

Mr. MUIRHEAD. I think you said it very effectively, Mr. Commissioner. Our objective, our clear-cut objective in the guarantee loan program, is to look toward a State operation of these programs, endorsing what this committee has endorsed many times: the whole concept of creative federalism. We should do all that we can to carry out that concept and to have the States support it.

Mr. ESCH. Let us get into this.

Approximately how much do you anticipate being loaned through this reinsurance eventually. Is it \$1 or \$1.5 billion?

Mr. MOORE. With the guaranteed funds that are in place at the present time, with the addition of another \$25 million in seed money, this reinsurance proposal should create a total guarantee capability of, in all 50 States, of something in the neighborhood of \$3.6 billion over the next how many years it operates.

Mr. ESCH. Could we talk about what has been the history and experience on the defaults? What has been the default record in either NDEA or through USAF? Has it not approached 3 to 4 percent?

Mr. MUIRHEAD. We have no record as yet on defaults under the guaranteed loan program. It is an infant program and there have been just a few loans that have gone into repayment status. We have rather extensive reports which we will be glad to provide to the committee on the collection rate and the default rate under the NDEA student loan program.

(The following was submitted for the record:)

REPORT ON COLLECTIONS OF NATIONAL DEFENSE STUDENT LOANS

From the beginning of the National Defense Student Loan Program in 1959, through June 30, 1967, over 2 million loans, totaling more than \$1 billion, have been made to students in 1,738 institutions.¹

The Student Loan Program was established primarily for the purpose of providing financial assistance to young people who were in need of such assistance in order to enter or continue study beyond the secondary school level. The Program was designed to help students who were unable to obtain financial assistance from other sources and who were willing to assume responsibility for repaying the funds made available to them during the time they were unable to help themselves. Of the approximately 610,000 students receiving financial aid from the National Defense Student Loan Program, the Educational Opportunity Grants Program, and/or the College Work Study Program, during Fiscal Year 1967, 66 percent were recipients of NDSL loans.

An analysis of these borrowers, about 394,000 in FY 1967, reveals that 92,967, or 24 percent came from families with annual incomes of less than \$3,000; 114,114, or 29 percent of the borrowers came from families with annual incomes of less than \$6,000; and 65,117, or 16 percent came from families with annual incomes of less than \$7,500. In other words, 272,198 borrowers, representing 69 percent of all students who borrowed under the Student Loan Program in Fiscal Year 1967 were from families which earned \$7,500 or less a year. From this analysis, it can be readily seen that the students assisted generally came from an economic group that normally, by commercial standards, would have been unable to obtain loans from other sources and, therefore, would have perhaps resulted in a loss to the Nation of the increased talent now made available to the Nation's total skilled manpower needs.

During the last several years, there has been a growing recognition of the fact that as the total loans made under the National Defense Student Loan Program increased in numbers and amounts, and as more borrowers reached the point at which repayments were to begin, the magnitude of the collection problem was likely to increase proportionately. Looking at the situation at the

¹ Figures based on hand tabulations of FY 1966 and FY 1967 reports.