

have the greatest need. They judge that those who are not eligible for interest forgiveness probably don't have quite as great a need as those who are, so they may be creating at their own option a cutting-off point.

Mr. CAREY. So the banks are picking and choosing on students on a means-test basis. Many banks have combined into cooperative evaluation under, for instance, the New York State Higher Education Assistance Corp., where the determination is made not by banks but Higher Education Assistance Corp. for application eligibility.

On many campuses across the country there are experiments in dispensing with grading. Are you aware that in making loans that the Higher Education Assistance Corp. looks upon the students' grades and standing on campus and in some cases advises the student, "We will make this loan, but until you improve your standing in X, Y, and Z, you may not get another one," and are the higher educational assistance corporations and student loan eligibility measuring people getting into the business of evaluating students?

Mr. HOWE. They should not be. The Federal programs are directed entirely to providing support for students who are in good standing at the colleges. As long as the college has the student enrolled and certifies this, I don't see that the banks ought to get into the business of discriminating between A's, B's, or C's, or other student marks.

Mr. CAREY. These are not the banks but the banks have deferred to evaluation machinery on a combined basis, on a syndicated, joint basis which they call the Higher Education Assistance Corporation Evaluation Team or some such thing, and, as you use the United Student Aid Funds and they make a determination that "your standing is not such we consider you a good risk," I think this is something we should look into because it most adversely affects the lower-income students who find it difficult to carry the first-year program in many institutions and their grades are not outstanding, let's face it, but as they pick up the climate of college life and study habits, they improve in the second year, and I wonder if some students are declared ineligible for second-year loans because of first-year standing by these institutions.

Mr. HOWE. I think you raise a good point, and I think we ought to look into it. Maybe you have a comment on this.

Mr. MOORE. If this is in fact happening in the area in which the interest benefits are being applied, we need to talk with the New York people immediately, because the pattern, or, as we call it, "the laundry list" of requirements that a State may establish does not include this matter of grade-point evaluation.

Mr. CAREY. One last question. Why do you base the eligibility for interest benefits on the gross income of the parent and not on the net taxable income? In other words if a family had a gross income, adjusted gross income, after deducting dependents, of \$15,000, they are ineligible for interest benefits; however, if the family had catastrophic illness or loss of home or big expenses in connection with a business reverse or something they may have available a net tax deduction of \$5,000 but you don't take it into consideration?

Mr. MUIRHEAD. We take into consideration the adjustment of family income, and if the family income is \$15,000 adjusted income, so it is