

giving the financial aid officer more power in the program because he is the single best individual to tell you whether a student needs the loan even in relatively high-income families, because of the number of students that might be in college at any one time.

But you still have to take an income sort of test if you are going to have subsidy. Taking it away after graduation will not eliminate it if you have a subsidy before graduation.

Mr. BURTON. What percent of families, in a year for which we have the most recent data, have students where their adjusted gross is \$15,000 or more?

Mr. SMITH. I think 85 percent was our best hunch a year ago, Mr. Burton. Eighty-five percent or more of the families have less than \$15,000 adjusted gross?

Mr. SMITH. Yes, sir.

Mr. WALKER. Still, that can result in quite a bit of leakage lending to people who really do not need it. I would argue even that \$1 of leakage of that type is not in the public interest, not in education's interest.

Mr. BURTON. Well, discounting to whatever extent we find we are then building in some administrative red tape that washes out much of the so-called taxpayer's savings, we gain as a result of an income limitation.

Mr. WALKER. I don't quite follow, I am sorry.

Mr. BURTON. Well, if you spend \$100 in determining eligibility for interest purposes, say, to save \$80 on subsidized interest, you have yourself a bad bargain, don't you, as a taxpayer?

Mr. WALKER. I am sorry, you are talking about just outflow and inflow of the parties?

Mr. BURTON. If he has to pay \$100 to save \$80 from the standpoint of the taxpayer?

Mr. WALKER. Yes; you shouldn't have a program like that if you base it on income and outflow, but what the taxpayer is buying with this and what the banks are buying to the extent we are losing money on the program we have this situation.

Mr. BURTON. If you think there isn't a need for determining whether or not a student is eligible for subsidy on the interest if you did that would it reduce your administrative overhead?

Mr. WALKER. Some, not truly significantly. If you can finish and say that what the taxpayer is getting for his money is a much higher level of education and hopefully citizenship in the country.

Mr. BURTON. Would you distinguish for me the principle or the notion of a tuition-free system of higher education and a Federal interest subsidy for all students who apply for loans?

Are they not quite analogous situations?

Mr. WALKER. They would be similar if you gave the subsidy to all students that applied. But you still have the problem in fact if there is not enough money to go around some will be rejected.

Mr. BURTON. Some States had or used to have that which was the equivalent to tuition-free higher education?

Mr. WALKER. Yes. Some still have very close to it.

Mr. BURTON. Yes. In national terms, won't we be equalizing that consideration by making loans available without an income test?