

and that this also would carry through for all six Federal loan programs, including the national defense.

On the matter of the financial needs test, I have got to explain that as we view the guaranteed loan program as it exists now, it is really taking care of two kinds of loans, one with Federal subsidy of interest, that is your under \$15,000 adjusted gross income, and then the loans to those above \$15,000 without interest subsidy, we think that because the national defense loan apparently will not ever be able to reach the real needs, the real levels needed by the colleges and universities, that a guaranteed loan program, the loan of necessity, part of that has to be there as a very, very valuable supplement to the national defense loan program and the study urges that in every way possible that part of the guaranteed loan program that we define as a loan of necessity be made similar to the national defense loan program as possible and hence just as you have asked the colleges and universities to use their judgment of need on the national defense and on EOG and on college work-study, we would plead that the loan of necessity under the guaranteed loan program be given the same treatment.

The loan of accommodation is for those parents who cannot or will not meet their parental contribution. This we would suggest handling as a loan to the parent, not to the student, have it be guaranteed, no Federal subsidy.

It could be through direct Federal insurance path and let it be at the market rate.

That would still be favorable with the Federal guarantee just as your FHA loan is a favorable rate.

The Federal guarantee permits bringing the interest rate down to a more attractive level. So there are parents who want the 10 and the 12 and the 15 years in which to pay off indebtedness and provide a loan of accommodation for them. But at the moment, \$15,000 dividing line in the present legislation, which is really \$20,000 gross income for a man with three children, is such an artificial line that there are so many, many thousands of parents and students who do not need financial aid and the colleges and universities would determine that they should not be entitled to this Federal subsidy.

But go beyond this and set up a loan of accommodation for those parents that you want to help and give them everything except the Federal subsidy.

Mrs. GREEN. Congressman Quie?

Mr. QUIE. I have no questions.

Mrs. GREEN. Are there any other comments from the members of the panel?

Mr. Hathaway has asked me to ask the members of the panel on what basis do you approve of the placement and conversion fees?

Is it on your own research or on what other—

Mr. REEHER. I think, Madam Chairman, it may be a combination of these. In this portfolio that I am going to leave with you, I have extracted from our own State files a number of letters from students. This really, to our way of thinking, tells the story. It really is not so much a matter of whether or not the lenders are making money. It is a matter of whether or not they are willing to put money into this loan program with the money they are making in this program.