

Mr. CAREY. What is the arrangement? Is it so much per loan?

Mr. MARSHALL. We don't charge the State anything.

Mr. CAREY. They deposit with you?

Mr. MARSHALL. They deposit the reserve fund with us. We invest it. Overall, the interest income on our invested reserves pays our operating expenses.

Mr. CAREY. Which makes you self-sustaining with the gifts to make up the difference?

Mr. MARSHALL. Yes. Then the insurance fee covers our defaults we hope, eventually, the half percent that the student pays in insurance we guarantee. So that they know we have something to back up our guarantee with.

Mr. MARSHALL. We operate in all 50 States, but we do the program in 27 States.

Mr. CAREY. Your clients are in 27 States. It is 10 percent reserve of the outstanding amount that the State has in your program?

Mr. MARSHALL. They deposit \$5,000 with us and we agree to guarantee \$50,000 worth of loans. When we get up near that point, we say we need some more money. The reason for that is our contract with the banks. We contract with 9,000 banks and we agree to keep our deposit in cash or marketable securities x percent of the loans that we guarantee. So that they know we have something to back up our guarantee with.

Mr. CAREY. In your experience with these banks, do you find that there is the general availability of money among the banks on a 6-percent return basis?

Mr. MARSHALL. The answer to that is that our loan volume has been increasing. For example, we guaranteed \$64,260,000 worth of loans between July 1 and March 1, 1968, which is the first 8 months of our fiscal year.

For the entire fiscal year ended last June 30, we guaranteed \$58 million, which was also a record. So we are guaranteeing more loans than we ever did before.

Now we do not know, there are difficulties in some parts of the country in getting banks to participate. I have in mind one fair-sized city in the West where only the smaller bank in town will come into the program. The other two banks won't. We put on a campaign there, we tried to get them in. We have other areas in the country where for different reasons there is difficulty for a student to obtain loans.

By and large, the banks have done a splendid job in making these loans available.

Mr. CAREY. From the figures you cite, however, is it not true that one State alone, New York, has extended more loan funds now than all of the States that you service combined?

Mr. MARSHALL. That is right. Well, we don't service California. California and New York are 20 percent in total. If you take those two major States out—I guess Indiana has a Federal and State program which we did not service last year, too. Indiana was one of our big States.