Mr. BRADEMAS. My other question is this, Mr. Marshall: Assuming we did retain the provision under which Federal insurance becomes available where State and private sources fail to supply it, have you any suggestions for incentives that we might write into this law that would encourage a greater degree of State action?

Mr. MARSHALL. I was afraid somebody would ask that question. It is very hard for me to think of an incentive to a State to appropriate money to start in a loan program when they don't have to appropriate anything and the loan program will be started for their students anyway.

There was one suggestion that was made by the administration, I think last summer, in which the proposal was made, I don't think it was passed by this committee, that in States where the Federal guarantee program is put into effect that there be no interest subsidy to students in that State.

Theoretically this put pressure on the Governor and the legislature to appropriate some money on a matching basis or however it was necessary; if you put in the Federal guarantee you would not pay the Federal interest subsidy.

It would be on an either/or basis. I am not too confident, myself, that that would be a sufficient incentive.

Mr. BRADEMAS. Thank you very much.

Mr. Erlenborn?

Mr. ERLENBORN. On page 3 of your statement, you make the comment that you have never been enthusiastic about the whole idea of the subsidy for interest.

Could I draw the broad conclusion then that though you are suggesting we do away with the half interest subsidy after graduation, you would maybe feel even better if we did away with all interest subsidy?

Mr. MARSHALL. I don't think as a practical matter you could do that now. I think that the recommendation for the interest subsidy came as a surprise to us, but having once had it in there I think it would probably be a mistake now to do away with the interest subsidy as far as the student, himself, is concerned. We have taken no position on that.

Mr. ERLENBORN. If the interest subsidy during the period the student is in school were removed, would it be possible to make that repayable with the loan rather than during the period the student is in school?

Mr. MARSHALL. That is exactly how our program worked prior to the interest subsidy payment. The interest accumulated while the student was in school and was added to the principal of the note he signed after he graduated.

Mr. ERLENBORN. If that were true, would it then vary greatly from your suggestion of doing away with the subsidy after your graduation?

Mr. MARSHALL. I did not understand the question.

Mr. ERLENBORN. Would it be any more difficult under those circumstances to do away with the interest subsidy than it would be to do away with the half interest subsidy after graduation?

Mr. MARSHALL. There is a little distinction. Well, you are right in this respect. The interest payment in either case is made by the graduate who is employed and earning.