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EDUCATION LEGISLATION, 1968

HEARINGS

BEFORE THE

UBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON
BOR AND PUBLIC WELFARE
UNITED STATES SENATE

NINETIETH CONGRESS

SECOND SESSION

ON

S. 3098

TO AMEND THE HIGHER EDUCATION ACT OF 1965, THE NATIONAL DEFENSE EDUCATION ACT OF 1958, THE NATIONAL VOCATIONAL STUDENT LOAN INSURANCE ACT OF 1965, THE HIGHER EDUCATION FACILITIES ACT OF 1963, AND RELATED ACTS

S. 3099

TO AMEND THE VOCATIONAL ACT OF 1963, AND FOR OTHER PURPOSES

AND RELATED BILLS

PART 1

MARCH 12, 1968

Printed for the use of the
Committee on Labor and Public Welfare

AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
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EDUCATION LEGISLATION, 1968

HEARINGS

BEFORE THE

SUBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON LABOR AND PUBLIC WELFARE UNITED STATES SENATE

NINETIETH CONGRESS

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AND RELATED BILLS

PART 1

MARCH 12, 1968

Printed for the use of the
Committee on Labor and Public Welfare



U.S. GOVERNMENT PRINTING OFFICE

93-989 O WASHINGTON : 1968

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EDUCATION LEGISLATION, 1968

TUESDAY, MARCH 12, 1968

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION OF THE
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:10 a.m., in room 4232, New Senate Office Building, Senator Ralph Yarborough presiding pro tempore.

Present: Senators Yarborough (presiding pro tempore), Kennedy of New York, and Javits.

Committee staff present: Charles Lee, professional staff member; Richard Smith, associate counsel; Charles Carleton, professional staff member; and Roy H. Millenson, minority clerk.

Senator YARBOROUGH. The Subcommittee on Education will come to order.

This morning, the Subcommittee on Education begins its hearings on S. 3098, S. 1126, and other measures relating to higher education amendments. These amendments are proposed amendments to the Higher Education Act of 1965, National Defense Education Act of 1958, the National Vocational Student Loans Assistance Act of 1965, and the Higher Educational Facilities Act of 1963.

S. 3098 was introduced by the chairman of this subcommittee, Senator Morse, on behalf of the administration. Senator Morse is in Oregon and thus is unable to be here this morning, but he asked me to assure you that although he regrets being unable to participate in today's hearings he will give the transcripts of the hearing his closest attention. I know all of you who know Senator Morse know he will read the transcripts and that he will be thoroughly versed and conversant with every feature of these bills before we conclude these hearings.

We have decided to begin these hearings by focusing on the guaranteed loan provisions of the amendments—providing for changes in the insured loan programs of title IV of the Higher Education Act of 1965. These changes are included in the portion of S. 3098, title IV, called The Educational Opportunity Act of 1968. This is the most intricate and controversial of the 12 titles we will examine during the course of these hearings.

Nearly 200 years ago our Founding Fathers, contemplating a society which would do away with title and nobility, referred to the concept of "an aristocracy of achievement arising out of a democray of opportunity." Two hundred years have passed and because of our failure to

institute that "democracy of opportunity," our aristocracy of achievement arises out of a plutocracy of opportunity; in other words, those who achieve in our society do so not just because of ability alone, but also because they have the money to pay for education.

I might add here that the dean of one of the schools of one of the great universities told me after one of these hearings in the last 3 or 4 years that some of the trouble he had seen was that the people in the schools and the colleges are the people with money to go there.

College opportunity is not equated with brain power, but with money power.

Most of us who are parents and have sent our children to college are familiar with the letter home, the letter asking for more money. Times have changed, but the letter home has not. Back in 1829 Charles Kent, a student at Ohio University, wrote this letter:

> I shall want about three dollars more before the session is out. I have laid out for expenses on the road, for lodging the first night at Athens, for a trunk, chair, quire paper, pen-knife, quills, Latin tutor, walsh's arithmetic, slate, hire for bed, college tuition, entrances into society . . . and I have several other necessities, which I will present in a bill of my expenses . . . and things are so dear that such articles run up to quite a sum. What I have laid out altogether amounts to about $22, and I have yet wood, candles, and some other little affairs to get. I shall endeavor to be as parsimonious as possible . . .

That letter, written 139 years ago, contained assurances that the student would do his best to hold his total yearly expenses down to about $50.

In the coming 1968–69 school year just tuition and fees at a public college or university will average better than $300.

At a private higher educational institution, tuition and fees will come to more than $1,000.

The total cost of attending college—tuition, fees, books, room, board, transportation, clothing, and so on—in the coming year will average $1,700 in a public college.

In a private college the total is computed at $2,640.

Further, no leveling off is in sight. The projections for 1980–81, for total costs of attending college are $2,400 for public institutions and $3,600 for private institutions.

In the 10 years from 1956 to 1966, student charges went up 80 percent, even though the cost of living during that same period of time increased only 17 percent.

The statistics, astounding statistics, go on and on. I am confident that by the time we have concluded hearings on S. 3098, there will be little doubt in the minds of the members of this committee that we are facing a true crisis in financing higher education.

I am referring here only to the student part of it. It is also true, as you know, in all other parts of higher education, it is our responsibility to decide how we shall go about meeting this crisis. Toward that end, it is my hope that during these hearings we will examine not only the cut-and-dried matters of authorization and appropriation amounts, interest rates and service charges, but the more fundamental and philosophical issues of what a higher education means both to the individual and to his society, and what implications that meaning has for how we go about meeting the rising costs of education.

For instance, under the World War II and Korean war GI bills, this country invested more than $15 billion in the education of her veterans. We paid for tuition, for books, for fees, and we provided a cost-of-living allowance, too. That $15 billion investment, and I underline the word "investment," has already been repaid to society in the form of increased tax payments resulting from higher paying jobs—without even counting what that GI has done for himself, his family, and the whole economy.

It is estimated that over the course of the earning lifetimes of the individuals who benefitted from these GI bills more than $45 billion will be paid back to the Government, a 300-percent return on the dollar. And that doesn't count the greater returns to society.

I anticipate that we will experience the same kind of result under the cold war GI bill and I suggest that these bills have particular relevance in our discussions concerning title IV of the Higher Education Act amendments.

At this point in the hearing record, without objection, there will be inserted in the text of S. 3098 a section-by-section analysis of the proposal, together with a cordon print showing changes in existing law, and the Office of Education's rationale for the amendments. Also at this point will be inserted such additional agency reports on the measures as are subsequently provided.

(The material referred to above follows:)

90th Congress
2d Session

COMMITTEE PRINT

BILL TEXT, CHANGES IN EXISTING LAW, AND SECTION-BY-SECTION ANALYSIS OF S. 3098

HIGHER EDUCATION AMENDMENTS OF 1968

(LANGUAGE IN WHICH NO CHANGE IS PROPOSED IS SHOWN IN ROMAN TYPE; LANGUAGE PROPOSED TO BE DELETED IS SHOWN IN BLACK BRACKETS; AND LANGUAGE PROPOSED TO BE ADDED IS SHOWN IN *ITALIC* TYPE)

PREPARED FOR THE

SUBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON LABOR AND PUBLIC WELFARE

UNITED STATES SENATE



MARCH 1968

Printed for the use of the Committee on Labor and Public Welfare

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FOREWORD

The material which follows in this committee print was assembled by the Office of Education in order that the subcommittee might have pertinent materials readily available in a convenient form.

It is the hope of the chairman that in addition the materials in this form might be useful to senatorial offices and to the educational community. On behalf of the subcommittee I wish to express our thanks to Commissioner Howe and to Dr. Albert L. Alford of the Office of Legislation, Office of Education, and to those who worked with him in assembling this compilation.

WAYNE MORSE,
Chairman, Education Subcommittee.

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90TH CONGRESS
2D SESSION

S. 3098

IN THE SENATE OF THE UNITED STATES

MARCH 5, 1968

Mr. MORSE introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend the Higher Education Act of 1965, the National Defense Education Act of 1958, the National Vocational Student Loan Insurance Act of 1965, the Higher Education Facilities Act of 1963, and related Acts.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Higher Education Amendments of 1968".

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PART B—LIBRARY TRAINING AND RESEARCH, AND LIBRARY SCHOOL PROGRAM DEVELOPMENT

Sec. 221. Extension of program.
Sec. 222. Authorizing planning and development grants for library schools.
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Sec. 302. Grants to strengthen graduate education.
Sec. 303. Increase in cost-of-education allowance.

TITLE IV—STUDENT ASSISTANCE

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PART A—CONSOLIDATION OF EDUCATIONAL OPPORTUNITY GRANT, NATIONAL DEFENSE STUDENT LOAN, AND WORK-STUDY PROGRAMS

Sec. 402. Consolidated program.
Sec. 403. One-year extension of educational opportunity grant, national defense student loan, and work-study programs.

PART B—AMENDMENTS TO STUDENT LOAN INSURANCE PROGRAMS

Sec. 421. Authorizing deferment of repayment of State or privately insured loan during attendance of student borrower at eligible institution or during military, Peace Corps, or VISTA service; and authorizing Federal payment of all interest accruing during any such attendance or service.
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Sec. 424. Extension of authority for payments to reduce student interest cost.
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Sec. 426. Fees payable to eligible lenders.
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Sec. 429. Federal savings and loan associations authorized to invest in loans for vocational education.
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Sec. 625. Private schools: authorizing less than maximum set-aside for loans; repealing loan allotment formula; and authorizing loans to American-sponsored schools serving American children abroad.

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TITLE I—AMENDMENTS TO TITLE I OF HIGHER EDUCATION ACT OF 1965 (COMMUNITY SERVICE AND CONTINUING EDUCATION PROGRAMS)

EXTENSION OF GRANT PROGRAM

SEC. 101. Section 101 of the Higher Education Act of 1965 is amended (1) by striking out "and" before "$50,000,000", (2) by inserting after "succeeding fiscal year"

the following: "and such sums as may be necessary for the next five fiscal years", and (3) by striking out the last sentence of such section.

EXTENSION OF 75 PER CENTUM FEDERAL SHARE THROUGH FISCAL YEAR 1969

SEC. 102. (a) Section 106 (a) of such Act is amended by striking out "75 per centum of such costs for the fiscal year ending June 30, 1967, and 50 per centum of such costs for each of the three succeeding fiscal years" and inserting in lieu thereof "and for each of the three succeeding fiscal years, and 50 per centum of such costs for the fiscal year ending June 30, 1970, and for each of the three succeeding fiscal years".

(b) The amendment made by subsection (a) of this section shall be effective with respect to grants awarded after the enactment of this Act.

AUTHORIZATION OF EXPERIMENTAL OR PILOT PROJECTS

SEC. 103. (a) Sections 107, 108, 109, 110, and 111 of the Higher Education Act of 1965, and references thereto, are redesignated as sections 108, 109, 110, 111, and 112, respectively, and there is inserted after 106 a new section as follows:

"EXPERIMENTAL PROJECTS

"SEC. 107. From the sums reserved therefor pursuant to paragraph (2) of section 103 for any fiscal year, the Commissioner is authorized to make grants to or contracts with institutions of higher education to pay all or part of the cost of experimental or pilot projects in the fields of community service or continuing education, with emphasis on innovative approaches and on the promotion of comprehensiveness and coordination in these fields. The Commissioner may also, from such sums, make grants to other public or private nonprofit agencies or organizations, or contracts with public or private organizations, including grants to or contracts with professional or scholarly associations, when such grants or contracts will make an especially significant contribution to attaining the objectives of this section."

(b) (1) Subsection (a) of section 103 of such Act is amended by inserting "(1)" immediately after "(a)", and by adding at the end thereof the following new paragraph:

"(2) Not to exceed 10 per centum of the sums appropriated pursuant to section 101 shall be reserved by the Commissioner for grants and contracts pursuant to section 107".

(2) Subsection (a) of section 103 of such Act is further amended by inserting after "each fiscal year," the following: "reduced by the sums reserved pursuant to paragraph (2)," and by inserting after "remainder of such sums" the following: "(as reduced by the sums reserved pursuant to paragraph (2))".

(3) The heading of such section 103 is amended by adding at the end thereof "—SET-ASIDE FOR SPECIAL PROJECTS".

(c) The amendments made by this section shall be effective with respect to appropriations pursuant to section 101 of such Act for fiscal years ending after June 30, 1968, except so much of any such appropriation as has been allotted prior to the enactment of this Act.

TITLE II—AMENDMENTS TO TITLE II OF HIGHER EDUCATION ACT OF 1965 (COLLEGE LIBRARIES, ETC.)

PART A—COLLEGE LIBRARY RESOURCES

EXTENSION OF PROGRAM

SEC. 201. (a) Section 201 of the Higher Education Act of 1965 is amended by striking out "$50,000,000 for the fiscal year ending June 30, 1966, and for each of the two succeeding fiscal years" and inserting in lieu thereof "$50,000,000 each for the fiscal years ending June 30, 1966,

1967, and 1968, respectively, and such sums as may be necessary for the next five fiscal years".

(b) Such section 201 is further amended by striking out the last sentence of such section.

REVISION OF MAINTENANCE-OF-EFFORT REQUIREMENT FOR SPECIAL PURPOSE GRANTS

SEC. 202. (a) Clause (2) of section 204(b) of the Higher Education Act of 1965 is amended by inserting after "June 30, 1965", the following: ", or during the two fiscal years preceding the fiscal year for which the grant is requested, whichever is less".

(b) The amendment made by subsection (a) shall be effective with respect to applications for grants payable on or after the date of the enactment of this Act.

PART B—LIBRARY TRAINING AND RESEARCH, AND LIBRARY SCHOOL PROGRAM DEVELOPMENT

EXTENSION OF PROGRAM

SEC. 221. Section 221 of such Act is amended by striking out the second sentence thereof and by inserting "and such sums as may be necessary for each of the next five fiscal years," after "$15,000,000 for the fiscal year ending June 30, 1966, and for each of the two succeeding fiscal years,".

AUTHORIZING PLANNING AND DEVELOPMENT GRANTS FOR LIBRARY SCHOOLS

SEC. 222. (a) (1) Subsection (a) of section 224 of the Higher Education Act of 1965 is amended (1) by inserting "(1)" after "organizations,"; (2) by inserting after "such activities;" the following: "and, (2) for the planning or development of programs for the opening of library or information science schools, or of programs intended to lead to the accreditation of such existing schools;" and (3) by striking out "no such grant" and by inserting in lieu thereof "no grant under this section".

(2) The heading of such section is amended by adding ", AND GRANTS FOR LIBRARY SCHOOL PLANNING AND DEVELOPMENT" at the end thereof.

(b) The amendments made by paragraph (1) of subsection (a) of this section shall be effective with respect to grants payable from appropriations for fiscal years ending after June 30, 1968.

CLARIFYING AUTHORITY OF INSTITUTIONS TO USE TRAINING INSTITUTES

SEC. 223. Subsection (a) of section 223 of the Higher Education Act of 1965 is amended by inserting after "the cost of courses of training or study" the following: "(including short-term or regular session institutes)".

PART C—STRENGTHENING COLLEGE AND RESEARCH LIBRARY RESOURCES THROUGH LIBRARY OF CONGRESS

EXTENSION OF PROGRAM

SEC. 231. (a) Section 231 of the Higher Education Act of 1965 is amended by striking out "and" before "$7,770,000", and by inserting after "June 30, 1968," the following: "and such sums as may be necessary for the next two fiscal years,".

(b) Such section is further amended by striking out the last sentence.

CLARIFYING AUTHORITY TO PURCHASE COPIES; INCREASING AUTHORITY TO PREPARE CATALOG AND BIBLIOGRAPHIC MATERIALS; AUTHORIZING LIBRARIAN TO ACT AS ACQUISITIONS AGENT

SEC. 232. Section 231 of the Higher Education Act of 1965, as amended by section 231 of this Act, is further amended:

(1) in paragraph (1), by inserting "copies of" before "all";

(2) in paragraph (2), by striking out "providing catalog information for these materials promptly after receipt, and distributing bibliographic information by" and inserting in lieu thereof "providing catalog infor-

mation promptly and distributing this and other bibliographic information about library materials by"; and

(3) by adding after paragraph (2) the following new paragraph:

"(3) enabling the Librarian of Congress to pay administrative costs of cooperative arrangements for acquiring library materials published outside of the United States, its territories, and its possessions, and not readily obtainable outside of the country of origin, for institutions of higher education or combinations thereof for library purposes, or for other public or private nonprofit research libraries."

TITLE III—STRENGTHENING DEVELOPING INSTITUTIONS; IMPROVEMENT OF GRADUATE SCHOOLS (AMENDMENTS TO TITLE III OF HIGHER EDUCATION ACT OF 1965 AND OTHER STATUTES)

EXTENSION OF DEVELOPING INSTITUTIONS PROGRAM

SEC. 301. Paragraph (1) of section 301(b) of the Higher Education Act of 1965 is amended by striking out "and the sum of $55,000,000 for the fiscal year ending June 30, 1968" and inserting in lieu thereof "the sum of $55,000,000 for the fiscal year ending June 30, 1968, and such sums as may be necessary for the next five fiscal years".

GRANTS TO STRENGTHEN GRADUATE EDUCATION

SEC. 302. (a) Title III of the Higher Education Act of 1965 is amended (1) by inserting "PART A—DEVELOPING INSTITUTIONS" immediately below the heading of such title; (2) by striking out "title" wherever it may appear in sections 301, 302, 303, and 304 of such Act and inserting "part" in lieu thereof; and (3) by adding at the end of such title III the following new part:

"PART B—IMPROVEMENT OF GRADUATE PROGRAMS

"STATEMENT OF PURPOSES

"SEC. 321. The purposes of this part are to strengthen and improve the quality of doctoral programs of graduate schools, and to increase the number of such quality programs.

"APPROPRIATIONS AUTHORIZED; USE OF GRANTS

"SEC. 322. (a) There are authorized to be appropriated such sums as may be necessary for the fiscal year ending June 30, 1969, and each of the four succeeding fiscal years, to enable the Commissioner to make grants to institutions of higher education having programs leading to a degree of doctor of philosophy or an equivalent degree, upon such terms and conditions as he may establish, to pay all or part of the cost of planning, developing, or carrying out projects or activities designed to achieve one or more of the purposes set forth in section 321. Such grants may be use for projects or activities such as—

"(1) the strengthening of graduate faculties by enlarging their size, improving their academic or professional qualifications, or increasing the number of disciplines in which they are skilled;

"(2) the expansion or improvement of existing graduate programs, or the establishment of additional graduate programs;

"(3) the acquisition of appropriate equipment or curricular, research, or other materials required to fulfill the objectives of projects or activities described in clause (2);

"(4) the development or carrying out of cooperative arrangements among graduate schools in furtherance of the purposes of this part; or

"(5) the strengthening of graduate school administration.

"(b) No portion of the sums granted under this part may be used—

"(1) for payment in excess of 50 per centum of the cost of the purchase or rental of books, audiovisual aids, scientific apparatus, or other materials or equipment, less any per centum of such cost, as determined by the Commissioner, that is paid from sums received (other than under this part) as Federal financial assistance; or

"(2) for sectarian instruction or religious worship, or primarily in connection with any part of the program of an institution, or department or branch of an institution, whose program is specifically for the education of students to prepare them to become ministers of religion or to enter upon some other religious vocation or to prepare them to teach theological subjects.

"SELECTION OF GRANT RECIPIENTS

"SEC. 323. In the awarding of grants under this part, the Commissioner shall, insofar as practicable and consistent with the other purposes of this part, give weight to the objective of having an adequate number of graduate schools of good quality within each appropriate region.

"CONSULTATION

"SEC. 324. In the development of general policy governing the administration of this part, the Commissioner shall consult with the National Science Foundation and the National Foundation on the Arts and the Humanities, for the purpose of promoting the coordination of Federal programs bearing on the purposes of this part.

"TRANSFER OF FUNDS

"SEC. 325. In addition to the authority for utilization of other agencies conferred by section 803 (b) of this Act, funds available to the Commissioner under this part shall, with the

approval of the Secretary, be available for transfer to any other Federal agency for use (in accordance with an interagency agreement) by such agency (alone or in combination with funds of that agency) for purposes for which such transferred funds otherwise could be expended by the Commissioner under the provisions of this part, and the Commissioner similarly is authorized to accept and expend funds of any other Federal agency for use under this part."

INCREASE IN COST-OF-EDUCATION ALLOWANCE

SEC. 303. Subsection (b) of section 525 of the Higher Education Act of 1965 and subsection (b) of section 404 of the National Defense Education Act of 1958 are each amended to read as follows.

"(b) The Commissioner shall (in addition to the stipends paid to persons under subsection (a)) pay to the institution of higher education at which such person is pursuing his course of study such amount as the Commissioner may determine to be consistent with prevailing practices under comparable federally supported programs."

TITLE IV—STUDENT ASSISTANCE

SHORT TITLE

SEC. 401. This title may be cited as the "Educational Opportunity Act of 1968".

PART A—CONSOLIDATION OF EDUCATIONAL OPPORTUNITY GRANT, NATIONAL DEFENSE STUDENT LOAN, AND WORK-STUDY PROGRAMS

CONSOLIDATED PROGRAM

SEC. 402. (a) Effective with respect to appropriations for fiscal years ending on or after June 30, 1970, part A of title IV of the Higher Education Act of 1965 is amended to read as follows:

"STATEMENT OF PURPOSE: SHORT TITLE

"SEC. 400. (a) The Congress hereby finds and declares that it is in the national interest to provide educational opportunities beyond secondary school to all our youth that desire such opportunities and can benefit from them. The strength and vigor of our economy and indeed the future of our society of free people demand that our youth, who represent the best of all our hopes, be given a chance to do their best. It is therefore the purpose of this title to provide substantial assistance to students in order that no student of ability will be denied an opportunity to develop his talents because of financial inability to meet basic higher education costs.

"(b) This title may be cited as the 'Educational Opportunity Act'.

"PART A—EDUCATIONAL OPPORTUNITY GRANTS, NATIONAL DEFENSE STUDENT LOANS, AND WORK-STUDY PROGRAMS

"STATEMENT OF PURPOSE

"SEC. 401. It is the purpose of this part to provide to students who are in need of such assistance in order to pursue courses of study at institutions of higher education—

"(1) a program of educational opportunity grants to assist in making available, through institutions of higher education, the benefits of higher education at the undergraduate level to those students of exceptional financial need,

"(2) a program to stimulate and assist in the establishment at institutions of higher education of funds for the making of low-interest loans to undergraduate, graduate, and professional students, to be termed 'national defense student loans', and

"(3) a program to stimulate and promote the part-time employment of undergraduate, graduate, and professional students, particularly of those students who are from low-income families.

"APPROPRIATIONS AUTHORIZED

"SEC. 402. (a) There are authorized to be appropriated such sums as may be necessary for the fiscal year ending June 30, 1970, and for each of the succeeding four fiscal years, to enable the Commissioner to carry out the purpose of section 401(1) by making payments to institutions of higher education pursuant to agreements entered into under this part, for use by such institutions for payments to undergraduate students for the initial academic year of educational opportunity grants awarded to them under this part, and for payments pursuant to section 409. There are further authorized to be appropriated such sums as may be necessary for payment to such institutions for use by them for making educational opportunity grants under this part to undergraduate students for academic years other than the initial year of their educational opportunity grants; but no appropriation may be made pursuant to this sentence for any fiscal year beginning more than four years after the last fiscal year for which an appropriation is authorized under the first sentence. Payment for the first year of an educational opportunity grant shall not be considered as an initial-year payment if the educational opportunity grant was awarded for the continuing education of a student who had been previ-

ously awarded an educational opportunity grant under this part (whether by another institution or otherwise) and had received payment for any year of that educational opportunity grant.

"(b) There are authorized to be appropriated such sums as may be necessary for the fiscal year ending June 30, 1970, and for each of the succeeding four fiscal years, to enable the Commissioner to carry out the purposes of sections 401 (2) and 401 (3) by making payments to institutions of higher education pursuant to agreements entered into under this part, for use by such institutions—

"(1) for making contributions to the capital of student loan funds established by such institutions pursuant to their agreements under this part and for payments pursuant to section 409; and there are further authorized to be appropriated such sums for the fiscal year ending June 30, 1976, and for each of the next succeeding three fiscal years, as may be necessary to enable students who have received loans from such student loan funds for school years ending prior to June 30, 1976, to continue or complete their education; and

"(2) for making payments to its students for employment in programs of work study established pur-

suant to their agreements under this part, and for payments pursuant to section 409.

"(c) Sums appropriated pursuant to this section for any fiscal year shall remain available for the purposes for which appropriated until the close of the fiscal year succeeding the fiscal year for which they were appropriated.

"ALLOTMENT OF FUNDS TO INSTITUTIONS OF HIGHER EDUCATION

"SEC. 403. (a) The Commissioner shall from time to time set dates by which institutions of higher education with which he has entered into agreements under this part must file applications for allotments to such institutions of funds appropriated pursuant to section 402. Such allotments shall be allocated as required by subsection (b) and shall be made in accordance with equitable criteria which the Commissioner shall establish and which shall be designed to achieve a distribution of such funds among such institutions of higher education as will most effectively carry out the purposes of this part: *Provided*, That the funds allotted to all institutions of higher education in any State for any fiscal year shall not exceed 12½ per centum of all of the funds appropriated pursuant to section 402 for such fiscal year.

"(b) (1) The Commissioner shall prescribe the amount

of each allotment pursuant to subsection (a) that shall be allocated for use in each of the programs enumerated by section 401 to which such allotment may be applied under the agreement entered into between the Commissioner and the applicant institution under this part.

"(2) An applicant institution to which funds are allotted pursuant to subsection (a) may, from time to time during the period in which such allotment remains available for its use, reallocate not to exceed (except with the approval of the Commissioner) an aggregate during such period of 20 per centum of any allocation prescribed pursuant to the preceding paragraph. Such reallocation shall augment one or both remaining allocations so prescribed in such proportions as the applicant institution may determine are required to best serve the purposes of the programs with respect to which an allotment to the applicant institution has been made: *Provided*, That nothing in this paragraph shall authorize such institution to reallocate any amount of such allotment deposited as a capital contribution to a student loan fund established pursuant to its agreement under this part, other than a reallocation during the fiscal year for which such allocation is made and during the next succeeding fiscal year.

