

and these are hypothetical examples, I wouldn't want to have to go into the details of each State plan but I talk about a student living in one State and going to a school in a State right next to it for any number of reasons that you can imagine, but do these red-colored States, or the ones that have the State plans, are they required to help that student that goes over into another State or does he just become a lost soul?

Mr. MOORE. I think you are talking about here State residency requirements?

Mr. GIBBONS. That is right.

Mr. MOORE. The law does provide certain minimal criteria which a State must observe in order to sign an agreement with the Commissioner: one, to secure the interest subsidy; and, two, to secure the deposit of seed money, maximum and minimum requirements on the loan, and so forth. Beyond that there are areas in which the State is perfectly free to set its own ground rules, and this matter of State residency is the most common one.

We have generally taken a position that if there are agencies in all 50 States, obviously everybody is covered because in theory at least everyone is a resident of at least one State. It is true in the Federal insurance program we don't have to concern ourselves with a lot of these local restrictions because there the student eligibility requirement is simply that he be a student in a college located either in the United States or approved list of countries.

This is one of the problems of dealing with a 50-State pattern, as one simply has to accept a certain number of reasonable local restrictions. But I think, overall, once an agency is established in every one of the 50 States one can say that virtually everybody is covered.

Mr. MUIRHEAD. If I may, I would like to develop that point a little more because I think it is quite crucial to the operation of the guaranteed loan program. He was quite correct in pointing out that—whether the State has created a new agency or whether it has contracted with USAF to do the job—the State agencies that are in place have a variety of practices, and that variety is permitted under the law.

You used a very good example, Mr. Gibbons, in taking up the State of Virginia. In Virginia, the State agency sets up a requirement that the resident must attend a public institution within the State. Many of the restrictions the State agency sets up are quite understandable because they have not enough guarantee funds to cover all of the eligible students, so they set priorities as to how they will use the funds.

It is our hope that as a result of these amendments we are suggesting to you—principally, the reinsurance amendment which would, in effect, multiply by four the State's capacity to guarantee funds—that the need for those restrictions will evaporate and that the States then will make the program available to all eligible students and permit the student freedom of choice as to which institution he might attend.

As the Commissioner indicated in his testimony, in the long run what we would like to see in place here would be 50 State-operated programs making these loans available to all eligible students to study where they wanted to study.