

If we cannot determine that he really needs the loan, then I expect we would rather stay out of the picture because we are, I think, professionally committed to help the student who needs help.

If it is a loan of convenience, then we would hope that not too much Government money would be siphoned off for that type of loan.

I may not have answered your question. I will be glad to clarify it.

Mrs. GREEN. We were given an example the other day of a person who qualified for a guaranteed student loan program and he used it to exchange his 1968 Firebird for a 1969 model.

Mr. PURDY. This can be done under the current arrangements.

Mrs. GREEN. Now the part that troubles me is that when I talk to student financial aid officers who say the student financial aid officer should be involved in the guaranteed student loan program and in the recommendation and there should be some need but we don't want a needs test, I just don't understand really what you are saying.

Mr. REEHER. Madam Chairman, if I might comment on that, I think Mr. Purdy's point is correct that we are not trying to go out in left field and come up with some new way of determining need.

The procedure would be the same but maybe what we used to call a strike would no longer be called a strike.

Currently, the financial aid concept starts with a determination of how much assistance can be expected from the parents from the current income and from the net assets regardless of whether or not those parents have planned on this student going to college.

So, in many cases a student arrives at college and there has been no parental planning and in the past if the student had to come up with a parental contribution and there was not any planning, the parents were expected to borrow on their own signature.

One thing that we are saying in this needs test, the idea would be that the student could borrow to put in the parents contribution to the aid package. This is dangerous, we know.

I sat in a meeting in New York where they were talking about a quarter of a billion dollars in aid to students on a loan program without any real concern of what it does to the student when he graduates and he has this indebtedness.

I should not cite New York because we have this in all of these programs where the bill is going on the student's signature.

There is this problem of transferring the burden from the parents to the student. But if you are going to have student loans on student signatures then we are saying he could possibly finance what is normally expected from the parents.

Mrs. GREEN. Would you gentlemen knock out the interest subsidy after graduation?

Mr. REEHER. We looked at this problem. When we looked at it we also looked at the lender return.

We, I think, almost unanimously lean toward knocking it out during the repayment period. We did not take a stand on that because we felt that we would take the stand that the lender fees could finance the paperwork involved if the fee were proper and since Congress had enacted that benefit to the student that we would take the more positive approach toward the fees.