"(c) The amount of any allotment under subsection

(a) for any fiscal year which the Commissioner determines will not be required for such year or the next fiscal year shall be available for reallotment in the manner prescribed for allotments made pursuant to subsection (a). Any amount reallotted to an institution under this subsection from appropriations for any fiscal year shall be deemed part of its allotment for that fiscal year.

"(d) Payments from that portion of an allotment allocable to national defense student loans shall be made to an institution of higher education in such installments as the Commissioner determines will not result in unnecessary accumulations in the student loan fund established by the institution pursuant to its agreement under this part.

"EDUCATIONAL OPPORTUNITY GRANTS

"SEC. 404. (a) An institution of higher education, in accordance with its agreement under this part, may award educational opportunity grants to undergraduate students under which the institution shall pay to any such student not to exceed $1,000 for each academic year over which such grant, as provided by subsection (b), shall extend. The Commissioner shall, subject to the foregoing limitation, prescribe for the guidance of participating institutions basic criteria or schedules (or both) for the determination of the amount of any such educational opportunity grant, taking

into account the objective of limiting grant aid under this part to students of exceptional financial need and such other factors, including the number of dependents in the family, as the Commissioner may deem relevant. The Commissioner may also prescribe a minimum amount payable for any academic year under any such grant.

"(b) The duration of an educational opportunity grant awarded under this part shall be the period required for the completion by the recipient of his undergraduate course of study at the institution of higher education from which he received the educational opportunity grant, but shall in no event, except as otherwise provided in this subsection, exceed four academic years less any such period with respect to which the recipient has previously received payments under this part pursuant to a prior educational opportunity grant (whether made by the same or another institution). With respect to a student (1) who is pursuing a course of study leading to a first degree and designed by the institution to extend over five academic years, or (2) who is or will be unable to complete a course of study within the maximum period of years specified in the preceding sentence because of a requirement of the institution that the student enroll in a noncredit remedial course of study, such period may be extended by the institution for one additional academic year. For purposes of the preceding sentence, a 'noncredit re-

medial course of study' is a course of study for which no credit is given toward an academic degree, and which is designed to increase the ability of the student to engage in an undergraduate course of study leading to such a degree.

"(c) An educational opportunity grant awarded under this part shall entitle the recipient to payments only if he (1) is maintaining satisfactory progress in the course of study that he is pursuing, according to the regularly prescribed standards and practices of the institution from which he received the grant, and (2) is devoting essentially full time to that course of study, during the academic year, in attendance at that institution. Failure to be in attendance at the institution during vacation periods or periods of military service, or during other periods during which the Commissioner determines in accordance with regulations that there is good cause for his nonattendance (during which periods he shall receive no payments) shall not be deemed contrary to clause (2) of the preceding sentence.

"NATIONAL DEFENSE STUDENT LOANS

"SEC. 405. (a) (1) Institutions of higher education, in accordance with their agreements under this part, may make loans to undergraduate, graduate or professional students for any academic year from loan funds established pursuant to such agreements, but the total thereof to any student for any such year may not exceed $2,500 in the case of any graduate

or professional student (as defined in regulations of the Commissioner), and may not exceed $1,500 in the case of any other student. The aggregate of the loans for all years from such funds may not exceed $11,000 in the case of any graduate or professional student (as so defined, and including any loans from such funds made to such person before he became a graduate or professional student), or $6,000 in the case of any other student.

"(2) Loans from any such loan fund to any student by any institution of higher education shall be made on such terms and conditions as the institution may determine; subject, however, to such conditions, limitations, and requirements as the Commissioner may prescribe (by regulation or in the agreement with the institution) with a view to preventing impairment of the capital of the student loan fund to the maximum extent practicable in the light of the objective of enabling the student to complete his course of study; and except that—

"(A) such loan shall be evidenced by a note or other written agreement which provides for repayment of the principal amount, together with interest thereon in equal installments (or if the borrower so requests in graduated periodic installments determined in accordance with such schedules as may be approved by the Commissioner) payable quarterly, bimonthly or monthly

(at the option of the institution) over a period beginning nine months after the date on which the borrower ceases to carry at an institution of higher education or at a comparable institution outside the States approved for this purpose by the Commissioner at least one-half the normal full-time academic workload as determined by that institution and ending ten years and nine months after such date except that (i) interest shall not accrue on any such loan and installments need not be paid during any period (I) during which the borrower is carrying, at an institution of higher education or at a comparable institution outside the States approved for this purpose by the Commissioner, at least one-half the normal full-time academic workload as determined by the institution, (II) not in excess of three years during which the borrower is a member of the Armed Forces of the United States, (III) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act or (IV) not in excess of three years during which the borrower is in service as a full-time volunteer under title VIII of the Economic Opportunity Act of 1964: *Provided,* That this clause shall apply to any loan outstanding on the effective date of the Peace Corps Act only with the consent of the then obligee institutions, (ii) any such period shall not be

included in determining the ten-year period during which the repayment must be completed, (iii) such ten-year period may also be extended for good cause determined in accordance with the regulations of the Commissioner, (iv) the institution may provide that installments need not be paid during any period or periods, aggregating not in excess of three years, during which the borrower is in less than half-time attendance at an institution of higher education taking courses which are creditable toward a degree, and may also provide that any such period shall not be included in determining the ten-year period during which the repayment must be completed, but interest shall continue to accrue during any such period, (v) the borrower may at his option accelerate repayment of the whole or any part of such loan, and (vi) the institution may provide, in accordance with regulations of the Commissioner, that during the repayment period of the loan payments of principal and interest by the borrower with respect to all the outstanding loans made to him from loan funds established pursuant to this part shall be at a rate equal to not less than $15 per month.

"(B) not to exceed 50 per centum of any such loan (plus interest) shall be canceled for service as a full-time teacher in a public or other nonprofit ele-

mentary or secondary school in a State, in an institution of higher education, or in an elementary or secondary school overseas of the Armed Forces of the United States or for comparable service as a full-time teacher in a program of special (including preschool) education or training designed to combat disadvantage, poverty, or unemployment which is conducted by such a school or institution or by another public or nonprofit agency, institution, or organization in a State, at the rate of 10 per centum of the total amount of such loan plus interest thereon for each complete academic year or its equivalent (as determined under regulations of the Commissioner) of such service, except that (i) such rate shall be 15 per centum for each complete academic year or its equivalent (as determined under regulations of the Commissioner) of service as a full-time teacher in a public or other nonprofit elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title II of Public Law 874, Eighty-first Congress, as amended, and which for purposes of this clause and for that year has been determined by the Commissioner, pursuant to regulations and after consulation with the State educational agency of the State in which the school is located, to be a school in which

there is a high concentration of students from low-income families, except that the Commissioner shall not make such determination with respect to more than 25 per centum of the total of the public and other nonprofit elementary and secondary schools in any one State for any one year, (ii) such rate shall be 15 per centum for each complete academic year or its equivalent (as so determined by regulations) of service as a full-time teacher of handicapped children (including mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed or other health impaired children who by reason thereof require special education) in a public or other nonprofit elementary or secondary school system, and (iii) for the purposes of any cancellation pursuant to clause (i) or (ii), an additional 50 per centum of any such loan (plus interest) may be canceled but nothing in this paragraph shall authorize refunding any payment;

"(C) such a loan shall bear interest, on the unpaid balance of the loan, at the rate of 3 per centum per annum except that no interest shall accrue before the date on which repayment of the loan is to begin in all cases except where the date on which repayment is to begin is suspended by reason of clause (iv) of paragraph (A);

"(D) such a loan shall be made without security and without endorsement, except that, if the borrower is a minor and the note or other evidence of obligation executed by him would not, under the applicable law, create a binding obligation, either security or endorsement may be required;

"(E) the liability to repay any such loan shall be canceled upon the death of the borrower, or if he becomes permanently and totally disabled as determined in accordance with regulations of the Commissioner;

"(F) such a loan by an institution for any year shall be made in such installments as may be provided in regulations of the Commissioner or the agreement with the institution under this part and, upon notice to the Commissioner by the institution that any recipient of a loan is failing to maintain satisfactory standing, any or all further installments of his loan shall be withheld, as may be appropriate; and

"(G) no note or other evidence of such a loan may be transferred or assigned by the institution of higher education making the loan except, upon the transfer of the borrower to another institution of higher education participating in the program under this part (or, if not participating, is eligible to do so and is approved

by the Commissioner for such purpose), to such institution.

"(b) Pursuant to regulations of the Commissioner, an institution may assess a charge with respect to a loan from the loan fund established by the institution pursuant to this part for failure of the borrower to pay all or any part of an installment when it is due and, in the case of a borrower who is entitled to deferment benefits under section 405(a)(2)(A) or cancellation benefits under section 405(a)(2)(B), for any failure to file timely and satisfactory evidence of such entitlement. The amount of any such charge may not exceed—

"(1) in the case of a loan which is repayable in monthly installments, $1 for the first month or part of a month by which such installment or evidence is late and $2 for each such month or part of a month thereafter; and

"(2) in the case of a loan which has a bimonthly or quarterly repayment interval, $3 and $6, respectively, for each such interval or part thereof by which such installment or evidence is late.

The institution may elect to add the amount of any such charge to the principal amount of the loan as of the first day after the day on which such installment or evidence was

due, or to make the amount of the charge payable to the institution not later than the due date of the next installment after receipt by the borrower of notice of the assessment of the charge.

"(c) (1) The Commissioner shall have power to compromise, waive, or release any right, title, claim, or demand, however arising or acquired under this section.

"(2) Financial transactions of the Commissioner under this section, and under such provisions of an agreement with an institution appertaining thereto, and vouchers approved by him in connection with such financial transactions, shall be final and conclusive upon all officers of the Government; except that all such transactions shall be subject to audit by the General Accounting Office at such times and in such manner as the Comptroller General may by regulation prescribe.

"(d) (1) After June 30, 1979, and not later than September 30, 1979, there shall be a capital distribution of the balance of the student loan fund established under this part by each institution of higher education as follows:

"(A) The Commissioner shall first be paid an amount which bears the same ratio to the balance in such fund at the close of June 30, 1979, as the total amount of the Federal capital contributions to such fund under this

part bears to the sum of such Federal capital contributions and the institution's capital contributions to such fund.

"(B) The remainder of such balance shall be paid to the institution.

"(2) After September 30, 1979, each institution with which the Commissioner has made an agreement under this part shall pay to the Commissioner, not less often than quarterly, the same proportionate share of amounts received by the institution after June 30, 1979, in payment of principal or interest on student loans made from the student loan fund established pursuant to such agreement (which amount shall be determined after deduction of any costs of litigation incurred in collection of the principal or interest on loans from the fund and not already reimbursed from the student loan fund or such payments of principal or interest) as was determined for the Commissioner under paragraph (1).

"(3) Upon a finding by the institution or the Commissioner prior to July 1, 1979, that the liquid assets of a student loan fund established pursuant to an agreement under this title exceed the amount required for loans or otherwise in the foreseeable future, and upon notice to such institution or to the Commissioner, as the case may be, there shall be, subject to such limitations as may be included in regulations of the Commissioner or in such agreement, a capital

distribution from such fund. Such capital distribution shall be made as follows:

"(A) The Commissioner shall first be paid an amount which bears the same ratio to the total to be distributed as the Federal capital contributions by the Commissioner to the student loan fund prior to such distribution bear to the sum of such Federal capital contributions and the capital contributions to the fund made by the institution.

"(B) The remainder of the capital distribution shall be paid to the institution.

"WORK-STUDY PROGRAMS

"SEC. 406. (a) An institution of higher education, in accordance with its agreement under this part, may pay for the part-time employment of its undergraduate, graduate, or professional students, through programs of work study, in work for the institution itself, but only in the case of a public or other nonprofit institution, or work in the public interest for a public or private nonprofit organization under an arrangement between the institution and such organization, provided that such work—

"(1) will not result in the displacement of employed workers or impair existing contracts for services.

"(2) will be governed by such conditions of employment as will be appropriate and reasonable in light

of such factors as type of work performed, geographical region, and proficiency of the employee, and

"(3) does not involve the construction, operation, or maintenance of so much of any facility as is used or is to be used for sectarian instruction or as a place for religious worship.

"(b) (1) No student shall be employed through such programs of work study for an average of more than fifteen hours per week over a semester, or other term used by the institution in awarding credits, during which classes in which the student is enrolled are in session, nor more than forty hours in any one week during such semester or term.

"(2) For purposes of computing the average prescribed by the preceding paragraph, there shall be excluded vacation or comparable periods of additional or nonregular enrollment (as respects the particular student). Employment under a work-study program during any such period of additional or nonregular enrollment in which classes in which the student is enrolled are in session shall, subject to the forty-hour limitation of the preceding paragraph, be only to the extent and in accordance with criteria established by or pursuant to regulations of the Commissioner.

"AGREEMENTS WITH INSTITUTIONS

"SEC. 407. (a) An institution of higher education that desires to obtain funds for educational opportunity grants,

national defense student loans, or work-study programs under this part, shall enter into an agreement with the Commissioner. Except as provided by subsection (b), such agreement shall—

"(1) provide that the funds received by the institution under this part shall be used by it only for the purposes specified in, and in accordance with, the provisions of this part;

"(2) provide that the institution shall conduct a program of educational opportunity grants and, (A) provide that in determining whether an individual meets the requirements of paragraph (5) of this subsection the institution will (i) consider the source of such individual's income and that of any individual or individuals upon whom the student relies primarily for support, and (ii) make an appropriate review of the assets of the student and of such individuals; and (B) in cooperation with other institutions of higher education where appropriate, shall make vigorous efforts to identify qualified youths of exceptional financial need and to encourage them to continue their education beyond secondary school through programs and activities such as—

"(i) establishing or strengthening close working relationships with secondary-school principals and guidance and counseling personnel with a view

toward motivating students to complete secondary school and pursue post-secondary-school educational opportunities, and

"(ii) making, to the extent feasible, conditional commitments for educational opportunity grants to qualified secondary school students with special emphasis on students enrolled in grade 11 or lower grades who show evidences of academic or creative promise;

"(3) (A) provide for the establishment of a student loan fund by such institution into which shall be deposited (i) allocations for this purpose of allotments to the institution as Federal capital contributions, (ii) an amount, equal to not less than one-ninth of such Federal capital contributions, contributed by such institution, (iii) collections of principal and interest on student loans made from such fund, (iv) charges collected pursuant to section 405(b), and (v) any other earnings of the fund;

"(B) provide that such student loan fund shall be used only for (i) loans to students in accordance with the agreement and the provisions of section 405, (ii) capital distributions as provided in this part, and (iii) cost of litigation, and other collection costs agreed to by the Commissioner, arising in connection with the collection of any loan from the fund, interest on such

loan, or charge assessed with respect to that loan pursuant to section 405 (b) ;

"(C) provide that the institution may withdraw from such student loan fund such amount deposited as Federal capital contributions as it may reallocate pursuant to section 403 (b) (2), and such amount contributed by such institution pursuant to the requirement of subparagraph (A) (ii) as may be associated therewith;

"(D) provide that the Commissioner shall pay to the appropriate institution, at such time or times as he determines, an amount which bears the same ratio to the interest which has been prevented from accruing and the portion of the principal which has been canceled on student loans pursuant to paragraph (2) (B) of section 405 (a) (and not previously paid) as the total amount of the institution's capital contributions to such fund under this part bears to the sum of such institution's capital contributions and the Federal capital contributions to such fund;

"(4) provide for the operation by the institution of a program of work study, in accordance with the provisions of section 406, under which program the Federal share of the compensation of students employed thereby shall not exceed 90 per centum: *Provided*, That nothing

in the agreement shall restrict the source (other than from an allotment under this part) from which the institution may pay its share of the compensation of a student employed under a work-study program covered by the agreement, and such share may be paid to such student in the form of services and equipment (including tuition, room, board, and books) furnished by such institution;

"(5) provide that the institution (A) shall award an educational opportunity grant only to a student who is of exceptional financial need, (B) shall give preference in the selection of students for employment under a work-study program to students from low-income families, and (C) shall extend assistance under this part only to a student who is in need of such assistance in order to pursue a course of study at such institution;

"(6) provide that the institution shall extend assistance under this part only to a student (A) who has been accepted for enrollment at the institution or, in the case of a student already enrolled in and attending the institution, is in good standing and, in the opinion of the institution, capable of maintaining such standing during the period during which such assistance is received, and (B) who will be or is devoting essentially full time to a prescribed course of study at such institution or, solely

with respect to his eligibility for a national defense student loan, will be or is carrying at least one-half of the normal full-time academic workload as determined by the institution;

"(7) include provisions designed to make assistance under each program for which the institution receives funds pursuant to this part reasonably available, to the extent of such funds, to all eligible students in such institution in need thereof;

"(8) provide assurance that in each fiscal year for which the institution receives an allotment under this part, the institution will expend in its own programs of student assistance (including student assistance through employment of its students, whether or not in employment eligible for assistance under this part), exclusive of any component of such expenditures representing payment to the institution of Federal financial assistance as determined in accordance with regulations of the Commissioner, an amount that is not less than the lesser of (A) its average annual expenditure for such purposes during the three fiscal years preceding the fiscal year in which the institution made application for such allotment, (B) an amount prescribed by the Commissioner (not in excess of the amount determined pursuant to clause (A)) with respect to such institution upon its

demonstration to the satisfaction of the Commissioner (i) that it will suffer in the fiscal year of such allotment a substantial reduction in funds (exclusive of any such reduction attributable to a loss of public (other than Federal) financial assistance) beyond its control, (ii) that the amount determined pursuant to clause (A) was materially augmented by funds available to the institution through circumstances that may not reasonably be expected to recur during the fiscal year of such allotment, or (iii) that through substantial reduction of student enrollment the amount determined pursuant to clause (A) would represent an excessive expenditure for student assistance in the fiscal year of such allotment;

"(9) include such other provisions as the Commissioner shall deem necessary or appropriate to carry out the purposes of this part.

"(b) An institution of higher education may elect to participate in the programs of educational opportunity grants, national defense education loans, and work-study, or in any two of such programs, or in only one such program. An agreement with an institution that elects not to participate in the educational opportunity grant program or the national defense student loan program or the work-study program shall omit the provisions required by paragraphs (2) or

(3) or (4) of subsection (a), respectively. Any election under this subsection may be amended in accordance with the terms of the agreement and the regulations appertaining thereto.

"(c) The Commissioner, in addition to the other powers conferred upon him by this part, shall have power to agree to modifications of agreements entered into under this section.

"LOANS TO INSTITUTIONS

"SEC. 408. (a) Upon application by any institution of higher education with which he has made an agreement under this part, the Commissioner may make a loan to such institution for the purpose of helping to finance the institution's capital contributions to a student loan fund established pursuant to such agreement, or for the purpose of helping the institution to pay not in excess of 10 per centum of the compensation of students employed in work-study programs under this part, or both. Any such loan may be made only if such institution shows it is unable to secure such funds from non-Federal sources upon terms and conditions which the Commissioner determines to be reasonable and consistent with the purposes of this part. Loans made to institutions under this section shall bear interest at a rate which the Commissioner determines to be adequate to cover (1) the cost of the funds to the Treasury as determined by the Secretary of the Treasury, taking into consideration the

current average yields of outstanding marketable obligations of the United States having maturities comparable to the maturities of loans made by the Commissioner under this section, (2) the cost of administering this section, and (3) probable losses.

"(b) There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this section, but not to exceed a total of $25,000,000.

"(c) Loans made by the Commissioner under this section shall mature within such period as may be determined by the Commissioner to be appropriate in each case, but not exceeding fifteen years.

"(d) The Commissioner shall have power to agree to modifications of agreements or loans made under this section, and to compromise, waive, or release any right, title, claim, or demand however arising under this section.

"EXPENSES OF ADMINISTRATION

"SEC. 409. (a) An institution of higher education that has entered into an agreement with the Commissioner under this part shall be entitled for each fiscal year for which it receives an allotment under this part to a payment in lieu of reimbursement for its expenses during such fiscal year in administering programs assisted under this part. Such payment (1) shall be payable from such allotment in accordance with regulations of the Commissioner, and (2) shall be an amount equal to 3 per centum of the institution's expendi

tures during a fiscal year from any allotment under this part (for which purpose a Federal capital contribution to a student loan fund shall be deemed to be an expenditure if such moneys are actually paid into such fund), plus such non-Federal expenditures required by an agreement in accordance with section 407(a)(4) and section 407(a)(3)(A)(ii) related thereto and required by the agreement, except that such payment shall not exceed $125,000 in any fiscal year.

"(b) An agreement under this part may also include provisions authorizing the institution, to the extent and under terms and conditions prescribed by the Commissioner by or pursuant to regulation, to use, out of the sums allocated to it for work-study programs, a portion (in addition to sums payable pursuant to subsection (a)) for its administrative expenses (which for this purpose may, among other expenses, include expenses of counseling and guidance, placement, and consulting services) in developing or carrying out a program, described in such agreement, to demonstrate or explore the feasibility or value of methods of cooperative education involving alternative periods of full-time academic study at the institution and periods of full-time public or private employment (whether or not afforded by an organization described in section 406(a)) approved or arranged for by the institution under such program.

"DEFINITIONS

"SEC. 410. As used in this part the term—

"(1) 'academic year' means an academic year or its equivalent as defined in regulations of the Commissioner;

"(2) 'institution of higher education' means such institution as defined in section 801 (a) (but situated in a State as defined by clause (3) of this section) except that, (A) for purposes of application to the Commissioner and eligibility for an allotment to be allocated exclusively for work-study programs, such definition shall include any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provisions of clauses (1), (2), and (5) of such section, and (B) if the Commissioner determines that schools of a particular category fail to meet the requirements of clause (5) of section 801 (a) because there is no nationally recognized accrediting agency or association qualified to accredit schools in such category, but that such schools otherwise meet the definition of 'institution of higher education' contained in section 801 (a) (as extended by clause (A) of this paragraph), he shall, pending the establishment of such an accrediting agency or association, appoint an advisory committee, composed of persons specially qualified to evaluate

training provided by such schools in such category, which shall (i) prescribe the standards of content, scope, and quality which must be met in order to qualify schools in such category to participate in this part, and (ii) determine whether particular schools not meeting the requirements of clause (5) of section 801 (a) meet those standards;

"(3) 'State' means the several States of the Union, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands, and, solely with respect to participation by an institution of higher education situated therein in a program of national defense student loans under this part, the Canal Zone."

(b) (1) Payments to students from sums allotted to institutions of higher education for the fiscal year ending June 30, 1970, and for each fiscal year thereafter, in continuation of educational opportunity grants awarded for fiscal years prior to the fiscal year ending June 30, 1970, shall be in accordance with the terms and conditions of part A of title IV of the Higher Education Act of 1965 as amended by subsection (a) of this section.

(2) (A) A student loan fund established under an agreement entered into pursuant to section 204 of the National Defense Education Act of 1958 prior to the fiscal year ending June 30, 1970, shall, with the consent of the insti-

tution, be deemed to be a student loan fund established under part A of title IV of the Higher Education Act of 1965 as amended by subsection (a) of this section. An institution of higher education that has established such student loan fund prior to the fiscal year ending June 30, 1970, and which enters into an agreement with the Commissioner of Education under part A of title IV of the Higher Education Act of 1965 as amended by subsection (a) of this section, shall waive any entitlement to payments pursuant to clause (C) of section 204 (3) of the National Defense Education Act of 1958 for fiscal years ending after June 30, 1969.

(B) Clause (B) of section 405 (a) (2) of the Higher Education Act of 1965 as amended by subsection (a) of this section shall apply with respect to teaching service performed during academic years beginning after June 30, 1969, whether the loan was made on, before, or after such date.

(3) Effective with respect to appropriations for fiscal years ending on or after June 30, 1970, there are repealed (A) (i) title II of the National Defense Education Act of 1958, and so much of the table of contents as makes reference thereto, (ii) so much of subsection (a) of section 103 of such Act as provides: "(1) as used in section 205 (b) (3) such term includes the Trust Territory of the Pacific Islands, and (2)", and (iii) the second and third sentences

of subsection (b) of section 103 of such Act, (B) part C of title I of the Economic Opportunity Act of 1964, and (C) part C of title IV of the Higher Education Act of 1965.

ONE-YEAR EXTENSION OF EDUCATIONAL OPPORTUNITY GRANT, NATIONAL DEFENSE STUDENT LOAN, AND WORK-STUDY PROGRAMS

SEC. 403. (a) (1) The first sentence of subsection (b) of section 401 of the Higher Education Act of 1965 is amended by inserting after "two succeeding fiscal years," the following: "and such sums as may be necessary for the fiscal year ending June 30, 1969,".

(2) (A) Such subsection (b) is further amended by striking out the second sentence thereof.

(B) Sections 405 (b), 406 (b), and 407 (b) (2) of such Act are each amended by striking out "third sentence" and inserting in lieu thereof "second sentence".

(b) (1) Section 201 of the National Defense Education Act of 1958 is amended (A) by striking out "and" before "$225,000,000", (B) by inserting after "June 30, 1968," the following: "and such sums as may be necessary for the fiscal year ending June 30, 1969;" (C) by striking out "and such sums for the fiscal year ending June 30, 1969" and inserting in lieu thereof "and there are further authorized to be appropriated such sums for the fiscal year ending June 30,

1970", and (D) by striking out "July 1, 1968" and inserting in lieu thereof "July 1, 1969".

(2) Subsection 202 of such Act is amended by striking out "1968" in subsections (a) and (b) and inserting in lieu thereof "1969".

(3) Section 206 of such Act is amended by striking out "1972" each time it appears in subsections (a), (b), and (c) of such section, and inserting in lieu thereof "1973".

