Federal advance will one day be returned to the Federal Government if defaults are less than 10 percent.

On the other hand, the Federal advance in Colorado will be used to finance defaults and if they are under 10 percent there will be no return of funds to the Federal Government.

This we feel is a real reward for the State which is inactive.

The integrity of the program and the reserve capacity of the State-designated agency should be protected by the inclusion in the act of a determination whether or not the applicant has a need for loan funds to meet the costs associated with enrollment in an educational program.

We share this with Mr. Purdy's group and we feel that it cannot be a traditional need criteria in that there is need, we feel, in some cases, in the above $15,000 level while in other cases below the $15,000 level there may very well not be need.

Final determination of the size of the loan should continue to be established by the lending institution and the guarantor should be permitted to determine whether to guarantee a loan and to establish the amount of the guarantee that he is willing to underwrite.

Madam Chairman, that concludes my summary of our formal testimony. I thought that possibly the chairman and members of the committee would welcome the opportunity to question the number of representatives that we have here from our organization since we feel that the program does function differently in different States.

Mrs. GREEN. Thank you very much, Mr. Reeher. Have you people turned your attention to the kind of needs test that you would put into this program?

Mr. REEHER. We discussed this at some length but we feel that the financial aid officer would perform this function and might properly make this determination.

Our position is that the total resources of the student should not exceed what it takes him to go to school. Beyond that we feel that should be trimmed down by the financial aid officer, the details of it.

Mrs. GREEN. Are you suggesting in the legislation we should be silent on the need test except to say that each university should require some evidence of need before that student is recommended for a guaranteed student loan?

Mr. REEHER. I would not personally attempt to word the legislation but what we are interested in is that a student is able to receive whatever money he needs to go to school, even independent of his parents' wishes, possibly, since it is going to be on the student's signature, but that neither he nor his parents should be able to make money because the loan is subsidized.

If they need the money for educational purposes, any costs associated with his attending school, be it travel, justified spending money, his tuition fees, books, room and board, and so forth, that should be there; if he is willing to encumber his future earnings it should be available, but it should not be something that encourages parents to borrow under the program for the interest subsidy and not to be used for educational costs.

Maybe someone wants to elaborate a little more on that.

Mr. PETRIE. I strongly recommend that the student aid officer be given the opportunity to make a recommendation and counsel with