

4. Authorization should be given to allow use of all guaranty loans as part of the matching requirement in the Educational Opportunity Grant Program. The National Defense Student Loan Program and the "college contribution" phase of the guaranty loan program administered by the United Student Aid Funds, Inc. are now used to satisfy the matching requirement. The College Work-Study Program is not eligible for EOG matching and should be declared eligible along with the state guaranteed loan program. The fact that these programs are not eligible for EOG matching complicates the financial aid packaging at the collegiate level and quite often deters the development of other programs of financial assistance for students. Cases can be cited where demands on the National Defense Student Loan Program have been increased because schools could not use the guaranty program for matching.

I want to thank you, Madam Chairman, and members of the Committee for this opportunity to present the views of our Conference. Any of the state directors present will be glad to answer your specific questions relating to their experience in administering the program in their state.

Mr. REEHER. The time schedule for consideration, enactment, and implementation of amendments to the guaranteed loan law is now critical.

Students are currently receiving admission offers from colleges and nondegree schools. Students must know that the guarantee loan provisions are still available. The aid officer must have knowledge that it can be considered in the construction of the student aid package and lenders must have definition of both program and administrative requirement so that they many properly determine their continued participation.

The No. 1 issue in the success of the guaranteed loan program is adequate income for lenders. Proper return is necessary to insure their subsequent participation at a level which will afford students a guaranteed loan. Although most the public leadership for enactment of the guaranteed loan program came from the American Bankers Association, the current tight money situation makes it unrealistic to assume that lenders will devote any sizable portion of their investment portfolio for student loans at 6 percent interest.

Lenders can receive about the same earning rate through large investment of short-term nature thereby giving the lender the advantage of any improvement in interest rates and a substantial reduction in the administrative burden necessary to manage their investment portfolio.

The proposals of the administration to improve the return to the lender and lender participation through the establishment of federally financed placement and consolidation fees payable to the lender is fully indorsed by our conference.

We have landed on this particular recommendation because it is the one in which all parties involved could agree upon. All loans guaranteed under the Federal guideline should be eligible for lender fees so lenders will not be required to segregate eligible and ineligible loans in the bank records.

Madam Chairman, I have a folder here that I would like to present following our testimony and it contains some correspondence that sets forth some of the problems that lenders have expressed as far as a return and the administrative procedures are concerned in the program.

The second most critical problem facing the success of the guaranteed loan program is the maintenance of a strong agency designated at the