the threat of the Federal guarantee there, and our deposits from colleges for the first 8 months of this year are larger than in any similar period.

But they would have been several times what they are now, I am sure, if the Federal guarantee had not been in effect, for example, in Indiana where all the colleges in Indiana are in our program and at least one of them has a deposit of as much as $250,000 with us and was increasing it right along until the Federal guarantee program came in.

Mr. BRADEMAS. How do you explain why a number of States have gone ahead and set up State guarantee programs if, on the basis of your logic, they should get out of the business?

Mr. MARSHALL. Some of them really do prefer to have their own programs rather than have the Federal guarantee program in effect. They tell us that quite frankly.

Mr. BRADEMAS. That is not a response to my question. That is simply restating my question in the form of a sentence.

My question is, on the basis of your logic, the existence of a Federal insurance program should drive a State out of this business, yet 35 States are in this business. Why?

Mr. MARSHALL. Not all 35 States are still in the business. There are 19 that have been taken over. I am like you, I can't really tell what is behind the action of the legislature in any State but we do know that there are some States that prefer to have their own programs.

You see, we take directions from a State officer in every State for whom we administer the program. In many of those States the State officers tell us they prefer their own program rather than have a Federal guarantee.

Mr. BRADEMAS. Therefore, your statement on page 6, where you say—

> Just as bad money is bound to drive out good, so Federal money is bound to drive out States and private guarantee funds—

Is not really an accurate statement?

Mr. MARSHALL. I think eventually it will because what has happened, a case in point, this Governor says:

> Look, my neighboring States all have this Federal Guarantee Program in effect. Why should I be the only sucker to appropriate money and take money that I need for other educational purposes and appropriate for a reserve fund? My neighboring States are all in the Federal guarantee.

Mr. BRADEMAS. I will not press you further on this. I am still not persuaded that you have given me evidence for your response.

Mr. MARSHALL. Could I read this letter?

Mr. BRADEMAS. Sure.

Mr. MARSHALL. This is a letter from the Governor of South Dakota.

> The Legislature of the State of South Dakota which has recently concluded its session, has determined that no further State appropriations will be made with respect to student loans. It was their understanding that under the Federal Loan Insurance Act supervision of this loan program would be assumed, if desired, by the Federal Government, and accordingly the action of our South Dakota Legislature can only be construed to indicate a desire and wish that continuation of our Higher Educational Student Loan Program be implemented and supervised by the Federal Insurance.

Mr. BRADEMAS. I am very hesitant about generalizing for the Republic from the actions of the State of South Dakota.

Mr. MARSHALL. I could take the other 19.