed.

The pink color in the Midwest and the West represents those States in which agencies have been created between 1965 and the present. Texas is its own color because it has a direct plan which simply does not fall into the same category as the other kinds of agencies.

In the Central Midwest, the color of Missouri and Kansas indicates the States at which at this very moment work is being done on the