at sufficiently low interest so that we would not have to push up the cost of education.

Mr. QUIE. But they were not up to 3 percent at that time.

Mr. MORSE. At that time, they were not far from 3 percent, Mr. Quie.

Mr. QUIE. Still they were not 3 percent and this is a new innovation.

Mr. MORSE. The amount of money that the Treasury will save on the difference in interest rate in any annual budget is chickenfeed and it would not make that much difference in the amount of money that would be available for grants. Granted, over a period of 20 years it would add up to a considerable sum.

Mr. QUIE. It would add up to as much as the sum to the individual institution?

Mr. MORSE. Right, but not any great amount for a year.

Mr. QUIE. Throughout the years, if we were to keep the Federal expenditure for subsidizing this the same throughout each year, would you want more loans to be made available at this higher interest rate or fewer loans to be made available at the lower interest rate?

Mr. MORSE. Unfortunately, we never get an opportunity to make that decision. The amount of money that is going to be made available is fixed regardless of what the interest rate is. We would not get any more money released by the Bureau of the Budget under a five and a quarter interest rate than we would get under a 3 percent interest rate.

Mr. QUIE. I don't agree that you can't give some reason for it.

Mr. MORSE. It has been stated categorically to us by the Bureau of the Budget that there would be this much money available for the college housing program and this much money available for the academic facilities program, title III, regardless of the interest rate.

Mr. QUIE. Regardless of the interest rate?

Mr. MORSE. Yes

Mr. SPALDING. Yes, this is the way it has worked. We have approached this in the hope that on the loan side there is a fairly well established program there and we would hope it would be stated in legislation in the way that it ought to work, that the money comes to us as it is available, that we also take advantage of the opportunities to involve the commercial lending market to the degree that that is possible.

It is a hard choice that you pose. It may indeed be, sir, that we have to face that choice. We had hoped not to.

These programs are all funded at lower levels than were contemplated. I remember when the interest rate argument came up it was argued that the Federal Government should not lend at less than it can borrow. But those were when the two figures were very much closer together and when there was not such concern for this flow of the burden of cost to students and their families, which is a circular thing, as you know.

Mr. QUIE. We found ourselves in the same dilemma in other areas of Federal participation.

Mr. SPALDING. Yes, of course. I would think, sir, and this extends to something that you were asking about a little earlier—I would think, sir, that probably rather than dealing for instance, with the standard concept of 50 percent Federal matching, that some combination of maintenance of effort and incentive programs would more likely accomplish your purpose than the patchwork of matching pro-