

Mr. WALKER. I think that plan, that idea has considerable merit, because there are going to be circumstances of that type. However, I would not want to say that in every State of the country they should follow that approach. This is one of the beauties of the approach through the State plans. There has been a complete statewide pool established in North Carolina due to the establishment of a foundation sort of arrangement. Other States might find, like a smaller State like Rhode Island, or one sparsely populated like Montana might find another approach desirable.

I think particularly in the more thickly populated or metropolitan areas, States with large metropolitan areas, your plan might have considerable merit.

Mr. BRADEMAs. What do you think about the proposal to enable the Office of Education to enter into agreements with national insurance companies or credit unions or universities or other nationwide institutions who might be willing to say—

Yes, we will make a commitment to provide a minimum amount of student loan funds over the next 3 years or 5 years or something of that kind.

Mr. WALKER. Yes, this is something that had been kicked around and discussed; it is something which we would be most happy to cooperate in setting up or to promote. It applies not only to insurance companies as national lenders; it would apply to pension funds, labor pension funds, business pension funds, and it applies to one thing we want to get working, what we call the wholesale banks. Wholesale banks are banks that do not deal normally with the general public, do not make consumer loans. There are a few large banks of this type. We would like to see some sort of arrangement where student loans could be packaged in the same way that mortgages could be packaged and sold by the originating bank to a wholesale bank with the originating bank continuing the servicing and collection of the loans just like an originating mortgage broker or lender continues the servicing of loans he sells to insurance companies.

This is the longrun key to a really effective program because you would then have a tremendous volume of financial assets available to support student loans and the burden for any particular lender would not be nearly so great as today.

Let me add in my answer to the preceding question the pooling arrangement might be effective in handling the problem of loans to ghettos and things of that type.

Mr. BRADEMAs. What about another proposal advanced—namely, to stipulate the financial need—as a criterion in the guaranteed loan program?

Mr. WALKER. It has merit, but I am not at all certain you would need to ask any student or family to make this sort of declaration. If you were to take the recommendation of the American council and others, including ourselves, that the student financial aid officer be given a key role to play and actually recommend to the financial institution how much should be lent, even make it illegal for the financial institution to lend anyone eligible for the subsidy over a certain given amount because the financial aid officer knows, he knows whether the student needs it or not and he knows what the other programs are that are available to the student and knows whether he is