(c) The first sentence of section 442 of the Higher Education Act of 1965 is amended (1) by striking out "and" before "$200,000,000", and (2) by inserting after "June 30, 1968," the following: "and such sums as may be necessary for the fiscal year ending June 30, 1969,".

PART B—AMENDMENTS TO STUDENT LOAN INSURANCE PROGRAMS

AUTHORIZING DEFERMENT OF REPAYMENT OF STATE OR PRIVATELY INSURED LOAN DURING ATTENDANCE OF STUDENT BORROWER AT ELIGIBLE INSTITUTION OR DURING MILITARY, PEACE CORPS, OR VISTA SERVICE; AND AUTHORIZING FEDERAL PAYMENT OF ALL INTEREST ACCRUING DURING ANY SUCH ATTENDANCE OR SERVICE

SEC. 421. (a) (1) Section 428 of the Higher Education Act of 1965 is amended by adding at the end of such section the following new subsection:

"(c) The Commissioner shall encourage the inclusion,

in any State student loan program or any State or nonprofit private student loan insurance program meeting the requirements of subsection (a) (1) (B) or (C), of provisions authorizing or requiring that in the case of student loans covered by such program periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period (1) during which the borrower is pursuing a full-time course of study at an eligible institution (or at a comparable institution outside the States approved for this purpose by the Commissioner), (2) not in excess of three years during which the borrower is a member of the Armed Forces of the United States, (3) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act, or (4) not in excess of three years during which the borrower is in service as a full-time volunteer under title VIII of the Economic Opportunity Act of 1964. In the case of any such State or nonprofit private program containing such a provision any such period shall be excluded in determining the period specified in clause (ii) of subparagraph (C), or the maximum period for repayment specified in subparagraph (D), of subsection (b) (1) of this section."

(2) (A) Subparagraph (C) (ii) of paragraph (1) of section 428 (b) of the Higher Education Act of 1965 is amended by inserting after "(ii)" the following: "except as provided in subsection (c) of this section,".

(B) Subparagraph (D) of such paragraph is amended by inserting after "subject to subparagraph (C)" the following: "of this paragraph and except as provided by subsection (c) of this section".

(b) (1) Clause (i) of subparagraph (C) of section 427 (a) (2) of such Act is amended by striking out "institution of higher education" and inserting in lieu thereof "eligible institution".

(2) Clause (iv) of such subparagraph is amended by inserting "full-time" before "volunteer".

(c) The first sentence of paragraph (2) of section 428 (a) of the Higher Education Act of 1965 is amended by inserting after "repayment period of the loan," the following: "or which accrues during a period in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in subsection (c) of this section or in subsection (a) (2) (C) of the preceding section,".

(d) Deferment of repayment of principal, as provided in the amendments made by subsection (a) of this section, may be authorized (but not required) with respect to loans meeting the requirements of subparagraph (B) or (C) of section 428 (a) (1) of the Higher Education Act of 1965 which are outstanding on the sixtieth day after the date of enactment of this Act, but only with respect to periods of attendance or service occurring on or after such

sixtieth day. The amendments made by subsection (b) shall be effective with respect to loans made by the Commissioner and, with the consent of the lender, loans insured by the Commissioner, which are outstanding on such date of enactment, but only with respect to periods of attendance occurring on or after such date or after June 30, 1968, whichever is later. The amendments made by subsection (c) shall become effective on the sixtieth day after the date of enactment of this Act.

COORDINATION BETWEEN NON-FEDERAL AND FEDERAL PROGRAMS WITH RESPECT TO MAXIMUM AMOUNTS OF INDIVIDUAL LOANS INSURED, ISSUANCE OF INSTALLMENT OBLIGATIONS, AND MINIMUM AMOUNTS OF REPAYMENT INSTALLMENTS ON SUCH LOANS

Annual Maximum of $1,500, Aggregate Maximum of $7,500

SEC. 422. (a) (1) Subparagraph (A) of section 428 (b) (1) of the Higher Education Act of 1965 is amended by inserting the following before the semicolon at the end of such subparagraph: ", which limit shall not be deemed exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any such year in excess of such annual limit; and provides that the aggregate insured unpaid principal amount of all such insured loans made to any student shall not at any time exceed $7,500;".

(2) Paragraph (1) of section 425(a) of the Higher Education Act of 1965 is amended (A) by striking out "in the case of a graduate or professional student (as defined in regulations of the Commissioner), or $1,000 in the case of any other student" in the first sentence, and (B) by striking out "in the case of any graduate or professional student (as defined in regulations of the Commissioner, and including any such insured loans made to such person before he became a graduate or professional student), or $5,000 in the case of any other student" in the second sentence.

Issuance of Installment Obligations

(b) Subparagraph (D) of section 428(b)(1) is amended (1) by amending "subparagraph (C)" to read "subparagraphs (C) and (K)", and (2) by striking out ", where the total of the insured loans to any student which are held by any one person exceeds $2,000, repayment of such", and inserting in lieu thereof "repayment of".

Minimum Annual Repayments

(c)(1) Paragraph (1) of section 428(b) of the Higher Education Act of 1965 is amended (A) by striking out "and" at the end of paragraph (I), (B) by striking out the period at the end of subparagraph (J) and inserting ": and" in lieu thereof, and (C) by adding after subparagraph (J) the following:

"(K) provides that the total of the payments by a

borrower during any year of any repayment period with respect to the aggregate amount of all loans to that borrower which are insured under this part shall not be less than $360 or the balance of all such loans (together with interest thereon), whichever amount is less."

(2) Subsection (c) of section 427 of such Act is amended by striking out "by the Commissioner".

(d) (1) The amendments made by this section shall apply to loans made on or after the sixtieth day after the date of enactment of this Act. In computing the maximum amounts which may be borrowed by a student, and the minimum amounts of repayment allowable with respect to sums borrowed by a student, on or after such sixtieth day there shall be included all loans, whenever made, insured pursuant to the insurance program under which the computation is made.

(2) The Commissioner of Education shall undertake to obtain necessary modifications of agreements entered into by him pursuant to section 428 (b) (1) of the Higher Education Act of 1965 and in force upon the date of enactment of this Act so as to conform the provisions of such agreements to the requirements of such section 428 (b) (1) as amended by this section. If, however, such modifications cannot be obtained because a party to such an agreement is subject to a statute of a State that prevents such party from complying with the

terms of such modification, the Commissioner shall not, before the fourth month after the adjournment of such State's first regular legislative session which adjourns more than sixty days after enactment of this Act, exercise his authority to terminate, or to refuse to extend, such agreement.

(3) This subsection shall not apply so as to require violation of any commitment for insurance made to an eligible lender, or of any line of credit granted to a student prior to such sixtieth day or, except with the consent of the State or nonprofit private agency concerned, impair the obligation of any agreement made pursuant to section 428(b) of the Higher Education Act of 1965.

FEDERAL GUARANTY OF STUDENT LOANS INSURED BY STATES OR NONPROFIT PRIVATE INSTITUTIONS OR ORGANIZATIONS, AND FEDERAL ADVANCES TO RESERVE FUNDS OF STUDENT LOAN INSURANCE PROGRAMS OF SUCH STATES, INSTITUTIONS, OR ORGANIZATIONS

Federal Guaranty of Student Loans Insured by States or Nonprofit Private Institutions or Organizations

SEC. 423. (a) (1) Subsection (a) of section 421 of the Higher Education Act of 1965 is amended by striking out "and" before "(3)", and by adding before the period at the end of that subsection the following: ", and (4) to guarantee a portion of each loan insured under a program of a State or of a nonprofit private institution or organization which meets the requirements of section 428(a)(1)(C)".

(2) Section 428 of such Act is amended by adding after subsection (c) (as added by section 421(a)(1) of this Act) the following new subsection:

"(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.

"(2) The guaranty agreement—

"(A) shall set forth such administrative and fiscal procedures as may be necessary to protect the United States from the risk of unreasonable loss thereunder, to insure proper and efficient administration of the loan insurance program, and to assure that due diligence will be exercised in the collection of loans insured under the program;

"(B) shall provide for making such reports, in such form and containing such information, as the Commissioner may reasonably require to carry out his functions

under this subsection, and for keeping such records and for affording such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports;

"(C) shall set forth adequate assurance that, with respect to so much of any loan insured under the loan insurance program as may be guaranteed by the Commissioner pursuant to this subsection, the undertaking of the Commissioner under the guaranty agreement is acceptable in full satisfaction of State law or regulation requiring the maintenance of a reserve; and

"(D) shall provide that 80 per centum of such amounts as may be made as payments of principal on loans in default, and with respect to which the Commissioner has made payment under the guaranty agreement, shall be paid over to the Commissioner for deposit in the insurance fund established by section 431, but shall not otherwise provide for subrogation of the United States to the rights of any insurance beneficiary.

"(E) may include such other provisions as may be necessary to promote the purposes of this part.

"(3) Nothing in this subsection shall be construed to preclude any forbearance for the benefit of the student borrower which may be agreed upon by the parties to an insured loan and approved by the insurer, or to require col-

lection of the amount of any loan by the insurance beneficiary or its insurer from the estate of a deceased borrower or from a borrower found by the insurance beneficiary or its insurer to have become permanently and totally disabled.

"(4) As used in this subsection, the terms 'insurance beneficiary' and 'default' shall have the meaning assigned to them by section 430(e).

"(5) In the case of any guaranty agreement entered into prior to September 1, 1969, with a State or nonprofit private institution or organization with which the Commissioner has in effect on that date an agreement pursuant to subsection (b) of this section, or section 9(b) of the National Vocational Student Loan Insurance Act of 1965, made prior to the date of enactment of this subsection, the Commissioner shall, in accordance with the terms of this subsection, undertake to guarantee outstanding loans insured by such State, institution, or organization which meet the conditions of subsection (a)(1)(C) of this section or section 9(a)(1)(C) of the National Vocational Student Loan Insurance Act of 1965, but only with respect to defaults occurring on or after the effective date of such guaranty agreement."

(3) Section 431 of such Act is amended (A) by inserting in the first sentence of subsection (a) ", or insured under a loan insurance program of a State or nonprofit private institution or organization with which he has made a guaranty

agreement," after "insured by him"; (B) by inserting in the third sentence of subsection (a) ", and in connection with such guaranty agreements," after "insured by the Commissioner"; and (C) by inserting in the first sentence of subsection (b) ", or in connection with any guaranty agreement," after "insured by the Commissioner".

Federal Advances to Reserve Funds of Student Loan Insurance Programs of States or Nonprofit Private Institutions or Organizations

(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 inserting ", 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) The second sentence of subsection (b) of section 421 of such Act is amended by striking out "under clauses (1) and (2)" and inserting in lieu thereof "under clauses (1), (2), and (4)".

(3) Paragraph (1) of section 422(a) of such Act is amended by striking out "clause (3)" in the first sentence and inserting in lieu thereof "clauses (3) and (4)", and

by striking out "of the fiscal years ending June 30, 1966, June 30, 1967, or June 30, 1968," and inserting in lieu thereof "fiscal year" in the second sentence.

(4) Paragraph (2) of section 422 (a) of such Act is redesignated paragraph (3), and there is added after paragraph (1) of section 422 (a) the following new paragraph:

"(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."

(5) Subsection (b) of section 422 of such Act is amended by striking out "pursuant to subsection (a)" in the first sentence and inserting in lieu thereof "pursuant to subsection (a) (1) from the sums appropriated pursuant to clause (3) of section 421 (b)", by amending the remaining references in that subsection to "subsection (a)" to

read "subsection (a) (1)", by deleting the last sentence of such subsection, by redesignating the subsection as subsection (b) (1), and by adding at the end of such subsection the following new paragraphs:

"(2) (A) The Commissioner shall reserve not in excess of 15 per centum of the sums appropriated pursuant to clause (4) of section 421 (b) as he may determine to be reasonably necessary to carry out the purposes of subparagraph (B). The total of the advances from the remainder of such sums (i) to nonprofit private institutions and organizations for the benefit of students in any State and (ii) to such State may not exceed an amount which bears the same ratio to such remainder as the population of such State aged eighteen to twenty-two, inclusive, bears to the population of all the States aged eighteen to twenty-two, inclusive, but such advances may otherwise be in such amounts as the Commissioner determines will best achieve the purposes for which they are made. The amount available, however, for advances to any State shall not be less than $25,000, and any additional funds needed to meet this requirement shall be derived by proportionately reducing (but not below $25,000) the amount available for advances to each of the remaining States.

"(B) From the sums reserved pursuant to subparagraph (A), the Commissioner may make advances, in such amounts as he determines will best achieve the purposes for which they are made, to any nonprofit private institution or

organization with which he has made an agreement pursuant to section 428(b), which insures loans under a student loan insurance program without regard to the domicile or residence of the student, and in which program there are participating lending institutions of more than one State.

"(3) For the purposes of this subsection, the population aged eighteen to twenty-two, inclusive, of each State and of all the States shall be determined by the Commissioner on the basis of the most recent satisfactory data available to him."

EXTENSION OF AUTHORITY FOR PAYMENTS TO REDUCE STUDENT INTEREST COST

SEC. 424. Paragraph (4) of section 428(a) of the Higher Education Act of 1965 is amended by striking out "1968" and inserting in lieu thereof "1973", and by striking out "1972" and inserting in lieu thereof "1977".

TECHNICAL AMENDMENTS

SEC. 425. (a) The caption of section 427 of the Higher Education Act of 1965 is amended by inserting "FEDERALLY INSURED" before "STUDENT LOANS".

(b) Subsection (a) of section 803 of the Higher Education Act of 1965 is amended by inserting the following immediately before the period at the end thereof: "or, in the case of functions vested in him by section 429, 430, or 432 (a) (other than paragraphs (1) and (2) thereof), to any

public or nonprofit private agency or institution in connection with the utilization of such agency or institution pursuant to subsection (b) of this section".

(c) (1) The second sentence of section 435(a) of the Higher Education Act of 1965, as amended by the International Education Act of 1966 to make students in comparable institutions abroad eligible under the reduced-interest loan insurance program, is further amended by inserting ", with respect to students who are nationals of the United States," after "Such term includes".

(2) Subsection (e) of section 435 is amended by inserting before the period at the end thereof the following: ", or a pension fund approved by the Commissioner for this purpose".

FEES PAYABLE TO ELIGIBLE LENDERS

SEC. 426. (a) Paragraph (2) of section 428(a) of the Higher Education Act of 1965 is amended by inserting "(A)" after "(2)" and by adding at the end of that subparagraph the following new subparagraph:

"(B) The Secretary shall from time to time establish appropriate schedules of maximum application fees and consolidation or other conversion fees (as defined by the Secretary) that, subject to the limitations of this paragraph and subject to such other requirements and conditions as the Secretary may prescribe, shall be paid by the Commissioner

to eligible lenders with respect to loans made by them and insured under this part by the Commissioner or under a program of a State or of a nonprofit private institution or organization. No such application fee and no such other fee shall exceed $35. No more than one such application fee may be paid by the Commissioner to any such lender with respect to all loans to the same student borrower for the same academic year (or its equivalent) of study and no more than one such consolidation or other conversion fee may be paid to any such lender in respect of the total insured indebtedness of a student incurred for the pursuit of his entire study program (as defined by the Secretary). In establishing such schedules, the Secretary may take into account among other factors the reasonable and necessary administrative costs (not adequately compensated for by allowable interest charges) to eligible lenders of making and servicing loans to be insured under this part."

(b) (1) There is added after the first sentence of paragraph (1) of section 428(a) the following new sentence: "In addition, the Commissioner shall pay, when due, such authorized application fees and consolidation or other conversion fees as may be provided pursuant to paragraph (2) (B) of this subsection with respect to loans to any such student but without regard to the student's adjusted family income."

(2) The second sentence of paragraph (2) (A) of such subsection (a) (as previously amended by this section) is further amended by inserting "and the fees payable under this subsection" after "determined".

(3) Paragraph (3) of such section is amended by inserting "or fees" after "interest".

(c) Clause (2) of section 421 (b) of such Act is amended by inserting "and fees" after "interest".

(d) The amendments made by this section shall be effective with respect to any loan insured pursuant to this part, if the note or other agreement evidencing such loan was executed on or after June 1, 1967. Payment of fees shall be in accordance with applicable schedules established by the Secretary pursuant to subparagraph (B) of section 428 (a) (2) and published in the Federal Register within sixty days after the date of enactment of this Act.

ACCRUAL OF FEDERAL INTEREST PAYMENT

SEC. 427. (a) Subparagraph (A) of section 428 (a) (2) of the Higher Education Act of 1965, as previously amended by section 426 of this Act, is further amended by adding at the end thereof the following new sentence: "Such regulations shall provide that upon the election of the holder of the loan, exercised in accordance with such terms and conditions as may be prescribed, the Commissioner shall defer payment of such interest as may accrue

subsequent to such election, which interest shall then itself bear interest compounded seminannually at a per annum rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining terms to maturity of five years, adjusted to the nearest one-eighth of 1 per centum. Such deferred interest (including the interest thereon) shall be paid to the holder in accordance with such regulations in a single payment to be made on or about the date upon which the loan or the final installment thereon is due or paid, whichever first occurs."

(b) The amendment made by this section shall be effective on the sixtieth day following the date of the enactment of this Act, and shall be applicable to all loans, outstanding upon such sixtieth day, with respect to which a portion of the interest thereon is payable by the United States pursuant to an entitlement under section 428 (a) (1).

INCREASE OF MAXIMUM FEDERAL INSURANCE PREMIUM

SEC. 428. (a) Subsection (c) of section 429 of the Higher Education Act of 1965 is amended by striking out "one-fourth of 1 per centum" and inserting in lieu thereof "one-half of 1 per centum".

(b) The amendment made by this section shall be effective with respect to certificates of Federal loan insur-

ance issued on or after the effective date of this Act with respect to loans made pursuant to any loan agreement or line of credit entered into after such effective date.

FEDERAL SAVINGS AND LOAN ASSOCIATIONS AUTHORIZED TO INVEST IN LOANS FOR VOCATIONAL EDUCATION

SEC. 429. Subsection (c) of section 5 of the Home-owners' Loan Act of 1933 is amended by striking out "expenses of college or university education" and inserting in lieu thereof "expenses of college, university, or vocational education".

MERGER OF NATIONAL VOCATIONAL STUDENT LOAN INSURANCE ACT OF 1965 WITH LOW-INTEREST INSURED LOAN PROGRAM OF HIGHER EDUCATION ACT OF 1965

SEC. 430. (a) (1) Paragraph (a) of section 435 of the Higher Education Act of 1965, as amended by this Act, is further amended (A) by striking out " 'eligible institution' means an educational institution" in the first sentence and inserting in lieu thereof " 'institution of higher education' means an educational institution"; (B) by redesignating the paragraph as subparagraph (2) of paragraph (a), and clauses (1), (2), (3), (4), and (5), and subclauses (A) and (B) and references thereto wherever they may appear, as clauses (A), (B), (C), (D), and (E), and subclauses (i) and (ii), respectively; and (C) by inserting before the

so redesignated subparagraph (2) the following new paragraph (1):

"(1) The term 'eligible institution' means an institution of higher education or a vocational school as defined by this section."

(2) Paragraph (a) of such section 435 is further amended by adding, as a new paragraph (3), the text of paragraph (a) of section 17 of the National Vocational Student Loan Insurance Act of 1965, as amended in the first sentence thereof (A) by striking out "eligible institution" and inserting in lieu thereof "vocational school"; (B) by amending the word "Act" in clause (4) (C) to read "part"; and (C) by redesignating clauses (1), (2), (3), and (4), and subclauses (A), (B), and (C), and references thereto wherever they may appear, as clauses (A), (B), (C), and (D), and subclauses (i), (ii), and (iii), respectively; and by adding after such first sentence the following new sentence: "Such term also includes, with respect to students who are nationals of the United States, any vocational school outside the States which is comparable to a vocational school described in the preceding sentence and which has been approved by the Commissioner for the purposes of this part."

(b) Subsection (a) of section 421 of the Higher Education Act of 1965, as amended by section 423 of this Act, is

further amended by striking out "and" before "(4)", and by adding before the period at the end of that subsection the following: ", and (5) to authorize direct loans to students attending vocational schools who are unable to obtain insured loans at interest rates that do not exceed rates prescribed by the Secretary for federally insured loans".

(c) Subsection (b) of section 422 of such Act is amended by striking out "$700,000,000" in the first sentence of such subsection and inserting in lieu thereof "$775,000,000"; and by striking out "$25,000" each time it appears in the second sentence and substituting in lieu thereof "$35,000".

(d) Paragraph (6) of section 428(a) is repealed.

(e) In lieu of section 433 of such Act (repealed by section 481(b) of this Act) there is inserted a new section 433 which shall contain the section heading and subsection designations and text of section 10 of the National Vocational Student Loan Insurance Act of 1965, amended as follows: (1) Subsection (a) of such text is amended by striking out "student who would be eligible for an insured loan under this Act" and inserting in lieu thereof "student who would be eligible for an insured loan for study at a vocational school under this part"; and (2) subsections (a) and (b) of such text are amended by striking out "section 8(a)(2)(D)"

each time it appears and inserting in lieu thereof "section 427(a)(2)(D)".

(f) Section 434 of such Act is amended by striking out "up to 10 per centum of their assets,".

(g) Section 435 of such Act is amended by adding at the end thereof the following new subsection:

"(g) The term 'State', as defined in subsection (b) of section 801, includes the Trust Territory of the Pacific Islands."

(h)(1) The National Vocational Student Loan Insurance Act of 1965 is repealed.

(2) All assets and liabilities of the vocational student loan insurance fund established by section 13 of the National Vocational Student Loan Insurance Act of 1965, matured or contingent, shall be transferred to, and become assets and liabilities of, the student loan insurance fund established by section 431 of the Higher Education Act of 1965.

(i)(1) The amendments and repealers effected by this section shall apply to loans made on or after the sixtieth day after the date of enactment of this Act. In computing the maximum amounts which may be borrowed by a student and the minimum amounts of repayment allowable with respect to sums borrowed by a student, there shall be included on or after such sixtieth day all loans, whenever made, in-

sured pursuant to the insurance program under which the computation is made.

(2) Clause (iv) (VISTA service) and clause (i) as amended by this Act (attendance at eligible institution), of section 427(a)(2)(C) of the Higher Education Act of 1965, shall be effective with respect to loans made by the Commissioner and, with the consent of the lender, loans insured by the Commissioner, to students for study at vocational schools, which are outstanding on the sixtieth day after the enactment of this Act, but only with respect to periods of service or attendance occurring on or after such sixtieth day.

(3) This section shall not apply so as to require violation of any commitment for insurance made to an eligible lender, or of any line of credit granted to a student, prior to the sixtieth day after enactment of this Act, under the Higher Education Act of 1965 or the National Vocational Student Loan Insurance Act of 1965, or, except with the consent of the State or nonprofit private agency concerned, impair the obligation of any agreement made pursuant to section 428(b) of the Higher Education Act of 1965 or section 9(b) of the National Vocational Student Loan Insurance Act of 1965. The Commissioner of Education shall undertake to obtain necessary modifications of agreements entered into by him pursuant to section 428(b)(1) of the Higher Educa-

tion Act of 1965 or section 9 (b) of the National Vocational Student Loan Insurance Act of 1965 and in force upon the date of enactment of this Act so as to conform the provisions of such agreements to the requirements of such section 428 (b) (1) as amended by this section. If, however, such modifications cannot be obtained because a party to such an agreement is subject to a statute of a State that prevents such party from complying with the terms of such modification, the Commissioner shall not, before the fourth month after the adjournment of such State's first regular legislative session which adjourns more than sixty days after enactment of this Act, exercise his authority to terminate, or to refuse to extend, such agreement.

(4) An application for a certificate of insurance or of comprehensive insurance coverage pursuant to section 11 of the National Vocational Student Loan Insurance Act of 1965 shall be issued or shall be effective on or after the sixtieth day after the date of enactment of this Act with respect to loans made prior to such sixtieth day without regard to the amendments or repealers of this section.

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 speci-

fied in appropriations Acts"; and (2) in the second sentence by striking out "1972" and inserting in lieu thereof "1974".

PART C—SPECIAL SERVICES FOR DISADVANTAGED STUDENTS; GRANT (AS WELL AS CONTRACT) AUTHORITY FOR TALENT SEARCH

NEW PART TO PROVIDE SPECIAL SERVICES FOR DISADVANTAGED STUDENTS WHO ATTEND INSTITUTIONS OF HIGHER EDUCATION; AND AMENDMENTS TO TALENT SEARCH PROVISIONS

SEC. 441. (a) Part A of Title IV of the Higher Education Act of 1965 is amended by renumbering section 409 as section 410 and inserting immediately after section 408 the following new section:

"SPECIAL SERVICES FOR DISADVANTAGED STUDENTS

"SEC. 409. (a) The Commissioner is authorized to make grants to or contracts with institutions of higher education for the planning, development, or carrying out of projects or programs of remedial and other special services for students with academic potential who are enrolled or accepted for enrollment at the institution concerned, and who, by reason of deprived educational, cultural, or economic background, are in need of such services to assist them to initiate, continue, or resume their higher education. The Commissioner also is authorized to make grants to or enter into contracts

with public and private nonprofit agencies and organizations, including professional and scholarly associations, when such grants or contracts will make an especially significant contribution to attaining the objectives of this section.

"(b) (1) Grants or contracts pursuant to this section may be made, upon such terms and conditions as the Commissioner, after consultation with the Advisory Council on Financial Aid to Students established under part E of this title, determines will carry out most effectively the purposes of this section, to pay part or all of the cost of planning, developing, or carrying out (including demonstrations) of programs or projects approved by him.

"(2) Any such project or program may provide, among other things, for—

"(A) counseling, tutorial, or other educational services, including special summer programs, to remedy such students' academic deficiencies,

"(B) career guidance, placement, or other student personnel services to encourage or facilitate such students' entrance, continuance, or reentrance in higher education programs, or

"(C) identification, encouragement, and counseling of any such students with a view to their undertaking a program of graduate or professional education.

