

vided by the Higher Education Act of 1965, be reserved for students who evidence financial need in order to meet the costs of their college education; and

Whereas the available funds for such guaranteed loans are being drained off by students whose families are perfectly capable of financing their education; and

Whereas under the present provisions of the Higher Education Act of 1965, need shall not be taken into consideration in making guaranteed loans; and

Whereas under the present provisions of the program, institutional directors of financial aid are prohibited from assessing financial need on the part of the applicants: Be it therefore

Resolved, That the Higher Education Act of 1965 be amended to provide that financial need be the primary consideration given to applicants seeking a Guaranteed Loan and that the financial aid officers of the educational institutions be required, as a result of their evaluations and analysis of the student's application, to recommend the amount of the loan for each applicant.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., February 27, 1968.

HON. EDITH GREEN,
*Chairman, Special Subcommittee on Education,
Committee on Education and Labor,
House of Representatives.*

DEAR MADAM CHAIRMAN: This report is in response to your request that we review and comment on the Treasury Department's comparison of the total cost to the Federal Government, for the insured student loan program under the Higher Education Act of 1965 as amended (20 U.S.C. 1071-1085), and the direct student loan program under the National Defense Education Act of 1958, as amended (20 U.S.C. 421-429). Both of these programs are administered by the Department of Health, Education, and Welfare.

The preparation of the cost comparison was undertaken initially by the Office of Education, Department of Health, Education, and Welfare, pursuant to your request during hearings before the Special Subcommittee on Education, Committee on Education and Labor, House of Representatives, relative to proposed amendments to the Higher Education Act of 1965. Subsequently, however, it was decided that the Treasury Department would prepare the cost comparison for the Subcommittee. The Under Secretary of the Treasury submitted the cost comparison to the Subcommittee by letter of October 30, 1967.

Pursuant to instructions contained in your request, the cost comparison was to be made on the basis of the costs under the insured and direct loan programs for 500 student borrowers, assuming that each student borrows \$1,000 a year for 4 years and has a 10-year repayment period. Additionally, the comparison was to give recognition to certain fees proposed in an amendment to section 428 of the Higher Education Act of 1965 which would authorize the Commissioner of Education to pay lending institutions a loan placement fee of not to exceed \$35 for the processing of each student loan and a conversation fee of not to exceed \$35 for the consolidation, to a repayment status, of all loans to each student.

The comparison was to show also the cost of the insured and direct loan programs with and without teacher-cancellation provisions. Such cancellation provisions exist under the direct loan program but are not applicable to the insured loan program.

The cancellation provisions for the direct loan program state that a maximum of 50 percent of loan indebtedness and interest may be canceled at the rate of 10 percent of the total loan, plus interest thereon, for each year that the borrower serves as a full-time teacher. A borrower who elects to teach in a school with a high concentration of students from low-income families or teach handicapped children may qualify for cancellation of his entire obligation at the rate of 15 percent per year.

The following cost comparison and accompanying footnotes were included in the Treasury Department's submission to the Subcommittee. In the cost comparison "NDEA" refers to the direct loan program and "GSLP" refers to the insured loan program.