In the elementary and secondary education sphere, I have come to the conclusion that perhaps we ought to drop the matching. For, if the needs are so great that they will see them on the local and State end—these needs will be taken care of at their end—the Federal Government should make the grants as necessary.

Mr. OSWALD. I think this should be true in higher education but it should be true that as they came they were an enhancement rather than in lieu of.

Mr. QUIE. On page 12, you suggested that we terminate the interest on the insured loan program 1 year after graduation. I think this is a good idea. It would help the Federal Government in its cost of running the program. Having the subsidy program only a subsidy while they were in college, or as you mentioned 1 year after, it would then compare favorably, the college to the Federal Government, as is the case in the national defense education student program.

When it comes to the loans for academic facilities and dormitories, this applies only to academic facilities, there you suggest we not require the institution to pay any more interest but leave it at 3 percent even though this was kind of a short duration and the Federal Government found itself running into severe financial difficulties, and they have not been able to agree to do that in the last couple of years.

Mr. OSWALD. The problem in the latter instance is that to the extent you increase the interest rate you increase the cost of financing a particular building and it may well find its way back into an increased charge to the students to come to the institution, as opposed to the other manner which is the relationship between that student from a middle-income family and the lending agency, whereas the other is an institutional matter and to the extent that you have a higher interest rate you can either get less facilities for your money or you have to increase the student costs in order to finance it.

Mr. QUIE. It could also be that the State legislature would find it necessary to appropriate a little more money because the interest rate was a little bit higher now. They would have the choice of having their own tax-free bonds.

What help would it be to the Federal Government if it subsidized the private funds? It seems to me the cost would be the same or even higher for the Federal Government than the present arrangement or the previous arrangement where it charged the cost of money to the Federal Government.

Mr. OSWALD. May I ask Mr. Curley to answer that?

Mr. CURLEY. Are you talking about the interest subsidy?

Mr. QUIE. Yes, the interest subsidy on private bonds.

Mr. CURLEY. One of the principal purposes of suggesting the interest subsidy is to broaden the availability of capital at 3 percent beyond the value of the direct loan program.

The direct loan program is proposed at $150 million for next year and by adding approximately $10 million you could probably increase the availability of capital at 3 percent for higher education several fold.

This is what we are proposing.

Mr. QUIE. But the increase in availability of that kind of capital is going to cost the Federal Government that much more.

Mr. CURLEY. Yes, it will.