

State level to enroll and service lenders, to administer the guarantee function, to disseminate program information to potential student borrowers and to enlist and coordinate the participation of state governments in this and associated programs of financial aid to students.

Once again, in the material that I will leave with you, we have letters from students and so forth that cite some of the problems that are encountered by students trying to participate in the program.

It is extremely critical that each State have a strong agency with its basic object of enlistment of sufficient lenders that will participate at the level required to provide a guaranteed loan for each student who is willing to encumber his future earnings to secure an education.

I have included in this portfolio a summary of the Pennsylvania program which shows that over 50 percent of the lenders that are under agreement with our agency have less than 10 student loans.

Many of them do not have any. So it is one thing to enroll a lender, it is a day-by-day process to keep them participating.

The national conference recognizes that in some situations lack of reserve funding makes necessary the extension of the direct Federal insurance program on a temporary basis. However, we see little evidence that the extension as proposed will result in the attainment of strong State programs.

It should be obvious that the standby status of the direct Federal insurance program during 1966 and 1967 said to the State legislators that if you do not legislate a program the Federal Government will finance one in your State.

The availability of such a program has slowed the formation of new State programs and seriously hampers the continued existence of State programs which existed when the Federal-State guaranteed loan partnership came into existence in late 1965.

Our conference, except for United Student Aid Funds, Inc., which operates 28 programs, strongly recommends the reinsurance proposal as a method to establish a permanent State or private agency in each State.

However, care must be taken to reinsure all loans disbursed after October 22, 1965, under the Vocational Act, and the effective date under the Higher Education Act.

We are concerned that the wording of the proposed amendment may include those loans granted subsequent to the effective date of the act and prior to the effective date of the referenced agreements.

Under reinsurance an interim agreement is necessitated by the fact that several States have constitutional barriers and many States will have to enact legislation appropriating loan reserves under the reinsurance or coinsurance program.

State and private guarantee agencies will in most cases find it necessary to execute new agreements with each of their lenders because most guarantor lender agreements call for reserve funds rather than the possession of Federal certificates of insurance to be named by the guarantor.

We are saying here that we will need some leadtime to move into the reinsurance proposal. It should at this time be clearly understood that a strong permanent type of program is being established so that existing and new lenders will know precisely what type of program