

But is it not true in the State where you are located, which I represent, that the outstanding example of the mix of programs is before us, that in New York the last figures we had in the last Congress showed that New York had extended some \$66 million in student loan funds under the Higher Education Assistance Corp. of New York State, and now we have had the Federal guarantee student loan program in effect since 1965 and this year, with the blend of programs, New York is up to a new high of over \$88 million?

So there has been a 25-percent increase in the State programs even with the input of the Federal guarantee.

Does this not refute some of your notions that this is going to happen?

Mr. MARSHALL. Let me see if I can get the facts straight. In the first place, we have never attempted to operate much in New York State because the Higher Education Assistance Corp. has done an outstanding job and was in place before our organizations was started.

Mr. CAREY. Right. The New York corporation antedates your corporation.

Mr. MARSHALL. That is right, by a year, I believe, or 2 years. We do have a few colleges in New York State in our program who make deposits with us because they have students in their colleges coming from other States who are not eligible under the New York program.

The second part is the fact that the Federal guarantee program is not operated in New York State. The only loans made in New York State today are made by the Higher Education Assistance Corp. because they have funds and money and there was no reason to put the Federal guarantee program in the State of New York.

Also, in Connecticut and many other States, because they were appropriating adequate funds and the programs were available. So the Federal guarantee has gone only in those 19 States where the legislature for one reason or another said, "We won't appropriate any money."

Mr. CAREY. If this is an appropriate question, what is the financial arrangement that your organization makes with the State in order to administer its program?

Does it charge a gross fee per contract or so much per loan? How do you operate with the State?

Mr. MARSHALL. You see, what we do, we ask for a 10-percent reserve deposit with us. Then we will eventually, and this year we almost reached that point, get to the point where the interest income on these reserve funds—we deposit those in securities and get a little less than 5-percent rate of return on that.

Mr. CAREY. Are you bound by the legalities?

Mr. MARSHALL. No; we can invest in anything. We get some common stocks.

Mr. CAREY. I think Counsel McCabe ought to improve your portfolio. I doubt whether many corporations would be proud of a 5-percent return in New York.

Mr. MARSHALL. Well, it is pretty good.

Mr. CAREY. It could be higher than that.

Mr. MARSHALL. We want more. We hope to pay our operating expenses with that interest income. So far, the deficit has been made up by gifts to us.