

Mr. BRADEMAs. I have two or three questions, Dr. Oswald.

You talked about the guaranteed loan program and the role of the States. I wonder if you could tell us, from your own observations of the States represented by the associations for whom you speak today, to what extent the State Governments have been moving in the direction of establishing effective State programs?

Mr. OSWALD. I am under the impression, Congressman, it is now about 35 of the States that have now actively through their legislature or otherwise formally established some type of a State guarantee program, but the fact that there would be some 12 or 15 that have not, there is needed a provision for a direct Federal guarantee but with notice to the States that in this 2-year period this would have to fall on them.

Mr. BRADEMAs. I see that a number of State programs have been established, but to what extent are these really effective programs reaching a number of students or to what extent are they simply on paper, reaching only a small number of students?

Mr. OSWALD. Will you comment on the Kentucky one specifically, Dr. Curley?

Mr. CURLEY. I think there has been a limited response. A lot of the problems of the States have been that that the appropriations made for the guaranteed fund have been inadequate and, therefore, applications have oversubscribed it.

It did not move as rapidly at the outset as was apparently anticipated because the banks were not informed about the program and; secondly, that the interest rate was not an attractive situation. But I think it has moved reasonably well recently.

I think there is something in the order of two-thirds of a billion dollars outstanding in guaranteed loans. I don't really know what the market is so you can't say whether this is high, low, or what it is.

Mr. BRADEMAs. Do you think that the passage of some such proposal as contained in the bill before us that would provide a conversion fee to the private lender would make a substantial difference in encouraging private lenders to get into this field?

Mr. CURLEY. I think it would, based on conversations with individual bankers in Kentucky.

Mr. BRADEMAs. Let me turn to a second related problem. You spoke of the failure of your State government to appropriate very much money to make the State guarantee program more effective, and Dr. Oswald urged that we increase the Federal share of the facilities program.

Why can't there be a greater contribution on the part of the State governments rather than going in the direction you suggest?

Mr. OSWALD. I think, of course, all of us are making every effort to maximize, of course, the State appropriation which is, of course, the backbone of our institutions.

I think to the extent that we can achieve a higher level of matching, to that extent there are more funds for operation of the basic programs in the institution and the least likelihood of having to increase fees as a part of the means to meet the building program.

Mr. BRADEMAs. Maybe I am not getting my point across clearly enough. What I am really asking is why you, in view of the fact that you represent State-supported institutions, a greater effort is not being