"(c) There are authorized to be appropriated $15,-

000,000 for the fiscal year ending June 30, 1969, and such sums as may be necessary for the next four fiscal years. Funds appropriated pursuant to this section for any fiscal year shall remain available for obligation until the close of the succeeding fiscal year.

"(d) In addition to the authority for utilization of other agencies conferred by section 803 (b) of this Act, funds available to the Commissioner under this section shall, with the approval of the Secretary, be available for transfer to any other Federal agency for use (in accordance with an interagency agreement) by such agency (alone or in combination with funds of that agency) for purposes for which such transferred funds otherwise could be expended by the Commissioner under the provisions of this section, and the Commissioner similarly is authorized to accept and expend funds of any other Federal agency for use under this section."

(b) Section 408 of the Higher Education Act of 1965 is amended by striking out ", to enter into contracts, not to exceed $100,000 per year, with State and local educational agencies and other public or nonprofit organizations and institutions" and inserting in lieu thereof the following: "to make grants to State or local educational agencies or other public or nonprofit private agencies, institutions, or organizations, or make contracts with public or private agencies, institutions, or organizations, not to exceed (in

the case of any contract or grant) $100,000 per year,"; and the heading of such section is amended by inserting "OR GRANTS" after "CONTRACTS".

(c) Effective upon the effective date of part A of this title, title IV of the Higher Education Act of 1965 is further amended by:

(1) transferring section 408 and section 409 as added by this section, so as to follow part B of such title, and renumbering such sections and references thereto as sections 441 and 442, respectively, and

(2) inserting "PART C—PROGRAMS TO ENCOURAGE FULL UTILIZATION OF EDUCATIONAL TALENT AND OPPORTUNITIES" immediately before such transferred sections.

PART D—AMENDMENTS TO NATIONAL DEFENSE FELLOWSHIP PROGRAM

EXTENSION OF PROGRAM

SEC. 461. (a) Section 402 (a) of the National Defense Education Act of 1958 is amended by striking out "two succeeding fiscal years" and inserting in lieu thereof "seven succeeding fiscal years".

(b) Section 403 (a) of such Act is amended by striking out "three succeeding fiscal years" and inserting in lieu thereof "eight succeeding fiscal years".

INCREASING MAXIMUM LENGTH OF FELLOWSHIP FROM THREE TO FOUR YEARS IN SPECIAL CIRCUMSTANCES, AND REQUIRING INSTITUTIONAL EFFORT TO ENCOURAGE RECIPIENTS TO ENTER OR CONTINUE TEACHING

SEC. 462. (a) Subsection (a) of section 402 of the National Defense Education Act of 1958 is amended by inserting "(1)" after "except" in the second sentence thereof, and by inserting immediately before the period at the end of such sentence the following: ", and (2) that the Commissioner may provide by regulation for the granting of such fellowships for a period of study not to exceed one academic year (or one calendar year in the case of fellowships to which clause (1) applies) in addition to the maximum period otherwise applicable, under special circumstances in which the purposes of this title would most effectively be served thereby".

(b) The Commissioner may in his discretion increase, in accordance with the amendment made by subsection (a), the maximum periods of fellowships awarded prior to the enactment of this Act.

(c) The second sentence of section 403 (a) is amended by striking out the period at the end of clause (2) of such sentence and inserting ", and" in lieu thereof; and by adding the following new clause:

"(3) that the application contains satisfactory assurance that the institution will make reasonable continu-

ing efforts to encourage recipients of fellowships under this title, enrolled in such program, to teach or continue to teach in institutions of higher education."

(d) The amendment made by subsection (c) of this section shall be effective with respect to fellowships awarded on or after June 30, 1968, or on or after the date of enactment of this Act, whichever date is later.

REQUIRING STIPENDS TO BE SET IN AN AMOUNT CONSISTENT WITH THOSE AWARDED FOR COMPARABLE FELLOWSHIPS

SEC. 463. (a) Section 404 (a) of the National Defense Education Act of 1958 is amended to read as follows:

"SEC. 404. (a) The Commissioner shall pay to persons awarded fellowships under this title such stipends (including such allowances for subsistence and other expenses for such persons and their dependents) as he may determine to be consistent with prevailing practices under comparable federally supported programs."

(b) The amount of any stipend payable with respect to a fellowship awarded prior to the date of enactment of this Act shall not, during the period for which such fellowship was awarded, be less with respect to any year of study than the amount that would in the absence of the amendment made by subsection (a) of this section be payable with respect to such year.

PART E—ADVISORY COUNCIL ON STUDENT AID

ESTABLISHMENT OF ADVISORY COUNCIL ON ALL FINANCIAL AID TO STUDENTS: ABSORPTION OF ADVISORY COUNCILS ON INSURED LOANS

SEC. 481. (a) Title IV of the Higher Education Act of 1965 is amended by adding after part D the following new part:

"PART E—ADVISORY COUNCIL ON FINANCIAL AID TO STUDENTS

"SEC. 471. (a) There is established in the Office of Education an Advisory Council on Financial Aid to Students (hereafter in this section referred to as the 'Council'), consisting of the Commissioner, who shall be Chairman, and of members appointed by the Commissioner without regard to the civil service or classification laws. Such appointed members shall include leading authorities in the field of education, persons representing State and private nonprofit loan insurance programs, financial and credit institutions, and institutions of higher education and other eligible institutions as those terms may be variously defined in this Act, in the National Vocational Student Loan Insurance Act of 1965, or in the National Defense Education Act of 1958.

"(b) The Council shall advise the Commissioner on matters of general policy arising in the administration by the Commissioner of programs relating to financial assistance

to students and on evaluation of the effectiveness of these programs.

"(c) Members of the Council who are not in the regular full-time employ of the United States shall, while attending meetings or conferences of the Council or otherwise engaged in the business of the Council, be entitled to receive compensation at a rate fixed by the Secretary, but not exceeding the rate specified at the time of such service for grade GS–18 in section 5332 of title 5, United States Code, including traveltime, and while so serving on the business of the Council away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons employed intermittently in the Government Service.

"(d) The Commissioner is authorized to furnish to the Council such technical assistance, and to make available to it such secretarial, clerical, and other assistance and such pertinent data available to him, as the Council may require to carry out its functions."

(b) Section 433 of such Act, providing for establishment of an Advisory Council on Insured Loans to Students, is repealed.

TITLE V—EDUCATION PROFESSIONS DEVELOPMENT (AMENDMENTS TO TITLE V OF HIGHER EDUCATION ACT OF 1965)

PROVISION OF MEDICAL INSURANCE COVERAGE TO TEACHER CORPS MEMBERS NOT OTHERWISE COVERED

SEC. 501. Section 514 of the Higher Education Act of 1965 is amended by adding immediately following subsection (d) thereof the following new subsection:

"(e) The Commissioner is authorized to provide medical (including hospitalization) insurance for members of the Teacher Corps who do not otherwise obtain such insurance coverage either under an arrangement made pursuant to subsection (d) of this section or as an incident of an arrangement between the Commissioner and an institution or a State or local educational agency pursuant to section 513."

AUTHORIZING STATE EDUCATIONAL AGENCIES TO ADMINISTER DIRECTLY PROGRAMS OF TEACHER AND TEACHER AIDE RECRUITMENT AND TRAINING

SEC. 502. (a) Subsection (a) of section 518 of the Higher Education Act of 1965 is amended by inserting after "teacher shortages" the following: ", or the efforts of State educational agencies,".

(b) Subsection (a) of section 520 of such Act is amended—

(1) in paragraph (2), by inserting after "local educational agencies" the following: "or of the State educational agency, or both,"

(2) by striking out paragraphs (3) and (4) and inserting in lieu thereof the following:

"(3) with respect to so much of the State program as is to be carried out by local educational agencies, (A) provides assurance that every local educational agency whose application for funds under the plan is denied will be given an opportunity for a fair hearing before the State educational agency and (B) sets forth the policies and procedures to be followed in allocating Federal funds to local educational agencies in the State, which policies and procedures shall insure that such funds will be allocated to local educational agencies having the most urgent need for teachers and teacher aides;" and

(4) by redesignating paragraphs (5) through (10) as paragraphs (4) through (9), respectively.

TECHNICAL CORRECTIONS

SEC. 503. Section 524(a) of the Higher Education Act of 1965 is amended by inserting in paragraphs (1) and (4) "or postsecondary vocational education" after "career in elementary and secondary education".

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TITLE VI—INSTRUCTIONAL EQUIPMENT AND MATERIALS

PART A—EQUIPMENT AND MATERIALS FOR HIGHER EDUCATION (AMENDMENTS TO HIGHER EDUCATION ACT OF 1965)

EXTENSION OF PROGRAM

SEC. 601. (a) Subsection (b) of section 601 of the Higher Education Act of 1965 is amended (1) by striking out "and" before "$60,000,000", and (2) by inserting after "June 30, 1968," the following: "and such sums as may be necessary for each of the five succeeding fiscal years,".

"(b) Subsection (c) of section 601 of such Act is amended by inserting after "the succeeding fiscal year," the following: "and such sums as may be necessary for the next five fiscal years,".

(c) Section 601 of such Act is further amended by striking out subsection (d).

ELIMINATION OF SUBJECT LIMITATIONS; EXTENSION OF ASSISTANCE TO GRADUATE INSTRUCTION

SEC. 602. (a) Subsection (a) of section 601 of the Higher Education Act of 1965 is amended by striking out "in selected subject areas".

(b) (1) Clause (A) of paragraph (2) of the second sentence of section 603 is amended by striking out "other than" before "supplies consumed in use" and inserting in lieu thereof "except (i) athletic or recreational equipment; and

(ii)"; and such clause is further amended by striking out "in science, mathematics, foreign languages, history, geography, government, English, other humanities, the arts, or education at the undergraduate level".

(2) Subclause (i) of clause (B) of such paragraph (2) is amended by striking out "in such fields".

(c) The caption of title VI of such Act is amended by striking out "UNDERGRADUATE".

(d) There is added at the end of part A of title VI of such Act the following:

"CONSULTATION

"SEC. 610. So as to promote the coordination of Federal programs providing assistance in the purchase of laboratory or other special equipment for education in the natural or physical sciences at the graduate level, the Commissioner shall consult with the National Science Foundation in developing general policy, under this title, in respect thereof."

PART B—EQUIPMENT AND MATERIALS FOR ELEMENTARY AND SECONDARY EDUCATION (AMENDMENTS TO TITLE III OF NATIONAL DEFENSE EDUCATION ACT OF 1958)

EXTENSION OF PROGRAM

SEC. 621. Section 301 of the National Defense Education Act of 1958 is amended by striking out "and" before "$110,000,000" and by inserting after "June 30, 1968," the

following: "and such sums as may be necessary for the next five fiscal years,".

ELIMINATION OF SUBJECT LIMITATIONS

SEC. 622. (a) (1) Paragraph (1) of subsection (a) of section 303 of the National Defense Education Act of 1958 is amended (A) by striking out "in science, mathematics, history, civics, geography, economics, industrial arts, modern foreign languages, English, or reading"; (B) by inserting before "supplies consumed in use" the following: "(i) athletic or recreational equipment, and (ii)", and (C) by striking out "and such equipment may, if there exists a critical need therefor in the judgment of local school authorities, be used when available and suitable in providing education in other subject matter,".

(2) Paragraph (5) of such subsection is amended by striking out "in the fields of science, mathematics, history, civics, geography, economics, industrial arts, modern foreign languages, English, and reading" and inserting in lieu thereof "in the subject-matter areas for which equipment and materials acquired under the State plan are used";

(3) The heading of title III of the National Defense Education Act of 1958 is amended to read: "FINANCIAL ASSISTANCE FOR STRENGTHENING INSTRUCTION IN ACADEMIC SUBJECTS".

(4) There is added at the end of title III of such Act the following:

"LIMITATION ON PAYMENTS UNDER THIS TITLE

"SEC. 306. No grant or loan may be made under this title for equipment or materials to be used for sectarian instruction or religious worship."

(b) The amendments made by this section shall be applicable with respect to appropriations for fiscal years ending after June 30, 1968.

PROVISION FOR WITHIN-STATE EQUALIZATION IN STATE-IMPOSED REQUIREMENTS FOR FINANCIAL PARTICIPATION OF PROJECT APPLICANTS

SEC. 623. Subsection (a) of section 303 of the National Defense Education Act of 1958 is further amended by striking out the period at the end of paragraph (5) and inserting in lieu thereof ": and"; and by inserting at the end of such subsection the following new paragraph:

"(6) sets forth any requirements imposed upon applicants for financial participation in projects assisted under this title, including any provision for taking into account, in such requirements, the resources available to any applicant for such participation relative to the resources for participation available to all other applicants.".

PAYMENT OF STATE ADMINISTRATIVE EXPENSES OUT OF PROJECT FUNDS IN LIEU OF SEPARATE FUNDING

SEC. 624. Effective with respect to fiscal years beginning after June 30, 1969, title III of such Act is further amended as follows:

(a) Paragraph (1) of subsection (a) of section 303 (as amended by section 622 of this Act) is further amended by striking out "and" before "(B)" and by inserting the following before the semicolon at the end thereof: ", and (C) administration of the State plan, except that the amount used for administration of the State plan for any year shall not exceed an amount equal to 3 per centum of the amount paid to the State under this title for that year, or $50,000, whichever is greater".

(b) (1) Paragraph (5) of such section 303 (a), the second sentence of section 301, subsection (b) of section 302, and subsection (b) of section 304 are repealed.

(2) Section 302 is amended by striking out "the first sentence of" in subsection (a) (1); striking out "or (b)" in the first sentence of subsection (c); striking out "subsections (a) and (b)" in the same sentence of such subsection and inserting in lieu thereof "subsection (a)"; striking out "or (b)" in the second sentence of such subsection; and redesignating such subsection (c) as subsection (b), and references elsewhere to such subsection (c) are redesignated accordingly.

(3) Subsection (a) of section 304, and references thereto, are redesignated as section 304; and there is deleted from section 304 the obsolete phrase "as provided in paragraph (4) of section 302 (a) of this title".

(4) Section 304 is further amended (A) by striking out "for projects for acquisition of equipment and minor remodeling referred to in paragraph (1) of section 303 (a) which are carried out", and (B) by inserting the following after "except that": "(1) such payments with respect to expenditures for administration of the State plan shall not exceed the limitation established by paragraph (1) (C) of section 303, and (2)".

(5) Paragraph (6) of section 303 (a), as added by section 623 of this Act, is redesignated as paragraph (5).

PRIVATE SCHOOLS: AUTHORIZING LESS THAN MAXIMUM SET-ASIDE FOR LOANS; REPEALING LOAN ALLOTMENT FORMULA; AND AUTHORIZING LOANS TO AMERICAN-SPONSORED SCHOOLS SERVING AMERICAN CHILDREN ABROAD

SEC. 625. (a) Paragraph (1) of section 302 (a) of the National Defense Education Act of 1958 is amended by inserting "not in excess of" before "12 per centum".

(b) (1) Section 305 of such Act of 1958 is amended (1) by striking out subsection (a) (including the section designation preceding it), (2) by striking out so much of

subsection (b) (including the subsection designation) as precedes clause (1) of the second sentence and inserting in lieu thereof the following:

"SEC. 305. From the sums reserved for each fiscal year for the purposes of this section under the provisions of section 302(a), the Commissioner is authorized to make loans to private nonprofit elementary and secondary schools in any State, and to private nonprofit elementary and secondary schools outside of the United States that the Commissioner determines to be founded or sponsored by citizens of the United States: *Provided*, That the Commissioner shall give priority to those schools outside the United States serving primarily children of such citizens. Any such loan shall be made only for the purposes for which payments to State educational agencies are authorized under the first sentence of section 301, and—".

(2) Clause (3) of such second sentence is amended by striking out "the current average yield on all outstanding marketable obligations of the United States" and inserting in lieu thereof "the current average market yield on outstanding marketable obligations of the United States with redemption periods to maturity comparable to the average maturities of such loans".

(c) The amendments made by this section shall be effective with respect to fiscal years ending after June 30, 1968.

TITLE VII—GUIDANCE, COUNSELING, AND TESTING (AMENDMENTS TO PART A OF TITLE V OF NATIONAL DEFENSE EDUCATION ACT OF 1958)

EXTENSION OF PROGRAM

SEC. 701. (a) Section 501 of the National Defense Education Act of 1958 is amended by striking out "and" before "$30,000,000" and by inserting after "two succeeding fiscal years," the following: "and such sums as may be necessary for the next five fiscal years,".

(b) (1) Subsection (a) of section 504 of such Act is amended by striking out "eight succeeding fiscal years" and inserting in lieu thereof "thirteen succeeding fiscal years".

(2) Subsection (b) of such section is amended by striking out "nine succeeding fiscal years" and inserting in lieu thereof "fourteen succeeding fiscal years".

TITLE VIII—LANGUAGE DEVELOPMENT (AMENDMENTS TO TITLE VI OF NATIONAL DEFENSE EDUCATION ACT OF 1958)

EXTENSION OF PROGRAM

SEC. 801. (a) Subsections (a) and (b) of section 601 of the National Defense Education Act of 1958 are each amended by striking out "1968" and inserting in lieu thereof "1973".

(b) Section 603 of such Act is amended by striking out

"and" before "$18,000,000" and by inserting after "1968," the following: "and such sums as may be necessary for the next five fiscal years".

TITLE IX—NETWORKS FOR KNOWLEDGE

SHARING OF EDUCATIONAL AND RELATED RESOURCES AMONG COLLEGES AND UNIVERSITIES

SEC. 901. The Higher Education Act of 1965 is amended by redesignating title VIII as title IX, and sections 801 through 804 (and references thereto however styled in such Act, or any other Act, including such references heretofore made in this Act) as sections 901 through 904, respectively. The Higher Education Act of 1965 is further amended by inserting after title VII the following new title:

"TITLE VIII—NETWORKS FOR KNOWLEDGE

"SHARING EDUCATIONAL AND RELATED RESOURCES

"SEC. 801. (a) To the end of stimulating colleges and universities to share to an optimal extent, through cooperative arrangements, their technical and other educational and administrative facilities and resources while maintaining their respective institutional identities, and in order to test and demonstrate the effectiveness and efficiency of a variety of such arrangements, preferably on a multi-institutional basis where appropriate and feasible, the Commissioner is authorized to make project grants for all or part of the cost of planning, developing, or carrying out such arrangements.

Such grants may be made to public or nonprofit private colleges or universities, or when in the Commissioner's judgment it will more effectively promote the purposes of this title, to other established public or nonprofit private agencies or organizations, including professional organizations or academic societies.

"(b) Projects for the planning, development, or carrying out of such arrangements assisted under this title may, subject to the provisions of subsection (c), include—

"(1) the collection and sharing (A) of modern curricular materials, and (B) of information on promising developments in curriculums;

"(2) the development of effective systems of processing and maintaining financial and student records;

"(3) (A) joint use of facilities such as classrooms, libraries, or laboratories, including joint use of necessary books, materials, and equipment; or (B) affording access to specialized library collections through preparation of interinstitutional catalogs and through development of systems and preparation of suitable media for electronic or other rapid transmission of materials;

"(4) establishment and joint operation of closed-circuit television or equivalent transmission facilities;

"(5) establishment and joint operation of electronic computer networks and programs therefor, to be avail-

able to participating institutions for such purposes as financial and student records, student course work, or transmission of library materials;

"(6) exchange of faculty on a part-time or full-time basis, and other arrangements for strengthening the academic programs of participating institutions; and

"(7) such other projects as in the judgment of the Commissioner will promote the purposes of this title.

"(c) (1) Grants pursuant to clause (B) of paragraph (3) of subsection (b) may not be used to pay the costs of electronic transmission terminals.

"(2) In the case of a project for the establishment and operation of a computer network, grants may not include—

"(A) the cost of operating administrative terminals or student terminals at participating institutions; or

"(B) the cost, or any participating institution's pro rata share of the cost, of using the central computer facilities of the network, except (i) such costs of systems development and programing of computers and transmission costs as are necessary to make the network operational, (ii) the administrative and program support costs of the central facilities of the network, and (iii) the line-access costs incurred by participating institutions.

"SEC. 802. There are authorized to be appropriated, for

grants under section 801, $8,000,000 for the fiscal year ending June 30, 1969, and such sums as may be necessary for the next four fiscal years."

TITLE

SEC. 902. This title may be cited as the "Networks for Knowledge Act of 1968".

TITLE X—AMENDMENTS TO TITLE VIII (GENERAL PROVISIONS) OF HIGHER EDUCATION ACT OF 1965 AND TO TITLE I (GENERAL PROVISIONS) AND TITLE X (MISCELLANEOUS PROVISIONS) OF NATIONAL DEFENSE EDUCATION ACT OF 1958

ESTABLISHMENT OF ADVISORY COUNCIL ON GRADUATE EDUCATION; ABOLITION OF HIGHER EDUCATION FACILITIES ACT ADVISORY COMMITTEE

SEC. 1001. (a) The Higher Education Act of 1965 is amended by adding after the section redesignated by section 901 of this Act as section 904 the following new section:

"ADVISORY COUNCIL ON GRADUATE EDUCATION

"SEC. 905. (a) There is hereby established in the Office of Education an Advisory Council on Graduate Education (hereafter in this section referred to as the 'Council'), consisting of the Commissioner, who shall be Chairman, of one representative each from the Office of Science and Technology in the Executive Office of the President, the National

Science Foundation, and the National Foundation on the Arts and the Humanities, and of members appointed by the Commissioner without regard to the civil service or classification laws. Such appointed members shall be selected from among leading authorities in the field of education.

"(b) The Council shall advise the Commissioner on matters of general policy arising in the administration by the Commissioner of programs relating to graduate education.

"(c) Members of the Council who are not in the regular full-time employ of the United States shall, while attending meetings or conferences of the Council or otherwise engaged in the business of the Council, be entitled to receive compensation at a rate fixed by the Secretary, but not exceeding the rate specified at the time of such service for grade GS–18 in section 5332 of title 5, United States Code, including traveltime, and while so serving on the business of the Council away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons employed intermittently in the Government service.

"(d) The Commissioner is authorized to furnish to the Council such technical assistance, and to make available to it such secretarial, clerical, and other assistance and such

pertinent data available to him, as the Council may require to carry out its functions."

(b) (1) Section 203 of the Higher Education Facilities Act of 1963 is repealed.

(2) Paragraph (1) of section 202 (c) of such Act is amended to read as follows:

"(1) The Commissioner shall not approve any application for a grant under this title until he has obtained the advice and recommendations of a panel of specialists who are not employees of the Federal Government and who are competent to evaluate such applications."

(c) This section shall become effective on July 1, 1968.

DISSEMINATION OF INFORMATION

SEC. 1002. The Higher Education Act of 1965 is further amended by adding after section 905 (as added by this title) the following new section:

"DISSEMINATION OF INFORMATION

"SEC. 906. (a) For the purpose of carrying out more effectively the provisions of this Act, the National Defense Education Act of 1958, the Higher Education Facilities Act of 1963, and other Acts administered by him in the field of higher education (including those administered by him by delegation), the Commissioner—

"(1) shall prepare and disseminate to institutions of

higher education, State agencies concerned with higher education, and other appropriate agencies and institutions (A) reports on programs and projects assisted under such Acts and other programs and projects of a similar nature, and (B) catalogs, reviews, bibliographies, abstracts, analyses of research and experimentation, and such other materials as are generally useful for such purpose;

"(2) may upon request provide advice, counsel, technical assistance, and demonstrations to institutions and agencies referred to in paragraph (1) undertaking to initiate or expand programs or projects under such Acts in order to enhance the quality, increase the depth, or broaden the scope of such programs or projects, and shall inform such institutions and agencies of the availability of assistance pursuant to this paragraph; and

"(3) shall from time to time prepare and disseminate to institutions and agencies referred to in paragraph (1) reports setting forth developments in the utilization and adaptation of projects carried out pursuant to such Acts;

"(4) may enter into contracts with public or private agencies, organizations, groups, or individuals to carry out the provisions of this section.

"(b) There are authorized to be appropriated such sums

as may be necessary to carry out the provisions of this section."

CONFORMING DEFINITION OF INSTITUTION OF HIGHER EDUCATION IN HIGHER EDUCATION ACT OF 1965 TO OTHER DEFINITIONS USED IN THE ACT AND NATIONAL DEFENSE EDUCATION ACT OF 1958

SEC. 1003. (a) Paragraph (a) of the section redesignated by section 901 of this Act as section 901 of the Higher Education Act of 1965 is amended by inserting after "if not so accredited," in clause 5 the following: "(A) is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or (B)".

(b) The second sentence of such paragraph (a) is amended by striking out "Such term also includes any business school or technical institution" and inserting in lieu thereof "Such term also includes any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and".

INSERTION OF DEFINITION OF "COMBINATION OF INSTITUTIONS OF HIGHER EDUCATION" IN HIGHER EDUCATION ACT OF 1965

SEC. 1004. The section redesignated by section 901 of this Act as section 901 of the Higher Education Act of 1965 is amended by inserting at the end thereof the following:

"(j) The term 'combination of institutions of higher education' means a group of institutions of higher education that have entered into a cooperative arrangement for the purpose of carrying out a common objective, or a public or private nonprofit agency, organization, or institution designated or created by a group of institutions of higher education for the purpose of carrying out a common objective on their behalf."

