

It is clear to us that the banks should be permitted a reasonable profit on the students' loans they handle so that they will join and continue in the program.

We don't have any particular financial expertise so we don't know exactly the effect that these fees would have but we would hope that the committee would look also into the possibility of allowing an increase in interest rates on these loans as an alternative to the fees.

We understand there are problems with State usury laws but even in the act as it now stands there is a provision for the interest rate to rise to 7 percent in certain circumstances.

I have no doubt the Treasury considered all this before proposing the fee approach but we think it may merit further consideration.

We do, too, question the need for subsidizing the interest on the guaranteed loan to a student after he graduates. We can see the justification for an interest subsidy to a student from a middle or upper income family while he is in college and has high expenses but to continue the subsidy for up to 10 or 11 years after graduation, becomes exceedingly costly for the Government.

We believe in the designation of priorities; the providing of financial aid to needy students to attend college should take priority over the postgraduation interest subsidy to students who are better off financially and who indeed may have some family resources to call on.

While we do not support a means test or a needs test as it is called for a guaranteed loan, we do believe it is important that the college financial officers be involved, that this makes for more orderly administration of things the colleges need to know and the banks need to know.

Once again, the abuses that are possible in the program can in part be overcome by this involvement.

I would like to add this comment on behalf of the American Council: We have not had time to check this with our sister associations, so it is identified only with the council's testimony. We have always supported the program, but its potential can be such an enormous drain on Federal resources it might seriously injure more essential programs.

The terms of the loan are so attractive it would be expeditious for anyone to borrow even if he had adequate resources to meet his college bills. It is a program to tide families over. Needs tests in a traditional sense would defeat the purpose of the act. The major drain on the Federal resources would come as a result of the interest subsidy after graduation.

It is now advantageous for every borrower to take the maximum amount of time to repay—the full 11 years. We believe that if the interest subsidy is ended at graduation there will be little incentive to borrow unless a loan is needed, and every incentive to repay the loan as soon as possible.

Very briefly, on the new programs let me say that we support the program for improvement of graduate programs, special service for the disadvantaged, the networks for knowledge, and education for public service.

After assessing each of these we find them well conceived and desirable. It is commendable, as a matter of fact, that there is now a comprehensive pattern of Federal assistance or Federal activity in