

OE position

The Office of Education concurs and has suggested a new expiration date of June 30, 1970, as noted in H.R. 15067, title IV, part B, section 431:

"EXTENSION OF FEDERAL LOAN INSURANCE PROGRAM"

"SEC. 431. Subsection (a) of section 424 of the Higher Education Act of 1965 is amended (1) in the first sentence by inserting after 'June 30, 1968' the following: 'and such limitation in the two succeeding fiscal years as may be specified in appropriations Acts'; and (2) in the second sentence by striking out '1972' and inserting in lieu thereof '1974'."

(b) Bringing in incentives to encourage the creation of strong State agencies where they do not now exist. The combination of two of the proposals now before Congress (the 80-percent reinsurance plan and additional "seed" or reserve money) should be sufficient to give such encouragement, with the additional encouragement of the Federal Government's sharing the costs of administering the State program. (See ch. VIII, p. 21.)

OE position

The two pertinent proposals contained in H.R. 15067, section 423 are:

"(d) (1) The Commissioner may enter into a guaranty agreement with any State or any nonprofit private institution or organization with which he has an agreement pursuant to subsection (b), whereby the Commissioner shall undertake to reimburse it, under such terms and conditions as he may establish, in an amount equal to 80 per centum of the amount expended by it in discharge of its insurance obligation, incurred under its loan insurance program, with respect to losses on the unpaid balance of the principal of any insured loan (other than interest added to principal) resulting from the default of the student borrower ***.

"(b) (1) Subsection (b) of section 421 of such Act is amended by striking out 'and' before '(3)', and by striking out the period at the end of the first sentence of that subsection and insertion ', and' in lieu thereof, and by adding thereafter the following new clause:

"(4) there is authorized to be appropriated the sum of \$12,500,000 for making advances, after June 30, 1968, pursuant to section 422 for the reserve funds of State and nonprofit private student loan insurance programs.' ***

"(2) No advance shall be made in any fiscal year ending after June 30, 1968, unless matched by an equal amount from non-Federal sources. Such equal amount may include the unencumbered non-Federal portion of a reserve fund. As used in the preceding sentence, the term 'unencumbered non-Federal portion' means the amount (determined as of the time immediately preceding the making of the advance) of the reserve fund less the balance of the proceeds of prior advances under this part and earnings thereon, and less such other amounts as may be maintained in such fund pursuant to State law or regulation, or by agreement with lenders, as a reserve against the insurance of outstanding loans."

Under the reinsurance proposal, the State agency retains the insurance premium which may be used for administrative cost.

(c) Holding conferences on the guaranteed loan program with State officials, preferably at the State or regional level—but if time and staff do not permit, at the national level. (See ch. VIII, p. 22.)

OE position

The Office of Education agrees that such conferences are necessary and holds them frequently. In addition, State, regional, and National organizations of bankers, college personnel, and guarantee agencies uniformly include the guaranteed loan program on meeting agenda.

11. *Financial need should be required as a criterion in the guaranteed loan program.* The present guaranteed loan program legislation states that there shall be no financial need criterion other than defining those adjusted family incomes under \$15,000 as eligible for federally subsidized interest payments. This arbitrary line provides interest subsidy benefits to some students from families that cannot demonstrate financial need, while other families that have higher incomes but large numbers of children and special financial problems have financial need but are unable to obtain the Federal