PROVISION IN NATIONAL DEFENSE EDUCATION ACT OF 1958 FOR THE TRUST TERRITORY OF THE PACIFIC ISLANDS, FOR SCHOOLS OF DEPARTMENT OF INTERIOR FOR INDIAN CHILDREN, AND FOR OVERSEAS DEPENDENTS SCHOOLS OF DEPARTMENT OF DEFENSE

SEC. 1005. (a) Section 1008 of the National Defense Education Act of 1958 is amended to read as follows:

"ALLOTMENTS TO TERRITORIES AND POSSESSIONS

"SEC. 1008. The amounts reserved by the Commissioner under sections 302 and 502 shall be allotted among—

"(A) Puerto Rico, the Canal Zone, Guam, Ameri-

can Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands according to their respective needs for the type of assistance furnished under the part or title in which the section appears, and

"(B) (i) the Secretary of the Interior according to the need for such assistance in order to effectuate the purposes of such part or title in schools operated for Indian children by the Department of the Interior, and (ii) the Secretary of Defense according to the need for such assistance in order to effectuate the purposes of such part or title in the overseas dependents schools of the Department of Defense. The terms upon which payments for such purpose shall be made to the Secretary of the Interior and the Secretary of Defense shall be determined pursuant to such criteria as the Commissioner determines will best carry out the purposes of such part or title."

(b) Sections 302 (a) (1), 302 (b), and 502 (a) of such Act are amended by striking out "2 per centum" and inserting in lieu thereof "3 per centum".

(c) Section 103 (a) as previously amended by this Act is further amended (1) by striking out "or" each time it appears before "the Virgin Islands", (2) by inserting after "the Virgin Islands," as it first appears "and, for the pur-

poses of titles III and V, the Trust Territory of the Pacific Islands," and (3) by inserting before the period at the end thereof "or the Trust Territory of the Pacific Islands".

(d) The amendments made by this section shall be effective with respect to fiscal years ending after June 30, 1968.

PROVISIONS FOR ADEQUATE LEADTIME AND FOR PLANNING AND EVALUATION IN HIGHER EDUCATION PROGRAMS

SEC. 1006. The Higher Education Act of 1965, as amended by this Act, is further amended by adding after section 906 the following new sections:

"PROGRAM PLANNING AND EVALUATION FOR HIGHER EDUCATION PROGRAMS

"SEC. 907. There are authorized to be appropriated, for each fiscal year for which appropriations are otherwise authorized under any other provisions of this Act, or any provision of the National Defense Education Act of 1958 or the Higher Education Facilities Act of 1963, such sums as may be necessary, to be available to the Secretary, in accordance with regulations prescribed by him, for expenses, including grants, loans, contracts, or other payments, for (1) planning for the succeeding year programs or projects for which such appropriations are authorized under such Acts, and (2) evaluation of programs or projects so authorized.

"ADVANCE FUNDING

"SEC. 908. To the end of affording the responsible State, local, and Federal officers concerned adequate notice of available Federal financial assistance for education, appropriations for grants, loans, contracts, or other payments under any Act referred to in section 907 are authorized to be included in the appropriation Act for the fiscal year preceding the fiscal year for which they are available for obligation. In order to effect a transition to this method of timing appropriation action, the preceding sentence shall apply notwithstanding that its initial application under any such Act will result in the enactment in the same year (whether in the same appropriation Act or otherwise) of two separate appropriations, one for the then current fiscal year and one for the succeeding fiscal year.

"EVALUATION REPORTS AND CONGRESSIONAL REVIEW

"SEC. 909. (a) No later than March 31 of each calendar year, the Secretary shall transmit to the respective committees of the Congress having legislative jurisdiction over any Act referred to in section 907 and to the respective Committees on Appropriations a report evaluating the results and effectiveness of programs and projects assisted thereunder during the preceding fiscal year, together with his recommendations (including any legislative recommendations) relating thereto.

"(b) In the case of any such program, the report submitted in the penultimate fiscal year for which appropriations are then authorized to be made for such program shall include a comprehensive and detailed review and evaluation of such program (as up to date as the due date permits) for its entire past life, based to the maximum extent practicable on objective measurements, together with the Secretary's recommendations as to proposed legislative action.

"CONTINGENT EXTENSION OF EXPIRING APPROPRIATION AUTHORITY

"SEC. 910. Unless the Congress, in the regular session in which a comprehensive evaluation report required by section 909 (b) is submitted to Congress, has passed or formally rejected legislation extending the authorization for appropriations then specified for any title, part, or section of law to which such evaluation relates, such authorization is hereby automatically extended for one fiscal year beyond, and at the level specified for, the terminal year of such authorization.

"AVAILABILITY OF APPROPRIATIONS ON ACADEMIC OR SCHOOL YEAR BASIS

"SEC. 911. Appropriations for any fiscal year for grants, loans, contracts, or other payments to educational agencies or institutions under any Act referred to in section 907, may, in accordance with regulations of the Secretary, be made available for expenditure by the agency or institution con-

cerned on the basis of an academic or school year differing from such fiscal year."

TITLE XI—AMENDMENTS TO HIGHER EDUCATION FACILITIES ACT OF 1963

EXTENSION OF PROGRAM

SEC. 1101. (a) (1) Subsection (a) of section 101 of the Higher Education Facilities Act of 1963 is amended by striking out "during the fiscal year ending June 30, 1964, and each of the seven succeeding fiscal years,".

(2) Subsection (b) of section 101 of such Act is amended by striking out so much of the first sentence thereof as follows "June 30, 1968," and inserting in lieu thereof "$936,000,000 for the fiscal year ending June 30, 1969, and such sums as may be necessary for the next five fiscal years."

(3) Subsection (b) of section 105 of such Act is amended (A) by striking out "two succeeding fiscal years" in the first sentence thereof and inserting in lieu thereof "seven succeeding fiscal years", and (B) by striking out the last sentence of such subsection.

(b) Section 201 of such Act is amended in the first sentence thereof (1) by striking out ", during the fiscal year ending June 30, 1964, and each of the seven succeeding fiscal years," (2) by striking out "and" before "the sum of

$120,000,000" and (3) by striking out so much of such sentence as follows "June 30, 1968, and for the succeeding fiscal year" and inserting in lieu thereof ", and such sums as may be necessary for the next five fiscal years".

(c) Subsection (c) of section 303 of such Act is amended (1) in the first sentence thereof by striking out ", during the fiscal year ending June 30, 1964, and each of the seven succeeding fiscal years," and (2) in the second sentence thereof (A) by striking out "and" before "the sum of $400,000,000", and (B) by striking out so much of such sentence as follows "June 30, 1968, and for the succeeding fiscal year" and inserting in lieu thereof ", and such sums as may be necessary for the next five fiscal years."

ADJUSTMENT OF INTEREST RATES ON LOANS

SEC. 1102. (a) Subsection (b) of section 303 of the Higher Education Facilities Act of 1963 is amended to read as follows:

"(b) A loan pursuant to this title shall be secured in such manner, and shall be repaid within such period not exceeding fifty years, as may be determined by the Commissioner; and shall bear interest at a per annum rate that is not less than (1) a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with redemption periods to maturity com-

parable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less (2) not to exceed a rate of 1 per centum per annum as determined by the Commissioner."

(b) This section shall apply to all loans approved, or for which a commitment is made, on or after the date of enactment of this Act.

EXTENDING AUTHORIZATION FOR HIGHER EDUCATION FACILITIES CONSTRUCTION ASSISTANCE IN MAJOR DISASTER AREAS

SEC. 1103. Subsection (a) of section 408 of the Higher Education Facilities Act of 1963, as added by section 7 of the Disaster Relief Act of 1966, is amended by striking out "July 1, 1967," and inserting in lieu thereof "July 1, 1972,".

TITLE XII—EDUCATION FOR THE PUBLIC SERVICE

TITLE

SEC. 1201. This title may be cited as the "Education for the Public Service Act".

PURPOSE

SEC. 1202. It is the purpose of this title to establish a program of grants and fellowships to improve the education of students attending institutions of higher education in preparation for entrance into the service of State, local, or

Federal governments, and to attract such students to the public service.

PART A—GRANTS AND CONTRACTS TO STRENGTHEN AND IMPROVE EDUCATION FOR THE PUBLIC SERVICE

PROJECT GRANTS AND CONTRACTS

SEC. 1203. The Secretary of Health, Education, and Welfare (hereafter in this title referred to as the "Secretary") is authorized to make grants to or contracts with institutions of higher education, or combinations of such institutions, to assist them in planning, developing, strengthening, improving, or carrying out programs or projects (a) for the preparation of graduate or professional students to enter the public service or (b) for research into, or development or demonstration of, improved methods of education for the public service. Such grants or contracts may include payment of all or part of the cost of programs or projects such as—

(1) planning for the development or expansion of graduate or professional programs to prepare students to enter the public service;

(2) training and retraining of faculty members;

(3) strengthening the public service aspects of courses or curriculums leading to a graduate or professional degree;

(4) establishment, expansion, or operation of centers for study at the graduate or professional level (but not including payment for construction or acquisition of buildings);

(5) conduct of short-term or regular session institutes for advanced study by persons engaged in, or preparing to engage in the preparation of students to enter the public service;

(6) carrying out innovative and experimental programs of cooperative education involving alternate periods of full-time or part-time academic study at the institution and periods of full-time or part-time public service; and

(7) research into, and development of, methods of training students or faculty, including the preparation of teaching materials and the planning of curriculum.

The Secretary may also make grants to other public or private nonprofit agencies and organizations, including professional and scholarly associations, or contracts with public or private agencies or organizations, to carry out the purposes of this section when such grants or contracts will make an especially significant contribution to attaining the objectives of this section.

APPLICATION FOR GRANT OR CONTRACT; ALLOCATION OF GRANTS OR CONTRACTS

SEC. 1204. (a) A grant or contract authorized by this part may be made only upon application to the Secretary at such time or times and containing such information as he may prescribe, except that no such application shall be approved unless it—

(1) sets forth programs, activities, research, or development for which a grant is authorized under this part, and describes the relation thereof to any program set forth by the applicant in an application, if any, submitted pursuant to part B;

(2) provides for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the applicant under this section; and

(3) provides for making such reports, in such form and containing such information, as the Secretary may require to carry out his functions under this section, and for keeping such records and for affording such access thereto as the Secretary may find necessary to assure the correctness and verification of such reports.

(b) The Secretary shall allocate grants or contracts under this part in such manner as will most nearly provide an equitable distribution of the grants or contracts throughout the United States among institutions of higher education

which show promise of being able to use funds effectively for the purposes of this part, except that to the extent he deems proper in the national interest the Secretary may give preference to programs designed to meet an urgent national need.

(c) (1) Payments under this section may be used, in accordance with regulations of the Secretary, and subject to the terms and conditions set forth in an application approved under subsection (a), to pay part of the compensation of students employed in public service, other than public service as an employee in any branch of the Government of the United States, as part of a program for which a grant has been approved pursuant to this section.

(2) Departments and agencies of the United States are encouraged, to the extent consistent with efficient administration, to enter into arrangements with institutions of higher education for the full-time, part-time, or temporary employment, whether in the competitive or excepted service, of students enrolled in programs set forth in applications approved under subsection (a).

PART B—PUBLIC SERVICE FELLOWSHIPS

AWARD OF PUBLIC SERVICE FELLOWSHIPS

SEC. 1211. The Secretary is authorized to award fellowships in accordance with the provisions of this part for graduate or professional study for persons who plan to pursue

a career in public service. Such fellowships shall be awarded for such periods as the Secretary may determine but not to exceed three academic years.

ALLOCATION OF FELLOWSHIPS

SEC. 1212. The Secretary shall allocate fellowships under this title among institutions of higher education with programs approved under the provisions of this part for the use of individuals accepted into such programs, in such manner and according to such plan as will most nearly—

(1) provide an equitable distribution of such fellowships throughout the United States, except that to the extent he deems proper in the national interest the Secretary may give preference to programs designed to meet an urgent national need; and

(2) attract recent college graduates to pursue a career in public service.

APPROVAL OF PROGRAMS

SEC. 1213. The Secretary shall approve a graduate or professional program of an institution of higher education only upon application by the institution and only upon his findings—

(1) that such program has as a principal or significant objective the education of persons for the public service, or the education of persons in a profession or vocation for whose practitioners there is a significant and

continuing need in the public service as determined by the Secretary after such consultation with other agencies as may be appropriate;

(2) that such program is in effect and of high quality, or is readily put into effect and may reasonably be expected to be of high quality;

(3) that the application describes the relation of such program to any program, activity, research, or development set forth by the applicant in an application, if any, submitted pursuant to part A; and

(4) that the application contains satisfactory assurance that (A) the institution will recommend to the Secretary, for the award of fellowships under this part, for study in such program, only persons of superior promise who have demonstrated to the satisfaction of the institution a serious intent to enter the public service upon completing the program, and (B) the institution will make reasonable continuing efforts to encourage recipients of fellowships under this title, enrolled in such program, to enter the public service upon completing the program.

STIPENDS

SEC. 1214. (a) The Secretary shall pay to persons awarded fellowships under this part such stipends (including such allowances for subsistence and other expenses for such

persons and their dependents) as he may determine to be consistent with prevailing practices under comparable federally supported programs.

(b) The Secretary shall (in addition to the stipends paid to persons under subsection (a)) pay to the institution of higher education at which such person is pursuing his course of study such amount as the Commissioner may determine to be consistent with prevailing practices under comparable federally supported programs.

FELLOWSHIP CONDITIONS

SEC. 1215. A person awarded a fellowship under the provisions of this part shall continue to receive the payments provided in this part only during such periods as the Secretary finds that he is maintaining satisfactory proficiency and devoting full time to study or research in the field in which such fellowship was awarded in an institution of higher education, and is not engaging in gainful employment other than employment approved by the Secretary by or pursuant to regulation.

PART C—GENERAL PROVISIONS

DEFINITIONS

SEC. 1221. As used in this title—

(a) The term "State" means a State, Puerto Rico, the District of Columbia, the Canal Zone, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.

(b) The term "institution of higher education" means an educational institution in any State exclusive of an institution of any agency of the United States, which (1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate, (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides an educational program for which it awards a bachelor's degree or provides not less than a two-year program which is acceptable for full credit toward such a degree, (4) is a public or other nonprofit institution, and (5) is accredited by a nationally recognized accrediting agency or association approved by the Secretary for this purpose. For purposes of this subsection, the Secretary shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.

(c) The term "public service" means service as an officer or employee in any branch of State, local, or Federal Government.

(d) The term "academic year" means an academic year or its equivalent, as determined by the Secretary.

(e) The term "nonprofit" as applied to an institution,

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agency, or organization, means an institution, agency, or organization owned and operated by one or more nonprofit corporations or associations no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

COORDINATION OF FEDERAL ASSISTANCE

SEC. 1222. In administering this title, the Secretary shall give primary emphasis to the assistance of programs and activities not otherwise assisted by the Department of Health, Education, and Welfare, or by other agencies of the Federal Government, so as to promote most effectively the title's objectives.

METHOD OF PAYMENT

SEC. 1223. Payments under this title may be made in installments, and in advance or by way of reimbursement, with necessary adjustments on account of overpayments or underpayments.

LIMITATION

SEC. 1224. No grant, contract, or fellowship shall be awarded under this title to, or for study at, a school or department of divinity. For the purposes of this section, the term "school or department of divinity" means an institution or department or branch of an institution whose program is specifically for the education of students to prepare them to

become ministers of religion or to enter upon some other religious vocation or to prepare them to teach theological subjects.

UTILIZATION OF OTHER AGENCIES

SEC. 1225. In administering the provisions of this title, the Secretary is authorized to utilize the services and facilities of any agency of the Federal Government and of any other public or nonprofit agency or institution, on a reimbursable basis or otherwise in accordance with agreements between the Secretary and the head thereof.

FEDERAL CONTROL OF EDUCATION PROHIBITED

SEC. 1226. Nothing contained in this title shall be construed to authorize any department, agency, officer, or employee of the United States to exercise any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution, or the selection of library resources by an educational institution, or over the content of any material developed or published under any program assisted pursuant to this title.

AUTHORITY TO ESTABLISH ADVISORY COMMITTEE

SEC. 1227. The Secretary may without regard to the civil service and classification laws, appoint a committee to advise him on matters of general policy arising in the administration of this title. Members of the Committee, who are

not in the regular full-time employ of the United States shall, while attending meetings or conferences of the Committee or otherwise engaged in the business of the Committee, be entitled to receive compensation at a rate fixed by the Secretary, but not exceeding the rate specified at the time of such service for grade GS–18 in section 5332 of title 5, United States Code, including traveltime, and while so serving on the business of the Committee away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons employed intermittently in the Government service.

REPORT

SEC. 1228. The Secretary shall include in his annual report to the Congress, a report of activities of his Department under this title, including recommendations for needed revisions in the provisions thereof.

APPROPRIATIONS

SEC. 1229. There are authorized to be appropriated $10,000,000 for the fiscal year ending June 30, 1969, and such sums as may be necessary for each of the four succeeding fiscal years, to carry out the purposes of this title. Funds appropriated for the fiscal year ending June 30, 1969, shall be available for obligation pursuant to the provisions of this title during that year and the succeeding fiscal year.

CHANGES IN EXISTING LAW

(Cordon print of Public Law 89–329 as it would be amended if S. 3098 were to be enacted into law. Changes in existing law made by the bill are shown as follows: Existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman.)

HIGHER EDUCATION ACT OF 1965

(Public Law 89–329)

AN ACT To strengthen the educational resources of our colleges and universities and to provide financial assistance for students in postsecondary and higher education

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Higher Education Act of 1965".

TITLE I—COMMUNITY SERVICE AND CONTINUING EDUCATION PROGRAMS APPROPRIATIONS AUTHORIZED

SEC. 101. For the purpose of assisting the people of the United States in the solution of community problems such as housing, poverty, government, recreation, employment, youth opportunities, transportation, health, and land use by enabling the Commissioner to make grants under this title to strengthen community service programs of colleges and universities, there are authorized to be appropriated $25,000,000 for the fiscal year ending June 30, 1966, [and] $50,000,000 for the fiscal year ending June 30, 1967, and for the succeeding fiscal year, *and such sums as may be necessary for the next five fiscal years.* [For the fiscal year ending June 30, 1969, and the succeeding fiscal year, there may be appropriated, to enable the Commissioner to make such grants, only such sums as the Congress may hereafter authorize by law.]

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ALLOTMENTS TO STATES—*SET ASIDE FOR SPECIAL PROJECTS*

SEC. 103. (a)(*1*) Of the sums appropriated pursuant to section 101 for each fiscal year, *reduced by the sums reserved pursuant to paragraph (2),* the Commissioner shall allot $25,000 each to Guam, American Samoa, the Commonwealth of Puerto Rico, and the Virgin Islands and $100,000 to each of the other States, and he shall allot to each State an amount which bears the same ratio to the remainder of such sums (*as reduced by the sums reserved pursuant to paragraph (2),* as the population of the State bears to the population of all States.

(2) Not to exceed 10 per centum of the sums appropriated pursuant to section 101 shall be reserved by the Commissioner for grants and contracts pursuant to section 107.

(b) The amount of any State's allotment under subsection (a) for any fiscal year which the Commissioner determines will not be required for such fiscal year for carrying out the State plan (if any) approved under this title shall be available for reallotment from time to time, on such dates during such year as the Commissioner may fix, to other States in proportion to the original allotments to such States under such subsection for such year, but with such proportionate amount for any of such States being reduced to the extent it exceeds the sum the Commissioner estimates such State needs and will be able to use for such year for carrying out the State plan; and the total of such reductions shall be similarly reallotted among the States whose proportionate amounts were not so reduced. Any amount reallotted to a State under this subsection during a year from funds appropriated pursuant to section 101 shall be deemed part of its allotment under subsection (a) for such year.

(c) In accordance with regulations of the Commissioner, any State may file with him a request that a specified portion of its allotment under this title be added to the allotment of another State under this title for the purpose of meeting a portion of the Federal share of the cost of providing community service programs under this title. If it is found by the Commissioner that the programs with respect to which the request is made would meet needs of the State making the request and that use of the specified portion of such State's allotment, as requested by it, would assist in carrying out the purposes of this title, such portion of such State's allotment shall be added to the allotment of the other State under this title to be used for the purpose referred to above.

(d) The population of a State and of all the States shall be determined by the Commissioner on the basis of the most recent satisfactory data available from the Department of Commerce.

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PAYMENTS

SEC. 106. (a) Except as provided in subsection (b) payment under this title shall be made to those State agencies and institutions which administer plans approved under section 105(b). Payments under this title from a State's allotment with respect to the cost of developing and carrying out its State plan shall equal 75 per centum of such costs for the fiscal year ending June 30, 1966, [75 per centum of such costs for the fiscal year ending June 30, 1967, and 50 per centum of such costs for each of the three succeeding fiscal years], *and for each of the three succeeding fiscal years, and 50 per centum of such costs for the fiscal year ending June 30, 170, and for each of the three succeeding fiscal years,* except that no payments for any fiscal year shall be made to any State with respect to expenditures for developing and administering the State plan which exceed 5 per centum of the costs for that year for which payment under this subsection may be made to that State, or $25,000, whichever is the greater. In determining the cost of developing and carrying out a State's plan, there shall be excluded

any cost with respect to which payments were received under any other Federal program.

(b) No payments shall be made to any State from its allotments for any fiscal year unless and until the Commissioner finds that the institutions of higher education which will participate in carrying out the State plan for that year will together have available during that year for expenditure from non-Federal sources for college and university extension and continuing education programs not less than the total amount actually expended by those institutions for college and university extension and continuing education programs from such sources during the fiscal year ending June 30, 1965, plus an amount equal to not less than the non-Federal share of the costs with respect to which payment pursuant to subsection (a) is sought.

(c) Payments to a State under this title may be made in installments and in advance or by way of reimbursement with necessary adjustments on account of overpayments or underpayments, and they may be paid directly to the State or to one of more participating institutions of higher education designated for this purpose by the State, or to both.

EXPERIMENTAL PROJECTS

SEC. 107. From the sums reserved therefor pursuant to paragraph (2) of section 103 for any fiscal year, the Commissioner is authorized to make grants to or contracts with institutions of higher education to pay all or part of the cost of experimental or pilot projects in the fields of community service or continuing education, with emphasis on innovative approaches and on the promotion of comprehensiveness and coordination in these fields. The Commissioner may also, from such sums, make grants to other public or private nonprofit agencies or organizations, or contracts with public or private organizations, including grants to or contracts with professional or scholarly associations, when such grants or contracts will make an especially significant contribution to attaining the objectives of this section.

ADMINISTRATION OF STATE PLANS

SEC. [107] *108.* (a) The Commissioner shall not finally disapprove any State plan submitted under this title, or any modification thereof, without first affording the State agency or institution submitting the plan reasonable notice and opportunity for a hearing.

(b) Whenever the Commissioner, after reasonable notice and opportunity for hearing to the State agency or institution administering a State plan approved under section 105(b), finds that—

(1) The State plan has been so changed that it no longer complies with the provisions of section 105(a), or

(2) in the administration of the plan there is a failure to comply substantially with any such provision,

the Commissioner shall notify the State agency or institution that the State will not be regarded as eligible to participate in the program under this title until he is satisfied that there is no longer any such failure to comply.

JUDICIAL REVIEW

Sec. [108] *109.* (a) If any State is dissatisfied with the Commissioner's final action with respect to the approval of its State plan

submitted under section 105(a) or with his final action under section [107] *108*(b), such State may, within sixty days after notice of such action, file with the United States court of appeals for the circuit in which the State is located a petition for review of that action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Commissioner, the Commissioner thereupon shall file in the court the record of the proceedings on which he based his action, as provided in section 2112 of title 28, United States Code.

(b) The findings of fact by the Commissioner, if supported by substantial evidence shall be conclusive; but the court, for good cause shown, may remand the case to the Commissioner to take further evidence, and the Commissioner may thereupon make new or modified findings of fact and may modify his previous action, and shall certify to the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

(c) The court shall have jurisdiction to affirm the action of the Commissioner or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

NATIONAL ADVISORY COUNCIL ON EXTENSION AND CONTINUING EDUCATION

SEC. [109] *110*. (a) The President shall, within ninety days of enactment of this title, appoint a National Advisory Council on Extension and continuing Education (hereafter referred to as the "Advisory Council"), consisting of the Commissioner, who shall be Chairman, one representative each of the Departments of Agriculture, Commerce, Defense, Labor, Interior, State, and Housing and Urban Development, and the Office of Economic Opportunity, and of such other Federal agencies having extension education responsibilities as the President may designate, and twelve members appointed, for staggered terms and without regard to the civil service laws, by the President. Such twelve members shall, to the extent possible, include persons knowledgeable in the fields of extension and continuing education, State and local officials, and other persons having special knowledge, experience, or qualification with respect to community problems, and persons representative of the general public. The Advisory Council shall meet at the call of the Chairman but not less often than twice a year.

(b) The Advisory Council shall advise the Commissioner in the preparation of general regulations and with respect to policy matters arising in the administration of this title, including policies and procedures governing the approval of State plans under section 105(b), and policies to eliminate duplication and to effectuate the coordination of programs under this title and other programs offering extension or continuing education activities and services.

(c) The Advisory Council shall review the administration and effectiveness of all federally supported extension and continuing education programs, including community service programs, make recommendations with respect thereto, and make annual reports commencing on March 31, 1967, of its findings and recommendations (including recommendations for changes in the provisions of this title

and other Federal laws relating to extension and continuing education activities) to the Secretary and to the President. The President shall transmit each such report to the Congress together with his comments and recommendations.

(d) Members of the Advisory Council who are not regular full-time employees of the United States shall, while serving on the business of the Council, be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including travel time; and, while so serving away from their homes or regular places of business, members may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b–2) for persons in the Government service employed intermittently.

(e) The Secretary shall engage such technical assistance as may be required to carry out the functions of the Advisory Council, and the Secretary shall, in addition, make available to the Advisory Council such secretarial, clerical, and other assistance and such pertinent data prepared by the Department of Health, Education, and Welfare as it may require to carry out its functions.

(f) In carrying out its functions pursuant to this section, the Advisory Council may utilize the services and facilities of any agency of the Federal Government, in accordance with agreements between the Secretary and the head of such agency.

