interest subsidy. The overwhelmingly large majority of the people involved in the program is in favor of requiring financial need as a criterion for Federal interest subsidy in the guaranteed loan program. It is felt also that this restriction is necessary to keep the program under reasonable control. (See ch. VIII, pp. 22–20.)

OE POSITION

We do not concur in this recommendation and believe that the current financial need criterion in the legislation is in accord with the broad purpose of the guaranteed loan program. We have taken steps to insure that loans granted under the program are for meeting higher education costs and that the recipients do not receive additional student aid in excess of stated college costs. The financially needy student is given special consideration in the combined grant-work-loan authority contained in title IV, part A, of H.R. 15067.

12. *Loans of necessity (see recommendation 11), which are intended to meet the student's financial need after parental contribution, should be separated from loans of accommodation, which are intended to meet or help meet the parental contribution toward the expenses of higher education. Loans of accommodation should be made to the parent, not to the student, should be guaranteed by the Federal Government, and should not receive Federal interest subsidy. Loans of accommodation should be retained as a feature of the guaranteed loan program and administered through the device of direct Federal insurance, or they should be handled by a Federal agency, patterned after the Federal Housing Administration established for the purpose of guaranteeing such loans* (See ch. VIII, p. 29.)

OE POSITION

We do not agree with this recommendation. We believe that the purpose of this loan program is to provide low-interest, long-term loans to middle and upper income families who are not able to obtain financial assistance through the college-based programs. The financial burdens families now face, if they are to provide education beyond the high school levels for their children have become increasingly heavy. The cost of obtaining postsecondary education continues to increase each year. The financial pressures now bear heavily not only on the low middle income family, but also on middle and upper middle income family who only a few years ago were capable of paying for their children's education. We believe the insured loan program was established to meet this need. The loans of necessity referred to in the CEEB study should be obtained from the college financial aid officer and should be provided largely through the existing NDEA loan program. Further, we see a little point in a further proliferating of student loan insurance activities among other Federal agencies.

13. *Colleges and universities, acting under ground rules established by themselves, the lending institutions, and the State guarantee agencies, should be responsible for determining which students should receive loans and recommending the amounts that they should receive.* (See ch. VIII, p. 33.)

OE position

We concur in the spirit of this recommendation; namely, that the college does bear responsibility for certifying information to the lender concerning the student's enrollment status, amounts of assistance he may have been granted, and an appropriate pattern of costs incurred by the student. Negotiation of the precise amount of the loan, however, should remain between the student and the lender. We believe sufficient authority exists in the present statue to allow the Commissioner to issue guidelines descriptive of the role of the college.

14. *Steps should be taken to provide a reasonable profit to lending institutions. The burden of evidence indicates that 6-percent simple interest is not yielding a reasonable profit to most lending institutions. This study recommends, therefore, that the return be set to yield a reasonable profit, the method and amount to be determined by financial experts.* (See ch. VIII, p. 36.)

OE position

The Office of Education concurs that a reasonable return should be provided to the lending institutions and believes this can be accomplished by the following proposal which is contained in H.R. 15067, section 426:

"(B) The Secretary shall from time to time establish appropriate schedules of maximum application fees and consolidation or other conversion fees (as defined