Higher Education Facilities Act is a wise provision, since it enables the colleges to provide the expansion demanded by increasing enrollments without transferring additional costs to the students. We greatly fear that substitution of the flexible interest rate proposed in Section 1102 would result in higher fees charged to students. We respectfully urge that this section be dropped.

When a Council spokesman testified before this subcommittee last April, he said a similar provision in the 1967 Higher Education bill could mean an immediate rise of more than 50 per cent in the interest charged for facilities loans. This year the increase could be even higher. Just to review—under the proposal in Section 1102, the Secretary of the Treasury would first determine the interest rate for facilities loans, taking into consideration the current average market yield of Government obligations of comparable maturities. Whereas last April this rate was between 4½ and 4¾ per cent, we are informed that it is now 5¼ per cent. Then the Commissioner of Education would have discretionary authority to lower the Treasury Secretary's rate by an amount up to 1 per cent. Thus, at the present, the rate could be anywhere from 4¼ to 5¼ per cent, compared to the existing 3 per cent rate for facilities loans. With such a sharp increase, colleges would have little alternative to raising charges to students to help cover the cost of amortizing the loans.

May I say at this point that we are distressed about the funding cuts for academic facilities grants and loans, both in the current fiscal year and the budget for Fiscal 1969. We believe that in the long run it will be harmful to the national interest to delay the construction which will be needed if we are to make a college education available to increasing numbers of our young people. We intend to go before the appropriations committees to urge, as strongly as we know how, that more money be provided for academic facilities in the coming fiscal year.

There is another, alternative, method of providing additional funds for academic facilities loans by utilizing the private lending market. We would urge this committee to include in the pending bill an additional provision for an interest subsidy on facilities loans obtained through the private market—a subsidy which would make up the difference between 3 per cent and the rate colleges must pay on the commercial loans. This would be similar to the new provision for college housing loans contained in S. 2700, the housing and urban development bill approved by the Senate Banking and Currency Committee last November. It is also similar to the college housing loan proposal in H.R. 8647 introduced last year by Representative Patsy Mink.

The programs providing financial assistance to deserving, needy students have also been of long-standing priority interest to the Council. From the standpoint of good administration, and of assisting needy students most effectively, we enthusiastically endorse the package aid concept in Title IV of H.R. 15067. We move to consolidate the present Work-Study program, Educational Opportunity Grants program, and National Defense Student Loan program into a single Educational Opportunity Act, effective July 1, 1969. This proposal has significant advantages for both the students and the colleges. For the colleges, it would eliminate a considerable amount of complicated costly paperwork by allowing them to file a single application for all three programs. For the individual student, it should be easier to obtain the type or types of financial assistance to meet his particular needs. By permitting institutions to transfer up to 20 per cent of their allocation for one program to one or both of the other programs, the institutions will be able better to work out the most beneficial aid package for each student. We feel that the transfer provision of 20 per cent is a reasonable percentage since it gives the institution some flexibility in distributing student assistance funds while at the same time preserves the underlying character and purposes of each of the three student assistance programs.

Title IV also would remove a certain unfairness now present in the National Defense Student Loan program by eliminating state quotas for loan funds. Although I am sure this was never the intention, the state quota method of allocating funds has resulted in a discrimination against institutions in certain states. The way the allocation formula works, the institutions in some states receive 100 per cent of their approved requests for loan funds, while others get only 75 or 60 cents on their approved dollar requests. We are informed by the Office of Education that only in 11 states and Puerto Rico do institutions now receive 100 per cent of their loan requests. (The 11 states are California, Delaware, Georgia, Hawaii, Idaho, Louisiana, Maryland, Nebraska, Texas, Utah, and Virginia.)