RELATIONSHIP TO OTHER PROGRAMS

SEC. [110] *111.* Nothing in this title shall modify authorities under the Act of February 23, 1917 (Smith-Hughes Vocational Education Act), as amended (20 U.S.C. 11–15, 16–28); the Vocational Education Act of 1946, as amended (20 U.S.C. 15i–15m, 15o–15q, 15aa–15jj, and 15aaa–15ggg); the Vocational Educational Act of 1963 (20 U.S.C. 35–35n); title VIII of the Housing Act of 1964 (Public Law 88–560); or the Act of May 8, 1914 (Smith-Lever Act) as amended (7 U.S.C. 341–348).

LIMITATION

SEC. [111] *112.* No grant may be made under this title for any educational program, activity, or service related to sectarian instruction or religious worship, or provided by a school or department of divinity. For purposes of this section, the term "school or department of divinity" means an institution or a department or branch of an institution whose program is specifically for the education of students to prepare them to become ministers of religion or to enter upon some other religious vocation, or to prepare them to teach theological subjects.

TITLE II—COLLEGE LIBRARY ASSISTANCE AND LIBRARY TRAINING AND RESEARCH

PART A—COLLEGE LIBRARY RESOURCES

APPROPRIATIONS AUTHORIZED

SEC. 201. There are authorized to be appropriated $50,000,000 [for the fiscal year ending June 30, 1966, and for each of the two succeeding

fiscal years] *each for the fiscal years ending June 30, 1966, 1967, and 1968, respectively, and such sums as may be necessary for the next five fiscal years,* to enable the Commissioner to make grants under this part to institutions of higher education to assist and encourage such institutions in the acquisition for library purposes of books, periodicals, documents, magnetic tapes, phonograph records, audiovisual materials, and other related library materials (including necessary binding). [For the fiscal year ending June 30, 1969, and the succeeding fiscal year, there may be appropriated, to enable the Commissioner to make such grants, only such sums as the Congress may hereafter authorize by law.]

* * * * * * *

SPECIAL PURPOSE GRANTS

SEC. 204. (a)(1) Twenty-five per centum of the sums appropriated pursuant to section 201 for each fiscal year shall be used by the Commissioner in accordance with this subsection.

(2) Of the sums available for use under paragraph (1) sixty per centum may be used to make special grants (A) to institutions of higher education which demonstrate a special need for additional library resources and which demonstrate that such additional library resources will make a substantial contribution to the quality of their educational resources, (B) to institutions of higher education to meet special national or regional needs in the library and information sciences, and (C) to combinations of institutions of higher education which need special assistance in establishing and strengthening joint-use facilities. Grants under this section may be used only for books, periodicals, documents, magnetic tapes, phonograph records, audiovisual materials, and other related library materials (including necessary binding).

(3) Any sums available for use under paragraph (1) which are not used for the purpose of paragraph (2) shall be used in the manner prescribed by the first sentence of section 203(a).

(b) Grants pursuant to paragraph (2) shall be made upon application providing satisfactory assurance that (1) the applicant (or applicants jointly in the case of a combination of institutions) will expend during the fiscal year for which the grant is requested (from funds other than funds received under this part) for the same purpose as such grant an amount from such other sources equal to not less than 33⅓ per centum of such grant, and (2) in addition each such applicant will expend during such fiscal year (from such other sources) for all library purposes (exclusive of construction) an amount not less than the average annual amount it expended for such purposes during the two-year period ending June 30, 1965, *or during the two fiscal years preceding the fiscal year for which the grant is requested, whichever is less.*

* * * * * * *

PART B—LIBRARY TRAINING AND RESEARCH

APPROPRIATIONS AUTHORIZED

SEC. 221. There are authorized to be appropriated $15,000,000 for the fiscal year ending June 30, 1966, and for each of the two succeeding

fiscal years, *and such sums as may be necessary for each of the next five fiscal years*, for the purpose of carrying out this part. [For the fiscal year ending June 30, 1969, and the succeeding fiscal year, there may be appropriated for such purpose only such sums as the Congress may hereafter authorize by law.]

* * * * * * *

GRANTS FOR TRAINING IN LIBRARIANSHIP

SEC. 223. (a) The Commissioner is authorized to make grants to institutions of higher education to assist them in training persons in librarianship. Such grants may be used by such institutions to assist in covering the cost of courses of training or study (*including short-term or regular session institutes*) for such persons, and for establishing and maintaining fellowships or traineeships with stipends (including allowances for traveling, subsistence and other expenses) for fellows and other undergoing training and their dependents not in excess of such maximum amounts as may be prescribed by the Commissioner.

(b) The Commissioner may make a grant to an institution of higher education only upon application by the institution and only upon his finding that such program will substantially further the objective of increasing the opportunities throughout the Nation for training in librarianship.

RESEARCH AND DEMONSTRATIONS RELATING TO LIBRARIES AND THE TRAINING OF LIBRARY PERSONNEL, *AND GRANTS FOR LIBRARY SCHOOL PLANNING AND DEVELOPMENT*

SEC. 224. (a) The Commissioner is authorized to make grants to institutions of higher education and other public or private agencies, institutions, and organizations, (*1*) for research and demonstration projects relating to the improvement of libraries or the improvement of training in librarianship, including the development of new techniques, systems, and equipment for processing, storing, and distributing information, and for the dissemination of information derived from such research and demonstrations, and, without regard to section 3709 of the Revised Statutes (41 U.S.C. 5), to provide by contracts with them for the conduct of such activities; *and, (2) for the planning or development of programs for the opening of library or information science schools, or of programs intended to lead to the accreditation of such existing schools;* except that no [such] grant *under this section* may be made to a private agency, organization, or institution other than a nonprofit one.

(b) The Commissioner is authorized to appoint a special advisory committee of not more than nine members to advise him on matters of general policy concerning research and demonstration projects relating to the improvement of libraries and the improvement of training in librarianship, or concerning special services necessary thereto or special problems involved therein.

(c) Members of the committee appointed under this section who are not regular full-time employees of the United States shall, while serving on the business of the committee, be entitled to receive compensation at rates fixed by the Commissioner, but not in excess of $100 per diem, including travel time; and they may, while so serving away

from their homes or regular places of business, be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b–2) for persons in the Government service employed intermittently.

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Part C—Strengthening College and Research Library Resources

APPROPRIATIONS AUTHORIZED

Sec. 231. There are hereby authorized to be appropriated $5,000,000 for the fiscal year ending June 30, 1966, $6,315,000 for the fiscal year ending June 30, 1967, [and] $7,770,000 for the fiscal year ending June 30, 1968, *and such sums as may be necessary for the next two fiscal years,* to enable the Commissioner to transfer funds to the Librarian of Congress for the purpose of—

(1) acquiring, so far as possible, *copies of* all library materials currently published throughout the world which are of value to scholarship; and

(2) [providing cataloging information for these materials promptly after receipt, and distributing bibliographic information] *providing catalog information promptly and distributing this and other bibliographic information about library materials* by printing catalog cards and by other means, and enabling the Library of Congress to use for exchange and other purposes such of these materials as are not needed for its own collections; and

(3) enabling the Librarian of Congress to pay administrative costs of cooperative arrangements for acquiring library materials published outside of the United States, its territories, and its possessions, and not readily obtainable outside of the country of origin, for institutions of higher education or combinations thereof for library purposes, or for other public or private nonprofit research libraries

[For the fiscal year ending June 30, 1969, and the succeeding fiscal year, there may be appropriated, to enable the Commissioner to transfer funds to the Librarian of Congress for such purpose,only such sums as the Congress may hereafter authorize by law.]

TITLE III—STRENGTHENING DEVELOPING INSTITUTIONS

Part A—Developing Institutions

STATEMENT OF PURPOSE AND APPROPRIATIONS AUTHORIZED

Sec. 301. (a) The purpose of this [title] *part* is to assist in raising the academic quality of colleges which have the desire and potential to make a substantial contribution to the higher education resources of our Nation but which for financial and other reasons are struggling for survival and are isolated from the main currents of academic life, and to do so by enabling the Commissioner to establish a national teaching fellow program and to encourage and assist in the establishment of cooperative arrangements under which these colleges may draw on the talent and experience of our finest colleges and universi-

ties, and on the educational resources of business and industry, in their effort to improve their academic quality.

(b)(1) There is authorized to be appropriated the sum of $55,000,000 for the fiscal year ending June 30, 1966, the sum of $30,000,000 for the fiscal year ending June 30, 1967 [and] the sum of $55,000,000 for the fiscal year ending June 30, 1968, *and such sums as may be necessary for the next five fiscal years*, to carry out the provisions of this [title] *part*.

(2) Of the sums appropriated pursuant to this section for any fiscal year, 78 per centum shall be available only for carrying out the provisions of this [title] *part* with respect to developing institutions which plan to award one or more bachelor's degrees during such year.

(3) The remainder of the sums so appropriated shall be available only for carrying out the provisions of this [title] *part* with respect to developing institutions which do not plan to award such a degree during such year.

DEFINITION OF "DEVELOPING INSTITUTION"

SEC. 302. As used in this [title] *part* the term "developing institution" means a public or nonprofit educational institution in any State which—

(a) admits as regular students only persons having a certificate of graduation from a secondary school, or the recognized equivalent of such certificate;

(b) is legally authorized to provide, and provides within the State, an educational program for which it awards a bachelor's degree, or provides not less than a two-year program which is acceptable for full credit toward such a degree, or offers a two-year program in engineering, mathematics, or the physical or biological sciences which is designed to prepare the student to work as a technician and at a semiprofessional level in engineering, scientific, or other technological fields which require the understanding and application of basic engineering, scientific, or mathematical principles of knowledge;

(c) is accredited by a nationally recognized accrediting agency or association determined by the Commissioner to be reliable authority as to the quality of training offered or is, according to such an agency or association, making reasonable progress toward accreditation;

(d) has met the requirements of clauses (a) and (b) during the five academic years preceding the academic year for which it seeks assistance under this [title;] *part;*

(e) is making a reasonable effort to improve the quality of its teaching and administrative staffs and of its student services;

(f) is, for financial or other reasons, struggling for survival and is isolated from the main currents of academic life;

(g) meets such other requirements as the Commissioner may prescribe by regulation; and

(h) is not an institution, or department or branch of an institution, whose program is specifically for the education of students to prepare them to become ministers of religion or to enter upon some other religious vocation or to prepare them to teach theological subjects.

ADVISORY COUNCIL ON DEVELOPING INSTITUTIONS

SEC. 303. (a) The Commissioner shall establish in the Office of Education an Advisory Council on Developing Institutions (hereinafter in this [title] *part* referred to as the "Council"), consisting of the Commissioner who shall be Chairman, one representative each of such Federal agencies having responsibilities with respect to developing institutions as the Commissioner may designate, and eight members appointed, without regard to the civil service laws, by the Commissioner with the approval of the Secretary.

(b) The Council shall advise the Commissioner with respect to policy matters arising in the administration of this [title] *part* and in particular shall assist the Commissioner in identifying those developing institutions through which the purposes of this [title] *part* can best be achieved and in establishing priorities for use in approving applications under this [title] *part*. The Commissioner may appoint such special advisory and technical experts, and consultants as may be useful in carrying out the functions of the Council.

(c) Members of the Council who are not otherwise full-time employees of the United States shall, while serving on business of the Council, receive compensation at a rate to be fixed by the Secretary, but not exceeding $100 per day, including travel time; and while so serving away from their homes or regular places of business, members may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b–2) for persons in the Government service employed intermittently.

GRANTS FOR COOPERATIVE AGREEMENTS TO STRENGTHEN DEVELOPING INSTITUTIONS

SEC. 304. (a) The Commissioner is authorized to make grants to developing institutions and other colleges and universities to pay part of the cost of planning, developing, and carrying out cooperative arrangements which show promise as effective measures for strengthening the academic programs and the administration of developing institutions. Such cooperative arrangements may be between developing institutions, between developing institutions and other colleges and universities, and between developing institutions and organizations, agencies, and business entities. Grants under this section may be used for projects and activities such as—

(1) exchange of faculty or students, including arrangements for bringing visiting scholars to developing institutions;

(2) faculty and administration improvement programs utilizing training, education (including fellowships leading to advanced degrees), internships, research participation, and other means;

(3) introduction of new curriculums and curricular materials;

(4) development and operation of cooperative education programs involving alternate periods of academic study and business or public employment;

(5) joint use of facilities such as libraries or laboratories, including necessary books, materials, and equipment; and

(6) other arrangements which offer promise of strengthening the academic programs and the administration of developing institutions.

(b) A grant may be made under this section only upon application to the Commissioner at such time or times and containing such information as he deems necessary. The Commissioner shall not approve an application unless it—

(1) sets forth a program for carrying out one or more projects or activities which meet the requirements of subsection (a) and provides for such methods of administration as are necessary for the proper and efficient operation of the program;

(2) sets forth policies and procedures which assure that Federal funds made available under this section for any fiscal year will be so used as to supplement and, to the extent practical, increase the level of funds that would, in the absence of such Federal funds, be made available for purposes which meet the requirements of subsection (a), and in no case supplant such funds;

(3) provides for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the applicant under this section; and

(4) provides for making such reports, in such form and containing such information, as the Commissioner may require to carry out his functions under this [title,] *part*, and for keeping such records and for affording such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports.

NATIONAL TEACHING FELLOWSHIPS

SEC. 305. (a) The Commissioner is authorized to award fellowships under this section to highly qualified graduate students and junior members of the faculty of colleges and universities, to encourage such individuals to teach at developing institutions. The Commissioner shall award fellowships to individuals for teaching at developing institutions only upon application by an institution approved for this purpose by the Commissioner and only upon a finding by the Commissioner that the program of teaching set forth in the application is reasonable in the light of the qualifications of the teaching fellow and of the educational needs of the applicant.

(b) Fellowships may be awarded under this section for such period of teaching as the Commissioner may determine, but such period shall not exceed two academic years. Each person awarded a fellowship under the provisions of this section shall receive a stipend for each academic year of teaching of not more than $6,500, as determined by the Commissioner upon the advice of the Council, plus an additional amount of $400 for each such year on account of each of his dependents.

PART B—IMPROVEMENT OF GRADUATE PROGRAMS

STATEMENT OF PURPOSES

SEC. 321. The purposes of this part are to strengthen and improve the quality of doctoral programs of graduate schools, and to increase the number of such quality programs.

APPROPRIATIONS AUTHORIZED; USE OF GRANTS

SEC. 322. (a) There are authorized to be appropriated such sums as may be necessary for the fiscal year ending June 30, 1969, and each of the 4 succeeding fiscal years, to enable the Commissioner to make grants to institutions of higher education having programs leading to a degree of doctor of philosophy or an equivalent degree, upon such terms and conditions as he may establish, to pay all or part of the cost of planning, developing, or carrying out projects or activities designed to achieve one or more of the purposes set forth in section 321. Such grants may be used for projects or activities such as—

(1) the strengthening of graduate faculties by enlarging their size, improving their academic or professional qualifications, or increasing the number of disciplines in which they are skilled;

(2) the expansion or improvement of existing graduate programs, or the establishment of additional graduate programs;

(3) the acquisition of appropriate equipment or curricular, research, or other materials required to fulfill the objectives of projects or activities described in clause (2);

(4) the development or carrying out of cooperative arrangemenis among graduate schools in furtherance of the purposes of this part; or

(5) the strengthening of graduate school administration.

(b) No portion of the sums granted under this part may be used—

(1) for payment in excess of 50 per centum of the cost of the purchase or rental of books, audio-visual aids, scientific apparatus, or other materials or equipment, less any per centum of such cost, as determined by the Commissioner, that is paid from sums received (other than under this part) as Federal financial assistance; or

(2) for sectarian instruction or religious worship, or primarily in connection with any part of the program of an institution, or department or branch of an institution, whose program is specifically for the education of students to prepare them to become ministers of religion or to enter upon some other religious vocation or to prepare them to teach theological subjects.

SELECTION OF GRANT RECIPIENTS

SEC. 323. In the awarding of grants under this part, the Commissioner shall, insofar as practicable and consistent with the other purposes of this part, give weight to the objective of having an adequate number of graduate schools of good quality within each appropriate region.

CONSULTATION

SEC. 324. In the development of general policy governing the administration of this part, the Commissioner shall consult with the National Science Foundation and the National Foundation on the Arts and the Humanities, for the purpose of promoting the coordination of Federal programs bearing on the purposes of this part.

TRANSFER OF FUNDS

SEC. 325. In addition to the authority for utilization of other agencies conferred by section 903(b) of this Act, funds available to the Commissioner under this part shall, with the approval of the Secretary, be

available for transfer to any other Federal agency for use (in accordance with an interagency agreement) by such agency (alone or in combination with funds of that agency) for purposes for which such transferred funds otherwise could be expended by the Commissioner under the provisions of this part, and the Commissioner similarly is authorized to accept and expend funds of any other Federal agency for use under this part.

TITLE IV—STUDENT ASSISTANCE

[PART A—EDUCATIONAL OPPORTUNITY GRANTS [1]

[STATEMENT OF PURPOSE AND APPROPRIATIONS AUTHORIZED

[SEC. 401. (a) It is the purpose of this part to provide, through institutions of higher education, educational opportunity grants to assist in making available the benefits of higher education to qualified high school graduates of exceptional financial need, who for lack of financial means of their own or of their families would be unable to obtain such benefits without such aid.

[(b) There are hereby authorized to be appropriated $70,000,000 for the fiscal year ending June 30, 1966,[2] and for each of the two succeeding fiscal years, to enable the Commissioner to make payments to institutions of higher education that have agreements with him entered into under section 407, for use by such institutions for payments to undergraduate students for the initial academic year of educational opportunity grants awarded to them under this part. For the fiscal year ending June 30, 1969 and for the succeeding fiscal year, there may be appropriated, to carry out the first sentence of this subsection, only such sums as the Congress may hereafter authorize by law.[3] There are further authorized to be appropriated such sums as may be necessary for payment to such institutions for use by them for making educational opportunity grants under this part to undergraduate students for academic years other than the initial year of their educational opportunity grants; but no appropriation may be made pursuant to this sentence for any fiscal year beginning more than three years after the last fiscal year for which an appropriation is authorized under the first sentence. Sums appropriated pursuant to this subsection for any fiscal year shall be available for payment to institutions until the close of the fiscal year succeeding the fiscal year for which they were appropriated. For the purposes of this subsection, payment for the first year of an educational opportunity grant shall not be considered as an initial-year payment if the educational opportunity grant was awarded for the continuing education of a student who had been previously awarded an educational opportunity grant under this part (whether by another institution or otherwise) and had received payment for any year of that educational opportunity grant.

[AMOUNT OF EDUCATIONAL OPPORTUNITY GRANT—ANNUAL DETERMINATION

[SEC. 402. From the funds received by it for such purpose under this part, an institution of higher education which awards an educa-

[1] This pt. A is repealed effective with the fiscal year 1970, at which time it will be replaced by the consolidated student assistance program, shown below as a new pt. A, except that sec. 408 (utilization of educational talent) will then appear as a redesignated sec. 441 under a new pt. C.

[2] For fiscal year 1969, the bill amends this section to authorize appropriations of such sums as may be necessary.

[3] This sentence is deleted effective upon enactment of the bill.

tional opportunity grant to a student under this part shall, for the duration of the grant, pay to that student for each academic year during which he is in need of grant aid to pursue a course of study at the institution, an amount determined by the institution for such student with respect to that year, which amount shall not exceed—

[(1) the lesser of $800 or one-half of the sum of the amount of student financial aid (including assistance under this title, but excluding assistance from work-study programs) provided such student by such institution and any assistance provided such student under any scholarship program established by a State or a private institution or organization, as determined in accordance with regulation of the Commissioner, or

[(2) in the case of a student who during the preceding academic year at an institution of higher education received grades placing him in the upper half of his class, the amount determined under paragraph (1), plus $200.

If the amount of the payment determined under the preceding sentence for an academic year is less than $200 for a student, no payment shall be made under this title to that student for that year. The Commissioner shall, subject to the foregoing limitations, prescribe for the guidance of participating institutions basic criteria or schedules (or both) for the determination of the amount of any such educational opportunity grant, taking into account the objective of limiting grant aid under this part to students of exceptional financial need and such other factors, including the number of dependents in the family, as the Commissioner may deem relevant.

[DURATION OF EDUCATIONAL OPPORTUNITY GRANT

[SEC. 403. The duration of an educational opportunity grant awarded under this part shall be the period required for completion by the recipient of his undergraduate course of study at the institution of higher education from which he received the educational opportunity grant, except that such period shall not exceed four academic years less any such period with respect to which the recipient has previously received payments under this part pursuant to a prior educational opportunity grant (whether made by the same or another institution). An educational opportunity grant awarded under this part shall entitle the recipient to payments only if he (1) is maintaining satisfactory progress in the course of study which he is pursuing, according to the regularly prescribed standards and practices of the institution from which he received the grant, and (2) is devoting essentially full time to that course of study, during the academic year, in attendance at that institution. Failure to be in attendance at the institution during vacation periods or periods of military service, or during other periods during which the Commissioner determines in accordance with regulations that there is good cause for his nonattendance (during which periods he shall receive no payments) shall not be deemed contrary to clause (2).

[SELECTION OF RECIPIENTS OF EDUCATIONAL OPPORTUNITY GRANTS

[SEC. 404. (a) An individual shall be eligible for the award of an educational opportunity grant under this part at any institution of

higher education which has made an agreement with the Commissioner pursuant to section 407 (which institution is hereinafter in this part referred to as an "eligible institution"), if the individual makes application at the time and in the manner prescribed by that institution.

[(b) From among those eligible for educational opportunity grants from an institution of higher education for each fiscal year, the institution shall, in accordance with the provisions of its agreement with the Commissioner under section 407 and within the amount allocated to the institution for that purpose for that year under section 406, select individuals who are to be awarded such grants and determine, pursuant to section 402, the amounts to be paid to them. An institution shall not award an educational opportunity grant to an individual unless it determines that—

[(1) he has been accepted for enrollment as a full-time student at such institution or, in the case of a student already attending such institution, is in good standing and in full-time attendance there as an undergraduate student;

[(2) he shows evidence of academic or creative promise and capability of maintaining good standing in his course of study;

[(3) he is of exceptional financial need; and

[(4) he would not, but for an educational opportunity grant, be financially able to pursue a course of study at such institution of higher education.

[ALLOTMENT OF EDUCATIONAL OPPORTUNITY GRANT FUNDS AMONG STATES

[SEC. 405. (a)(1) From the sums appropriated pursuant to the first sentence of section 401(b) for any fiscal year, the Commissioner shall allot to each State an amount which bears the same ratio to the amount so appropriated as the number of persons enrolled on a full-time basis in institutions of higher education in such State bears to the total number of persons enrolled on a full-time basis in institutions of higher education in all the States. The number of persons enrolled on a full-time basis in institutions of higher education for purposes of this section shall be determined by the Commissioner for the most recent year for which satisfactory data are available to him.

[(2) If the total of the sums determined by the Commissioner to be required under section 406 for any fiscal year for eligible institutions in a State is less than the amount of the allotment to that State under paragraph (1) for that year, the Commissioner may reallot the remaining amount from time to time, on such date or dates as he may fix, to other States in such manner as he determines will best assist in achieving the purposes of this part.

[(b) Sums appropriated pursuant to the third [1] sentence of section 401(b) for any fiscal year shall be allotted or reallotted among the States in such manner as the Commissioner determines to be necessary to carry out the purposes for which such sums are appropriated.

[1] Pending repeal (see footnote to the heading of pt. A), "third" is amended to read "second."

[ALLOCATION OF ALLOTTED FUNDS TO INSTITUTIONS

[SEC. 406. (a) The Commissioner shall from time to time set dates by which eligible institutions in any State must file applications for allocation, to such institutions, of educational opportunity grant funds from the allotment to that State (including any reallotment thereto) for any fiscal year pursuant to section 405(a), to be used for the purposes specified in the first sentence of section 401(b). Such allocations shall be made in accordance with equitable criteria which the Commissioner shall establish and which shall be designed to achieve such distribution of such funds among eligible institutions within a State as will most effectively carry out the purposes of this part.

[(b) The Commissioner shall further, in accordance with regulations, allocate to eligible institutions, in any State, from funds apportioned or reapportioned pursuant to section 405(b), funds to be used for the educational opportunity grants specified in the third [1] sentence of section 401(b).

[(c) Payment shall be made from allocations under this section to institutions as needed.

[AGREEMENTS WITH INSTITUTIONS—CONDITIONS

[SEC. 407. (a) An institution of higher education which desires to obtain funds for educational opportunity grants under this part, shall enter into an agreement with the Commissioner. Such agreement shall—

[(1) provide that funds received by the institution under this part will be used by it only for the purposes specified in, and in accordance with, the provisions of this part;

[(2) provide that in determining whether an individual meets the requirements of section 404(b)(3) the institution will (A) consider the source of such individual's income and that of any individual or individuals upon whom the student relies primarily for support, and (B) make an appropriate review of the assets of the student and of such individuals;

[(3) provide that the institution, in cooperation with other institutions of higher education where appropriate, will make vigorous efforts to identiy qualified youths of exceptional financial need and to encourage them to continue their education beyond secondary school through programs and activities such as—

[(A) establishing or strengthening close working relationships with secondary-school principals and guidance and counseling personnel with a view toward motivating students to complete secondary school and pursue post-secondary-school educational opportunities, and

[(B) making, to the extent feasible, conditional commitments for educational opportunity grants to qualified secondary school students with special emphasis on students enrolled in grade 11 or lower grades who show evidences of academic or creative promise;

[(4) provide assurance that the institution will continue to spend in its own scholarship and student-aid program, from

[1] Pending repeal (see footnote to the heading of pt. A), "third" is amended to read "second".

sources other than funds received under this part, not less than the average expenditure per year made for that purpose during the most recent period of three fiscal years preceding the effective date of the agreement;

[(5) include provisions designed to make educational opportunity grants under this part reasonably available (to the extent of available funds) to all eligible students in the institution in need thereof; and

[(6) include such other provisions as may be necessary to protect the financial interest of the United States and promote the purposes of this part.

[(b)(1) An institution, which has in effect an agreement for Federal capital contributions for a student loan fund pursuant to title II of the National Defense Education Act of 1958, may use, as an additional Federal capital contribution for the purposes of such loan fund, not to exceed 25 per centum of the funds paid to it for any fiscal year ending prior to July 1, 1970, for the purpose set forth in section 401(b). The requirement in section 204(2)(B) of such Act shall not apply to such a Federal capital contribution.

[(2) For the purpose of making payments from amounts appropriated pursuant to the third [1] sentence of section 401(b), any institution electing for any fiscal year to use an amount of its payment as a Federal capital contribution pursuant to paragraph (1) shall be paid an equal amount for each of the succeeding three fiscal years from such amounts appropriated pursuant to such third sentence, if the amount so paid to the institution for each such year is used by such institution as such a Federal capital contribution.

[CONTRACTS TO ENCOURAGE FULL UTILIZATION OF EDUCATIONAL TALE

SEC. 408.[2] (a) To assist in achieving the purposes of this part the Commissioner is authorized (without regard to section 3709 of the Revised Statutes (41 U.S.C. 5)), to enter into contracts, not to exceed $100,000 per year, with State and local educational agencies and other public or nonprofit organizations and institutions for the purpose of—

[(1) identifying qualified youths of exceptional financial need and encouraging them to complete secondary school and undertake postsecondary educational training,

[(2) publicizing existing forms of student financial aid, including aid furnished under this part, or

[(3) encouraging secondary-school or college dropouts of demonstrated aptitude to reenter educational programs, including post-secondary-school programs.

[(b) There are hereby authorized to be appropriated such sums as may be necessary to carry out this section.

[DEFINITION OF "ACADEMIC YEAR"

[SEC. 409. As used in this part, the term "academic year" means an academic year or its equivalent as defined in regulations of the Commissioner.] [3]

[1] Pending repeal (see footnote to the heading of pt. A), "third" is amended to read "second".

[2] This section will remain in effect but, effective with fiscal year 1970, will appear as sec. 441 of a new pt. C. Prior thereto, i.e., upon enactment of the bill, this section will be amended to include contract authority.

[3] Pending repeal of this pt. A (with fiscal year 1970), this section is being renumbered as sec. 410, so as to allow for insertion of a new sec. 410 (Special Services for Disadvantaged Students). That section will, concomitantly with repeal of pt. A and the simultaneous repeal of the present pt. C, be placed, as a redesignated sec. 442, into a new pt. C (together with the talent search section), as shown below in this print.

PART A—EDUCATIONAL OPPORTUNITY GRANTS, NATIONAL DEFENSE STUDENT LOANS, AND WORK-STUDY PROGRAMS [1]

STATEMENT OF PURPOSE: SHORT TITLE

SEC. 400.[2] *(a) The Congress hereby finds and declares that it is in the national interest to provide educational opportunities beyond secondary school to all our youth that desire such opportunities and can benefit from them. The strength and vigor of our economy and indeed the future of our society of free people demand that our youth, who represent the best of all our hopes, be given a chance to do their best. It is therefore the purpose of this title to provide substantial assistance to students in order that no student of ability will be denied an opportunity to develop his talents because of financial inability to meet basic higher education costs.*

(b) This title may be cited as the "Educational Opportunity Act".

STATEMENT OF PURPOSE

SEC. 401.[3] *It is the purpose of this part to provide to students who are in need of such assistance in order to pursue courses of study at institutions of higher education—*

(1) a program of educational opportunity grants to assist in making available, through institutions of higher education, the benefits of higher education at the undergraduate level to those students of exceptional financial need,

(2) a program to stimulate and assist in the establishment at institutions of higher education of funds for the making of low-interest loans to undergraduate, graduate, and professional students, to be termed "national defense student loans", and

(3) a program to stimulate and promote the part-time employment of undergraduate, graduate, and professional students, particularly of those students who are from low-income families.

APPROPRIATIONS AUTHORIZED

SEC. 402.[3] *(a) There are authorized to be appropriated such sums as may be necessary for the fiscal year ending June 30, 1970, and for each of the succeeding 4 fiscal years, to enable the Commissioner to carry out the purpose of section 401(1) by making payments to institutions of higher education pursuant to agreements entered into under this part, for use by such institutions for payments to undergraduate students for the initial academic year of educational opportunity grants awarded to them under this part, and for payments pursuant to section 409. There are further authorized to be appropriated such sums as may be necessary for payment to such institutions for use by them for making educational opportunity grants under this part to undergraduate students for academic years other than the initial year of their educational opportunity grants; but no appropriation may be made pursuant to this sentence for any fiscal year*

[1] Effective with fiscal year 1970.

[2] Effective with fiscal year 1970, this section and those that follow in italics through sec. 410 would consolidate the educational opportunity grant program of the present pt. A of the Higher Education Act of 1965, the National Defense Student loan program of title II of the National Defense Education Act of 1958, and the work-study program of title I–C of the Economic Opportunity Act of 1964, in amended form.

[3] Effective with fiscal year 1970.

beginning more than 4 years after the last fiscal year for which an appropriation is authorized under the first sentence. Payment for the first year of an educational opportunity grant shall not be considered as an initial-year payment if the educational opportunity grant was awarded for the continuing education of a student who had been previously awarded an educational opportunity grant under this part (whether by another institution or otherwise) and had received payment for any year of that educational opportunity grant.

(b) There are authorized to be appropriated such sums as may be necessary for the fiscal year ending June 30, 1970, and for each of the succeeding 4 fiscal years, to enable the Commissioner to carry out the purposes of sections 401(2) and 401(3) by making payments to institutions of higher education pursuant to agreements entered into under this part, for use by such institutions—

(1) for making contributions to the capital of student loan funds established by such institutions pursuant to their agreements under this part and for payments pursuant to section 409; and there are further authorized to be appropriated such sums for the firscal year ending June 30, 1976, and for each of the next succeeding 3 fiscal years, as may be necessary to enable students who have received loans from such student loan funds for school years ending prior to June 30, 1976, to continue or complete their education; and

(2) for making payments to its students for employment in programs of work-study established pursuant to their agreements under this part, and for payments pursuant to section 409.

(c) Sums appropriated pursuant to this section for any fiscal year shall remain available for the purposes for which appropriated until the close of the fiscal year succeeding the fiscal year for which they were appropriated.

ALLOTMENT OF FUNDS TO INSTITUTIONS OF HIGHER EDUCATION

SEC. 403.[1] *(a) The Commissioner shall from time to time set dates by which institutions of higher education with which he has entered into agreements under this part must file applications for allotments to such institutions of funds appropriated pursuant to section 402. Such allotments shall be allocated as required by subsection (b) and shall be made in accordance with equitable criteria which the Commissioner shall establish and which shall be designed to achieve a distribution of such funds among such institutions of higher education as will most effectively carry out the purposes of this part: Provided, That the funds allotted to all institutions of higher education in any State for any fiscal year shall not exceed 12½ per centum of all of the funds appropriated pursuant to section 402 for such fiscal year.*

(b)(1) The Commissioner shall prescribe the amount of each allotment pursuant to subsection (a) that shall be allocated for use in each of the programs enumerated by section 401 to which such allotment may be applied under the agreement entered into between the Commissioner and the applicant institution under this part.

(2) An applicant institution to which funds are allotted pursuant to subsection (a) may, from time to time during the period in which such

[1] Effective with fiscal year 1970.

allotment remains available for its use, reallocate not to exceed (except with the approval of the Commissioner) an aggregate during such period of 20 per centum of any allocation prescribed pursuant to the preceding paragraph. Such reallocation shall augment one or both remaining allocations so prescribed in such proportions as the applicant institution may determine are required to best serve the purposes of the programs with respect to which an allotment to the applicant institution has been made: Provided, That nothing in this paragraph shall authorize such institution to reallocate any amount of such allotment deposited as a capital contribution to a student loan fund established pursuant to its agreement under this part, other than a reallocation during the fiscal year for which such allocation is made and during the next succeeding fiscal year.

(c) The amount of any allotment under subsection (a) for any fiscal year which the Commissioner determines will not be required for such year or the next fiscal year shall be available for reallotment in the manner prescribed for allotments made pursuant to subsection (a). Any amount reallotted to an institution under this subsection from appropriations for any fiscal year shall be deemed part of its allotment for that fiscal year.

(d) Payments from that portion of an allotment allocable to national defense student loans shall be made to an institution of higher education in such installments as the Commissioner determines will not result in unnecessary accumulations in the student loan fund established by the institution pursuant to its agreement under this part.

EDUCATIONAL OPPORTUNITY GRANTS

Sec. 404.[1] *(a) An institution of higher education, in accordance with its agreement under this part, may award educational opportunity grants to undergraduate students under which the institution shall pay to any such student not to exceed $1,000 for each academic year over which such grant, as provided by subsection (b), shall extend. The Commissioner shall, subject to the foregoing limitation, prescribe for the guidance of participating institutions basic criteria or schedules (or both) for the determination of the amount of any such educational opportunity grant, taking into account the objective of limiting grant aid under this part to students of exceptional financial need and such other factors, including the number of dependents in the family, as the Commissioner may deem relevant. The Commissioner may also prescribe a minimum amount payable for any academic year under any such grant.*

(b) The duration of an educational opportunity grant awarded under this part shall be the period required for the completion by the recipient of his undergraduate course of study at the institution of higher education from which he received the educational opportunity grant, but shall in no event, except as otherwise provided in this subsection, exceed 4 academic years less any such period with respect to which the recipient has previously received payments under this part pursuant to a prior educational opportunity grant (whether made by the same or another institution). With respect to a student (1) who is pursuing a course of study leading to a first degree and designed by the institution to extend over 5 academic years, or (2) who is or will be unable to complete a course of study within the maximum period of years specified in the preceding sentence because of a requirement of the institution that the student enroll in a noncredit remedial course of study, such period may be extended by the institution

[1] Effective with fiscal year 1970.

for one additional academic year. For purposes of the preceding sentence a "noncredit remedial course of study" is a course of study for which no credit is given toward an academic degree, and which is designed to increase the ability of the student to engage in an undergraduate course of study leading to such a degree.

(c) An educational opportunity grant awarded under this part shall entitle the recipient to payments only if he (1) is maintaining satisfactory progress in the course of study that he is pursuing, according to the regularly prescribed standards and practices of the institution from which he received the grant, and (2) is devoting essentially full time to that course of study, during the academic year, in attendance at that institution. Failure to be in attendance at the institution during vacation periods or periods of military service, or during other periods during which the Commissioner determines in accordance with regulations that there is good cause for his nonattendance (during which periods he shall receive no payments) shall not be deemed contrary to clause (2) of the preceding sentence.

NATIONAL DEFENSE STUDENT LOANS

SEC. 405.[1] *(a)(1) Institutions of higher education, in accordance with their agreements under this part, may make loans to undergraduate, graduate or professional students for any academic year from loan funds established pursuant to such agreements, but the total thereof to any student for any such year may not exceed $2,500 in the case of any graduate or professional student (as defined in regulations of the Commissioner), and may not exceed $1,500 in the case of any other student. The aggregate of the loans for all years from such funds may not exceed $11,000 in the case of any graduate or professional student (as so defined, and including any loans from such funds made to such person before he became a graduate or professional student), or $6,000 in the case of any other student.*

(2) Loans from any such loan fund to any student by any institution of higher education shall be made on such terms and conditions as the institution may determine; subject, however, to such conditions, limitations, and requirements as the Commissioner may prescribe (by regulation or in the agreement with the institution) with a view to preventing impairment of the capital of the student loan fund to the maximum extent practicable in the light of the objective of enabling the student to complete his course of study; and except that—

(A) such loan shall be evidenced by a note or other written agreement which provides for repayment of the principal amount, together with interest thereon in equal installments (or if the borrower so requests in graduated periodic installments determined in accordance with such schedules as may be approved by the Commissioner) payable quarterly, bimonthly or monthly (at the option of the institution) over a period beginning 9 months after the date on which the borrower ceases to carry at an institution of higher education or at a comparable institution outside the States approved for this purpose by the Commissioner at least one-half the normal full-time academic workload as determined by that institution and ending 10 years and 9 months after such date except that (i) interest shall not accrue on any such loan and installments need not be paid during any period (I) during which the borrower is carrying, at an institution of higher education

[1] Effective with fiscal year 1970.

or at a comparable institution outside the States approved for this purpose by the Commissioner, at least one-half the normal full-time academic workload as determined by the institution, (II) not in excess of 3 years during which the borrower is a member of the Armed Forces of the United States, (III) not in excess of 3 years during which the borrower is in service as a volunteer under the Peace Corps Act or (IV) not in excess of 3 years during which the borrower is in service as a full-time volunteer under title VIII of the Economic Opportunity Act of 1964: Provided, That this clause shall apply to any loan outstanding on the effective date of the Peace Corps Act only with the consent of the then obligee institutions, (ii) any such period shall not be included in determining the 10-year period during which the repayment must be completed, (iii) such 10-year period may also be extended for good cause determined in accordance with the regulations of the Commissioner, (iv) the institution may provide that installments need not be paid during any period or periods, aggregating not in excess of 3 years, during which the borrower is in less than half-time attendance at an institution of higher education taking courses which are creditable toward a degree, and may also provide that any such period shall not be included in determining the 10-year period during which the repayment must be completed, but interest shall continue to accrue during any such period, (v) the borrower may at his option accelerate repayment of the whole or any part of such loan, and (vi) the institution may provide, in accordance with regulations of the Commissioner, that during the repayment period of the loan payments of principal and interest by the borrower with respect to all the outstanding loans made to him from loan funds established pursuant to this part shall be at a rate equal to not less than $15 per month.

(B) not to exceed 50 per centum of any such loan (plus interest) shall be canceled for service as a full-time teacher in a public or other nonprofit elementary or secondary school in a State, in an institution of higher education, or in an elementary or secondary school overseas of the Armed Forces of the United States or for comparable service as a full-time teacher in a program of special (including preschool) education or training designed to combat disadvantage, poverty, or unemployment which is conducted by such a school or institution or by another public or nonprofit agency, institution, or organization in a State, at the rate of 10 per centum of the total amount of such loan plus interest thereon for each complete academic year or its equivalent (as determined under regulations of the Commissioner) of such service, except that (i) such rate shall be 15 per centum for each complete academic year or its equivalent (as determined under regulations of the Commissioner) of service as a full-time teacher in a public or other nonprofit elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title II of Public Law 874, Eighty-first Congress, as amended, and which for purposes of this clause and for that year has been determined by the Commissioner, pursuant to regulations and after consultation with the State educational agency of the State in which the school is located, to be a school in which there is a high concentration of students from low-income families, except that the Commissioner shall not make such determination with respect to more than 25 per

centum of the total of the public and other nonprofit elementary and secondary schools in any one State for any one year, (ii) such rate shall be 15 per centum for each complete academic year or its equivalent (as so determined by regulations) of service as a full-time teacher of handicapped children (including mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed or other health impaired children who by reason thereof require special education) in a public or other nonprofit elementary or secondary school system, and (iii) for the purposes of any cancellation pursuant to clause (i) or (ii), an additional 50 per centum of any such loan (plus interest) may be canceled but nothing in this paragraph shall authorize refunding any payment;

(C) such a loan shall bear interest, on the unpaid balance of the loan, at the rate of 3 per centum per annum except that no interest shall accrue before the date on which repayment of the loan is to begin in all cases except where the date on which repayment is to begin is suspended by reason of clause (iv) of paragraph (A);

(D) such a loan shall be made without security and without endorsement, except that, if the borrower is a minor and the note or other evidence of obligation executed by him would not, under the applicable law, create a binding obligation, either security or endorsement may be required;

(E) the liability to repay any such loan shall be canceled upon the death of the borrower, or if he becomes permanently and totally disabled as determined in accordance with regulations of the Commissioner;

(F) such a loan by an institution for any year shall be made in such installments as may be provided in regulations of the Commissioner or the agreement with the institution under this part and, upon notice to the Commissioner by the institution that any recipient of a loan is failing to maintain satisfactory standing, any or all further installments of his loan shall be withheld, as may be appropriate; and

(G) no note or other evidence of such a loan may be transferred or assigned by the institution of higher education making the loan except, upon the transfer of the borrower to another institution of higher education participating in the program under this part (or, if not participating, is eligible to do so and is approved by the Commissioner for such purpose), to such institution.

(b) Pursuant to regulations of the Commissioner, an institution may assess a charge with respect to a loan from the loan fund established by the institution pursuant to this part for failure of the borrower to pay all or any part of an installment when it is due and, in the case of a borrower who is entitled to deferment benefits under section 405(a)(2)(A) or cancellation benefits under section 405(a)(2)(B), for any failure to file timely and satisfactory evidence of such entitlement. The amount of any such charge may not exceed—

(1) in the case of a loan which is repayable in monthly installments, $1 for the first month or part of a month by which such installment or evidence is late and $2 for each such month or part of a month thereafter; and

(2) in the case of a loan which has a bimonthly or quarterly repayment interval, $3 and $6, respectively, for each such interval or part thereof by which such installment or evidence is late.

The institution may elect to add the amount of any such charge to the principal amount of the loan as of the first day after the day on which such installment or evidence was due, or to make the amount of the charge payable to the institution not later than the due date of the next installment after receipt by the borrower of notice of the assessment of the charge.

(c)(1) The Commissioner shall have power to compromise, waive, or release any right, title, claim or demand, however arising or acquired under this section.

(2) Financial transactions of the Commissioner under this section, and under such provisions of an agreement with an institution appertaining thereto, and vouchers approved by him in connection with such financial transactions, shall be final and conclusive upon all officers of the Government; except that all such transactions shall be subject to audit by the General Accounting Office at such times and in such manner as the Comptroller General may by regulation prescribe.

(d)(1) After June 30, 1979, and not later than September 30, 1979, there shall be a capita distribution of the balance of the student loan fund established under this part by each institution of higher education as follows:

(A) The Commissioner shall first be paid an amount which bears the same ratio to the balance in such fund at the close of June 30, 1979, as the total amount of the Federal capital contributions to such fund under this part bears to the sum of such Federal capital contributions and the institution's capital contributions to such fund.

(B) The remainder of such balance shall be paid to the institution.

(2) After September 30, 1979, each institution with which the Commissioner has made an agreement under this part shall pay to the Commissioner, not less often than quarterly, the same proportionate share of amounts received by the institution after June 30, 1979, in payment of principal or interest on student loans made from the student loan fund established pursuant to such agreement (which amount shall be determined after deduction of any costs of litigation incurred in collection of the principal or interest on loans from the fund and not already reimbursed from the student loan fund or such payments of principal or interest) as was determined for the Commissioner under paragraph (1).

(3) Upon a finding by the institution or the Commissioner prior to July 1, 1979, that the liquid assets of a student loan fund established pursuant to an agreement under this title exceed the amount required for loans or otherwise in the foreseeable future, and upon notice to such institution or to the Commissioner, as the case may be, there shall be, subject to such limitations as may be included in regulations of the Commissioner or in such agreement, a capital distribution from such fund. Such capital distribution shall be made as follows:

(A) The Commissioner shall first be paid an amount which bears the same ratio to the total to be distributed as the Federal capital contributions by the Commissioner to the student loan fund prior to such distribution bear to the sum of such Federal capital contributions and the capital contributions to the fund made by the institution.

(B) The remainder of the capital distribution shall be paid to the institution.

WORK-STUDY PROGRAMS

SEC. 406.[1] *(a) An institution of higher education, in accordance with its agreement under this part, may pay for the part time employment of its undergraduate, graduate, or professional students, through programs of work-study, in work for the institution itself, but only in the case of a public or other nonprofit institution, or work in the public interest for a public or private nonprofit organization under an arrangement between the institution and such organization, provided that such work—*

(1) will not result in the displacement of employed workers or impair existing contracts for services,

(2) will be governed by such conditions of employment as will be appropriate and reasonable in light of such factors as type of work performed, geographical region, and proficiency of the employee, and

(3) does not involve the construction, operation, or maintenance of so much of any facility as is used or is to be used for sectarian instruction or as a place for religious worship.

(b)(1) No student shall be employed through such programs of work-study for an average of more than 15 hours per week over a semester, or other term used by the institution in awarding credits, during which classes in which the student is enrolled are in session, nor more than 40 hours in any one week during such semester or term.

(2) For purposes of computing the average prescribed by the preceding paragraph, there shall be excluded vacation or comprable periods of additional or nonregular enrollment (as respects the particular student). Employment under a work-study program during any such period of additional or nonregular enrollment in which classes in which the student is enrolled are in session shall, subject to the 40-hour limitation of the preceding paragraph, be only to the extent and in accordance with criteria established by or pursuant to regulations of the Commissioner.

AGREEMENTS WITH INSTITUTIONS

SEC. 407.[1] *(a) An institution of higher education that desires to obtain funds for educational opportunity grants, national defense student loans, or work-study programs under this part, shall enter into an agreement with the Commissioner. Except as provided by subsection (b), such agreement shall—*

(1) provide that the funds received by the institution under this part shall be used by it only for the purposes specified in, and in accordance with, the provisions of this part;

(2) provide that the institution shall conduct a program of educational opportunity grants and, (A) provide that in determining whether an individual meets the requirements of paragraph (5) of this subsection the institution will (i) consider the source of such individual's income and that of any individual or individuals upon whom the student relies primarily for support, and (ii) make an appropriate review of the assets of the student and of such individuals; and (B) in cooperation with other institutions of higher education where appropriate, shall make vigorous efforts to identify qualified youths of exceptional financial need and to encourage them to continue their

[1] Effective with fiscal year 1970.

education beyond secondary school through programs and activities such as—

(i) establishing or strengthening close working relationships with secondary-school principals and guidance and counseling personnel with a view toward motivating students to complete secondary school and pursue post-secondary-school educational opportunities, and

(ii) making, to the extent feasible, conditional commitments for educational opportunity grants to qualified secondary school students with special emphasis on students enrolled in grade 11 or lower grades who show evidences of academic or creative promise;

(3)(A) provide for the establishment of a student loan fund by such institution into which shall be deposited (i) allocations for this purpose of allotments to the institution as Federal capital contributions, (ii) an amount, equal to not less than one-ninth of such Federal capital contributions, contributed by such institution, (iii) collections of principal and interest on student loans made from such fund, (iv) charges collected pursuant to section 405(b), and (v) any other earnings of the fund;

(B) provide that such student loan fund shall be used only for (i) loans to students in accordance with the agreement and the provisions of section 405, (ii) capital distributions as provided in this part, and (iii) cost of litigation, and other collection costs agreed to by the Commissioner, arising in connection with the collection of any loan from the fund, interest on such loan, or charge assessed with respect to that loan pursuant to section 405(b);

(C) provide that the institution may withdraw from such student loan fund such amount deposited as Federal capital contributions as it may reallocate pursuant to section 403(b)(2), and such amount contributed by such institution pursuant to the requirement of subparagraph (A)(ii) as may be associated therewith;

(D) provide that the Commissioner shall pay to the appropriate institution, at such time or times as he determines, an amount which bears the same ratio to the interest which has been prevented from accruing and the portion of the principal which has been canceled on student loans pursuant to paragraph (2)(B) of section 405(a) (and not previously paid) as the total amount of the institution's capital contributions to such fund under this part bears to the sum of such institution's capital contributions and the Federal capital contributions to such fund;

(4) provide for the operation by the institution of a program of work-study, in accordance with the provisions of section 406, under which program the Federal share of the compensation of students employed thereby shall not exceed 90 per centum: Provided, That nothing in the agreement shall restrict the source (other than from an allotment under this part) from which the institution may pay its share of the compensation of a student employed under a work-study program covered by the agreement, and such share may be paid to such student in the form of services and equipment (including tuition, room, board, and books) furnished by such institution;

(5) provide that the institution (A) shall award an educational opportunity grant only to a student who is of exceptional financial need, (B) shall give preference in the selection of students for employment under a work-study program to students from low-income families, and (C) shall

extend assistance under this part only to a student who is in need of such assistance in order to pursue a course of study at such institution;

(6) provide that the institution shall extend assistance under this part only to a student (A) who has been accepted for enrollment at the institution or, in the case of a student already enrolled in and attending the institution, is in good standing and, in the opinion of the institution, capable of maintaining such standing during the period during which such assistance is received, and (B) who will be or is devoting essentially full time to a prescribed course of study at such institution or, solely with respect to his eligibility for a national defense student loan, will be or is carrying at least one-half of the normal full-time academic workload as determined by the institution;

(7) include provisions designed to make assistance under each program for which the institution receives funds pursuant to this part reasonably available, to the extent of such funds, to all eligible students in such institution in need thereof;

(8) provide assurance that in each fiscal year for which the institution receives an allotment under this part, the institution will expend in its own programs of student assistance (including student assistance through employment of its students, whether or not in employment eligible for assistance under this part), exclusive of any component of such expenditures representing payment to the institution of Federal financial assistance as determined in accordance with regulations of the Commissioner, an amount that is not less than the lesser of (A) its average annual expenditure for such purposes during the 3 fiscal years preceding the fiscal year in which the institution made application for such allotment, (B) an amount prescribed by the Commissioner (not in excess of the amount determined pursuant to clause (A)) with respect to such institution upon its demonstration to the satisfaction of the Commissioner (i) that it will suffer in the fiscal year of such allotment a substantial reduction in funds (exclusive of any such reduction attributable to a loss of public (other than Federal) financial assistance) beyond its control, (ii) that the amount determined pursuant to clause (A) was materially augmented by funds available to the institution through circumstances that may not reasonably be expected to recur during the fiscal year of such allotment, or (iii) that through substantial reduction of student enrollment the amount determined pursuant to clause (A) would represent an excessive expenditure for student assistance in the fiscal year of such allotment.

(9) include such other provisions as the Commissioner shall deem necessary or appropriate to carry out the purposes of this part.

(b) An institution of higher education may elect to participate in the programs of educational opportunity grants, national defense education loans, and work-study, or in any 2 of such programs, or in only one such program. An agreement with an institution that elects not to participate in the educational opportunity grant program or the national defense student loan program or the work-study program shall omit the provisions required by paragraphs (2) or (3) or (4) of subsection (a), respectively. Any election under this section may be amended in accordance with the terms of the agreement and the regulations appertaining thereto.

(c) The Commissioner, in addition to the other powers conferred upon him by this part, shall have power to agree to modifications of agreements entered into under this section.

LOANS TO INSTITUTIONS

SEC. 408.[1] *(a) Upon application by any institution of higher education with which he has made an agreement under this part, the Commissioner may make a loan to such institution for the purpose of helping to finance the institution's capital contributions to a student loan fund established pursuant to such agreement, or for the purpose of helping the institution to pay not in excess of 10 per centum of the compensation of students employed in work-study programs under this part, or both. Any such loan may be made only if such institution shows it is unable to secure such funds from non-Federal sources upon terms and conditions which the Commissioner determines to be reasonable and consistent with the purposes of this part. Loans made to institutions under this section shall bear interest at a rate which the Commissioner determines to be adequate to cover (1) the cost of the funds to the Treasury as determined by the Secretary of the Treasury, taking into consideration the current average yields of outstanding marketable obligations of the United States having maturities comparable to the maturities of loans made by the Commissioner under this section, (2) the cost of administering this section, and (3) probable losses.*

(b) There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this section, but not to exceed a total of $25,000,000.

(c) Loans made by the Commissioner under this section shall mature within such period as may be determined by the Commissioner to be appropriate in each case, but not exceeding fifteen years.

(d) The Commissioner shall have power to agree to modifications of agreements or loans made under this section, and to compromise, waive, or release any right, title, claim, or demand however arising under this section.

EXPENSES OF ADMINISTRATION

Sec. 409.[1] *(a) An institution of higher education that has entered into an agreement with the Commissioner under this part shall be entitled for each fiscal year for which it receives an allotment under this part to a payment in lieu of reimbursement for its expenses during such fiscal year in administering programs assisted under this part. Such payment (1) shall be payable from such allotment in accordance with regulations of the Commissioner, and (2) shall be an amount equal to 3 per centum of the institution's expenditures during a fiscal year from any allotment under this part (for which purpose a Federal capital contribution to a student loan fund shall be deemed to be an expenditure if such moneys are actually paid into such fund), plus such non-Federal expenditures required by an agreement in accordance with section 407(a)(4) and section 407(a)(3)(A)(ii) related thereto and required by the agreement, except that such payment shall not exceed $125,000 in any fiscal year.*

(b) An agreement under this part may also include provisions authorizing the institution, to the extent and under terms and conditions prescribed by the Commissioner by or pursuant to regulation, to use, out of the sums allocated to it for work-study programs, a portion (in addition to sums payable pursuant to subsection (a) for its administrative expenses (which for this purpose may, among other expenses, include expenses of

[1] Effective with fiscal year 1970.

counseling and guidance, placement, and consulting services) in developing or carrying out a program, described in such agreement, to demonstrate or explore the feasibility or value of methods of cooperative education involving alternative periods of full-time academic study at the institution and periods of full-time public or private employment (whether or not afforded by an organization described in section 406(a)) approved or arranged for by the institution under such program.

DEFINITIONS

SEC. 410.[1] *As used in this part the term—*

(1) "academic year" means an academic year or its equivalent as defined in regulations of the Commissioner;

(2) "institution of higher education" means such institution as defined in section 901 (a) (but situated in a State as defined by clause (3) of this section) except that, (A) for purposes of application to the Commissioner and eligibility for an allotment to be allocated exclusively for work-study programs, such definition shall include any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provisions of clauses (1), (2), and (5) of such section, and (B) if the Commissioner determines that schools of a particular category fail to meet the requirements of clause (5) of section 801(a) because there is no nationally recognized accrediting agency or association qualified to accredit schools in such category, but that such schools otherwise meet the definition of 'institution of higher education' contained in section 801(a) (as extended by clause (A) of this paragraph), he shall, pending the establishment of such an accrediting agency or association, appoint an advisory committee, composed of persons specially qualified to evaluate training provided by such schools in such category, which shall (i) prescribe the standards of content, scope, and quality which must be met in order to qualify schools in such category to participate in this part, and (ii) determine whether particular schools not meeting the requirements of clause (5) of section 801(a) meet those standards.

(3) "State" means the several States of the Union, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands, and, solely with respect to participation by an institution of higher education situated therein in a program of national defense student loans under this part, the Canal Zone.

PART B— FEDERAL, STATE, AND PRIVATE PROGRAMS OF LOW-INTEREST INSURED LOANS TO STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION

STATEMENT OF PURPOSE AND APPROPRIATIONS AUTHORIZED

SEC. 421. (a) The purpose of this part is to enable the Commissioner (1) to encourage States and nonprofit private institutions and organizations to establish adequate loan insurance programs for students in eligible institutions (as defined in section 435), (2) to provide a Federal program of student loan insurance for students who do not have reasonable access to a State or private nonprofit program of student loan insurance covered by an agreement under section 428(b), [and]

[1] Effective with fiscal year 1970.

(3) to pay a portion of the interest on loans to qualified students which are made by a State under a direct loan program meeting the requirements of section 428(a)(1)(B), or which are insured under this part or under a program of a State or of a nonprofit private institution or organization which meets the requirements of section 428(a)(1)(C), *(4) to guaranty a portion of each loan insured under a program of a State or of a nonprofit private institution or organization which meet the requirements of section 428(a)(1)(C), and (5) to authorize direct loans to students attending vocational schools who are unable to obtain insured loans at interest rates that do not exceed rates prescribed by the Secretary for federally insured loans.*

(b) For the purpose of carrying out this part—

(1) there are authorized to be appropriated to the student loan insurance fund (established by section 431) (A) the sum of $1,000,000, and (B) such further sums, if any, as may become necessary for the adequacy of the student loan insurance fund,

(2) there are authorized to be appropriated, for payments under section 428 with respect to interest *and fees* [1] on student loans, such sums for the fiscal year ending June 30, 1966, and succeeding fiscal years, as may be required therefor, [and]

(3) there is authorized to be appropriated the sum of $17,500,000 for making advances pursuant to section 422 for the reserve funds of State and nonprofit private student loan insurance [programs.] *programs, and*

(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.*

Sums appropriated [under clauses (1) and (2)] *under clauses (1), (2), and (4)* of this subsection shall remain available until expended, and sums appropriated under clause (3) of this subsection shall remain available for advances under section 422 until the close of the fiscal year ending June 30, 1968.

ADVANCES FOR RESERVE FUNDS OF STATE AND NONPROFIT PRIVATE LOAN INSURANCE PROGRAMS

SEC. 422. (a)(1) From the sums appropriated pursuant to [clause 3] *clauses (3) and (4)* of section 421(b), the Commissioner is authorized to make advances to any State with which he has made an agreement pursuant to section 428(b) for the purpose of helping to establish or strengthen the reserve fund of the student loan insurance program covered by that agreement. If for any [of the fiscal years ending June 30, 1966, June 30, 1967 or June 30, 1968,] *fiscal year* a State does not have a student loan insurance program covered by an agreement made pursuant to section 428(b), and the Commissioner determines after consultation with the chief executive officer of that State that there is no reasonable likelihood that the State will have such a student loan insurance program for such year, the Commissioner may make advances for such year for the same purpose to one or more nonprofit private institutions or organizations with which he has made an agreement pursuant to section 428(b) in order to enable students in

[1] Amendment effective with respect to any loan insured pursuant to this part, if the note or other agreement evidencing such loan was executed on or after June 1, 1967.

that State to participate in a program of student loan insurance covered by such an agreement. The Commissioner may make advances under this subsection both to a State program (with which he has such an agreement) and to one or more nonprofit private institutions or organizations (with which he has such an agreement) in that State if he determines that such advances are necessary in order that students in each eligible institution have access through such institution to a student loan insurance program which meets the requirements of section 428(b)(1).

(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.

[(2)](*3*) Advances pursuant to this subsection shall be upon such terms and conditions (including conditions relating to the time or times of payment) consistent with the requirements of section 428(b) as the Commissioner determines will best carry out the purposes of this section. Advances made by the Commissioner under this subsection shall be repaid within such period as the Commissioner may deem to be appropriate in each case in the light of the maturity and solvency of the reserve fund for which the advance was made.

(b)(*1*) The total of the advances to any State [pursuant to subsection (a)] *pursuant to subsection (a)(1) from the sums appropriated pursuant to clause (3) of section 421(b)* may not exceed an amount which bears the same ratio to 2½ per centum of [$700,000,000] *$775,000,000* as the population of that State aged eighteen to twenty-two, inclusive, bears to the total population of all the States aged eighteen to twenty-two, inclusive. "The amount available, however, for advances to any State for each fiscal year ending prior to July 1, 1968 shall not be less than [$25,000] *$35,000*, and any additional funds needed to meet this requirement shall be derived by proportionately reducing (but not below [$25,000] *$35,000* per year) the amount available for advances to each of the remaining States." Advances to nonprofit private institutions and organizations pursuant to subsection ((a)(*1*) may be in such amounts as the Commissioner determines will best achieve the purposes for which they are made, except that the sum of (1) advances to such institutions and organizations for the benefit of students in any State plus (2) the amounts advanced to such State, may not exceed the maximum amount which may be advanced to that State pursuant to the first two sentences of this subsection.

[For the purposes of this subsection, the population aged eighteen to twenty-two, inclusive, of each State and of all the States shall be determined by the Commissioner on the basis of the most recent satisfactory data available to him.]

(*2*)(*A*) *The Commissioner shall reserve not in excess of 15 per centum of the sums appropriated pursuant to clause (4) of section 421(b) as he may determine to be reasonably necessary to carry out the purposes of*

subparagraph (B). The total of the advances from the remainder of such sums (i) to nonprofit private institutions and organizations for the benefit of students in any State and (ii) to such State may not exceed an amount which bears the same ratio to such remainder as the population of such State aged eighteen to twenty-two, inclusisve, bears to the population of all the States aged eighteen to twenty-two, inclusive, but such advances may otherwise be in such amounts as the Commissioner determines will best achieve the purposes for which they are made. The amount available, however, for advances to any State shall not be less than $35,000, and any additional funds needed to meet this requirement shall be derived by proportionately reducing (but not below $35,000) the amount available for advances to each of the remaining States.

(B) From the sums reserved pursuant to subparagraph (A), the Commissioner may make advances, in such amounts as he determines will best achieve the purposes for which they are made, to any nonprofit private institution or organization with which he has made an agreement pursuant to section 428(b), which insures loans under a student loan insurance program without regard to the domicile or residence of the student, and in which program there are participating lending institutions of more than one State.

(3) For the purposes of this subsection, the population aged eighteen to twenty-two, inclusive, of each State and of all the States shall be determined by the Commissioner on the basis of the most recent satisfactory data available to him.

EFFECT OF ADEQUATE NON-FEDERAL PROGRAMS

SEC. 423. The Commissioner shall not issue certificates of insurance under section 429 to lenders in a State if he determines that every eligible institution has reasonable access in that State to a State or private nonprofit student loan insurance program which is covered by an agreement under section 428(b).

SCOPE AND DURATION OF FEDERAL LOAN INSURANCE PROGRAM

SEC. 424. (a) The total principal amount of new loans made and installments paid pursuant to lines of credit (as defined in section 435) to students covered by Federal loan insurance under this part shall not exceed $700,000,000 in the fiscal year ending June 30, 1966, $1,000,000,000 in the fiscal year ending June 30, 1967, and $1,400,000,000 in the fiscal year ending June 30, 1968, *and such limitation in the 2 succeeding fiscal years as may be specified in appropriations Acts.* Thereafter, Federal loan insurance pursuant to this part may be granted only for loans made (or for loan installments paid pursuant to lines of credit) to enable students, who have obtained prior loans insured under this part, to continue or complete their educational program; but no insurance may be granted for any loan made or installment paid after June 30, [1972.] *1974.*

(b) The Commissioner may, if he finds it necessary to do so in order to assure an equitable distribution of the benefits of this part, assign, within the maximum amounts specified in subsection (a), Federal loan insurance quotas applicable to eligible lenders, or to States or areas, and may from time to time reassign unused portions of these quotas.

LIMITATIONS ON INDIVIDUAL FEDERALLY INSURED LOANS AND ON FEDERAL LOAN INSURANCE

SEC. 425. (a)(1) The total of the loans made to a student in any academic year or its equivalent (as determined under regulations of the Commissioner) which may be covered by Federal loan insurance under this part may not exceed $1,500 [in the case of a graduate or professional student (as defined in regulations of the Commissioner), or $1,000 in the case of any other student]. The aggregate insured unpaid principal amount of all such insured loans made to any student shall not at any time exceed $7,500 [in the case of any graduate or professional student (as defined in regulations of the Commissioner, and including any such insured loans made to such person before he became a graduate or professional student), or $5,000 in the case of any other student]. The annual insurable limit per student shall not be deemed to be exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any year in excess of the annual limit.

(2) If in any academic year or its equivalent a student receives a loan which is insured by the Commissioner under this part, no loan to that student in that year may be made or insured by the Commissioner under the National Vocational Student Loan Insurance Act of 1965; and if in any academic year or its equivalent a student receives a loan which is made or insured by the Commissioner under the National Vocational Student Loan Insurance Act of 1965, no loan to that student in that year may be insured by the Commissioner under this part.

(b) The insurance liability on any loan insured by the Commissioner under this part shall be 100 per centum of the unpaid balance of the principal amount of the loan. Such insurance liability shall not include liability for interest whether or not that interest has been added to the principal amount of the loan.

SOURCES OF FUNDS

SEC. 426. Loans made by eligible lenders in accordance with this part shall be insurable by the Commissioner whether made from funds fully owned by the lender or from funds held by the lender in a trust or similar capacity and available for such loans.

ELIGIBILITY OF STUDENT BORROWERS AND TERMS OF *FEDERALLY INSURED* STUDENT LOANS

SEC. 427. (a) A loan by an eligible lender shall be insurable by the Commissioner under the provisions of this part only if—

(1) made to a student who (A) has been accepted for enrollment at an eligible institution or, in the case of a student already attending such institution, is in good standing there as determined by the institution, and (B) is carrying at least one-half of the normal full-time workload as determined by the institution, and (C) has provided the lender with a statement of the institution which sets forth a schedule of the tuition and fees applicable to that student and its estimate of the cost of board and room for such a student; and

(2) evidenced by a note or other written agreement which—

(A) is made without security and without endorsement,

except that if the borrower is a minor and such note or other written agreement executed by him would not, under the applicable law, create a binding obligation, endorsement may be required,

(B) provides for repayment (except as provided in subsection (c)) of the principal amount of the loan in installments over a period of not less than five years (unless sooner repaid) nor more than ten years beginning not earlier than nine months nor later than one year after the date on which the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution, except (i) as provided in clause (C) below, (ii) that the period of the loan may not exceed fifteen years from the execution of the note or written agreement evidencing it and (ii) that the note or other written instrument may contain such provisions relating to repayment in the event of default in the payment of interest or in the payment of the cost of insurance premiums, or other default by the borrower, as may be authorized by regulations of the Commissioner in effect at the time the loan is made,

(C) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period (i) during which the borrower is pursuing a full-time course of study at an [institution of higher education] *eligible institution* or at a comparable institution outside the States approved for this purpose by the Commissioner,[1] (ii) not in excess of three years, during which the borrower is a member of the Armed Forces of the United States, (iii) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act, or (iv) not in excess of three years during which the borrower is in service as a *full-time* volunteer under Title VIII of the Economic Opportunity Act of 1964, and any such period shall not be included in determining the ten-year period or the fifteen-year period provided in clause (B) above,

(D) provides for interest on the unpaid principal balance of the loan at a yearly rate, not exceeding the applicable maximum rate prescribed and defined by the Secretary (within the limits set forth in subsection (b)) on a national, regional, or other appropriate basis, which interest shall be payable in installments over the period of the loan except that, if provided in the note or other written agreement, any interest payable by the student may be deferred until not later than the date upon which repayment of the first installment of principal falls due, in which case interest that has so accrued during that period may be added on that date to the principal (but without thereby increasing the insurance liability under this part),

(E) provides that the lender will not collect or attempt to collect from the borrower any portion of the interest on the note which is payable by the Commissioner under this part,

(F) entitles the student borrower to accelerate without penalty repayment of the whole or any part of the loan, and

(G) contains such other terms and conditions, consistent with the provisions of this part and with the regulations issued by the Commissioner pursuant to this part, as may be agreed upon by the parties to such loan, including, if agreed upon, a provision requiring the borrower to pay to the lender, in addition to principal and interest, amounts equal to the insurance premiums payable by the lender to the Commissioner with respect to such loan.

(b) No maximum rate of interest prescribed and defined by the Secretary for the purposes of clause (2)(D) of subsection (a) may exceed 6 per centum per annum on the unpaid principal balance of the loan, except that under circumstances which threaten to impede the carrying out of the purposes of this part, one or more of such maximum rates of interest may be as high as 7 per centum per annum on the unpaid principal balance of the loan.

(c) The total of the payments by a borrower during any year of any repayment period with respect to the aggregate amount of all loans to that borrower which are insured [by the Commissioner] under this part shall not be less than $360 or the balance of all of such loans (together with interest thereon), whichever amount is less.

FEDERAL PAYMENTS TO REDUCE STUDENT INTEREST COSTS

SEC. 428 (a)(1) Each student who has received a loan for study at an eligible institution—

(A) which is insured by the Commissioner under this part;

(B) which was made under a State student loan program (meeting criteria prescribed by the Commissioner), and which was contracted for, and paid to the student, within the period specified by paragraph (4); or

(C) which is insured under a program o a State or of a nonprofit private institution or organization, which was contracted for, and paid to the student, within the period specified in paragraph (4), and which—

(i) in the case of a loan insured prior to July 1, 1967, was made by an eligible lender and is insured under a program which meets the requirements of subparagraph (E) of subsection (b)(1) and provides that repayment of such loan shall be in installments beginning not earlier than sixty days after the student ceases to pursue a course of study (as described in subparagraph (D) of subsection (b)(1)) at an eligible institution, or

(ii) in the case of a loan insured after June 30, 1967, is insured under a program covered by an agreement made pursuant to subsection (b),

and whose adjusted family income is less than $15,000 at the time of execution of the note or written agreement evidencing such loan, shall be entitled to have paid on his behalf and for his account to the holder of the loan, over the period of the loan, a portion of the interest on the loan. *In addition, the Commissioner shall pay, when due, such authorized application fees and consolidation or other conversion fees as may be provided pursuant to paragraph (2)(B) of this subsection with respect to loans to any such student, but without regard to the student's adjusted*

family income.[1] For the purposes of this paragraph, the adjusted family income of a student shall be determined pursuant to regulations of the Commissioner in effect at the time of the execution of the note or written agreement evidencing the loan. Such regulations shall provide for taking into account such factors, including family size, as the Commissioner deems appropriate. In the absence of fraud by the lender, such determination of the adjusted family income of a student shall be final insofar as it concerns the obligation of the Commissioner to pay the holder of a loan a portion of the interest on the loan.

(2) (*A*) The portion of the interest on a loan which a student is entitled to have paid on his behalf and for his account to the holder of the loan pursuant to paragraph (1) shall be equal to the total amount of the interest on the unpaid principal amount of the loan which accrues prior to the beginning of the repayment period of the loan, *or which accrues during a period in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in subsection (c) of this section or in subsection (a)(2)(C) of the preceding section,* and 3 per centum per annum of the unpaid principal amount of the loan (excluding interest which has been added to principal) thereafter; but such portion of the interest on a loan shall not exceed, for any period, the amount of the interest on that loan which is payable by the student after taking into consideration the amount of any interest on that loan which the student is entitled to have paid on his behalf for that period under any State or private loan insurance program. The holder of a loan with respect to which payments are required to be made under this section shall be deemed to have a contractual right, as against the United States, to receive from the Commissioner the portion of interest which has been so determined *and the fees payable under this subsection.*[1] The Commissioner shall pay this portion of the interest to the holder of the loan on behalf of and for the account of the borrower at such times as may be specified in regulations in force when the applicable agreement entered into pursuant to subsection (b) was made, or if the loan was made by a State or is insured under a program which is not covered by such an agreement, at such times as may be specified in regulations in force at the time the loan was paid to the student. *Such regulations shall provide that upon the election of the holder of the loan, exercised in accordance with such terms and conditions as may be prescribed, the Commissioner shall defer payment of such interest as may accrue subsequent to such election, which interest shall then itself bear interest compounded semiannually at a per annum rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining terms to maturity of five years, adjusted to the nearest one eighth of 1 per centum. Such deferred interest (including the interest thereon) shall be paid to the holder in accordance with such regulations in a single payment to be made on or about the date upon which the loan or the final installment thereon is due or paid, whichever first occurs.*

(*B*) *The Secretary shall from time to time establish appropriate schedules of maximum application fees and consolidation or other con-*

[1] Amendment effective with respect to any loan insured pursuant to this part, if the note or other agreement evidencing such loan was executed on or after June 1, 1967.

version fees (as defined by the Secretary) that, subject to the limitations of this paragraph and subject to such other requirements and conditions as the Secretary may prescribe, shall be paid by the Commissioner to eligible lenders with respect to loans made by them and insured under this part by the Commissioner or under a program of a State or of a nonprofit private institution or organization. No such application fee and no such other fee shall exceed $35. No more than one such application fee may be paid by the Commissioner to any such lender with respect to all loans to the same student borrower for the same academic year (or its equivalent) of study and no more than one such consolidation or other conversion fee may be paid to any such lender in respect of the total insured indebtedness of a student incurred for the pursuit of his entire study program (as defined by the Secretary). In establishing such schedules, the Secretary may take into account among other factors the reasonable and necessary administrative costs (not adequately compensated for by allowable interest charges) to eligible lenders of making and servicing loans to be insured under this part.[1]

(3) Each holder of a loan with respect to which payments of interest *or fees* are required to be made by the Commissioner shall submit to the Commissioner, at such time or times and in such manner as he may prescribe, statements containing such information as may be required by or pursuant to regulation for the purpose of enabling the Commissioner to determine the amount of the payment which he must make with respect to that loan.

(4) The period referred to in subparagraphs (B) and (C) of paragraph (1) of this subsection shall begin on the date of enactment of this Act and end at the close of June 30, [1968,] *1973*, except that, in the case of a loan made or insured under a student loan or loan insurance program to enable a student who has obtained a prior loan made or insured under such program to continue his educational program, such period shall end at the close of June 30, [1972.] *1977*.

(5) No payment may be made under this section with respect to the interest on a loan made from a student loan fund established under title II of the National Defense Education Act of 1958.

[(6) In no event shall interest payments with respect to the same student loan be made under both this section and under section 9 of the National Vocational Student Loan Insurance Act of 1965.]

(b)(1) Any State or any nonprofit private institution or organization may inter into an agreement with the Commissioner for the purpose of entitlting students who receive loans which are insured under a student loan insurance program of that State, institution, or organization to have made on their behalf the payments provided for in subsection (a) if the Commissioner determines that the student loan insurance program—

(A) authorizes the insurance of not less than $1,000 nor more than $1,500 in loans to any individual student in any academic year or its equivalent (as determined under regulations of the Commissioner), *which limit shall not be deemed exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any such year in excess of such annual limit; and provides that the aggregate insured unpaid principal*

[1] Amendment effective with respect to any loan insured pursuant to this part, if the note or other agreement evidencing such loan was executed on or after June 1, 1967.

amount of all such insured loans made to any student shall not at any time exceed $7,500;

(B) authorizes the insurance of loans to any inividual student for at least six academic years of study or their equivalent (as determined under regulations of the Commissioner);

(C) provides that (i) the student borrower shall be entitled to accelerate without penalty the whole or any part of an insured loan, (ii) *except as provided in subsection (c) of this section,* the period of any insured loan may not exceed fifteen years from the date of execution of the note or other written evidence of the loan, and (iii) the note or other written evidence of any loan may contain such provisions relating to repayment in the event of default by the borrower as may be authorized by regulations of the Commissioner in effect at the time such note or written evidence was executed;

(D) subject to [subparagraph C] *subparagraphs (C) and (K) of this paragraph and except as provided by subsection (c) of this section,* provides that [, where the total of the insured loans to any student which are held by any one person exceeds $2,000, repayment of such] *repayment of* loans shall be in installments over a period of not less than five years nor more than ten years beginning not earlier than nine months nor later than one year after the student ceases to pursue a full-time course of study at an eligible institution, except that if the program provides for the insurance of loans for part-time study at eligible institutions the program shall provide that such repayment period shall begin not earlier than nine months nor later than one year after the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution;

(E) authorizes interest on the unpaid balance of the loan at a yearly rate not in excess of 6 per centum per annum on the unpaid principal balance of the loan (exclusive of any premium for insurance which may be passed on to the borrower);

(F) insures not less than 80 per centum of the unpaid principal of loans insured under the program;

(G) does not provide for collection of an excessive insurance premium;

(H) provides that the benefits of the loan insurance program will not be denied any student because of his family income or lack of need if his adjusted family income at the time the note or written agreement is executed is less than $15,000 (as determined pursuant to the regulations of the Commissioner prescribed under section 428(a)(1));

(I) provides that a student may obtain insurance under the program for a loan for any year of study at an eligible institution; [and]

(J) in the case of a State program, provides that such State program is administered by a single State agency, or by one or more nonprofit private institutions or organizations under the supervision of a single State [agency.] *agency; and*

(K) provides that the total of the payments by a borrower during any year of any repayment period with respect to the aggregate amount of all loans to that borrower which are insured under this part shall not

be less than $360 or the balance of all such loans (together with interest thereon), whichever amount is less.

(2) Such an agreement shall—

(A) provide that the holder of any such loan will be required to submit to the Commissioner, at such time or times and in such manner as he may prescribe, statements containing such information as may be required by or pursuant to regulation for the purpose of enabling the Commissioner to determine the amount of the payment which he must make with respect to that loan;

(B) include such other provisions as may be necessary to protect the financial interest of the United States and promote the purposes of this part and as are agreed to by the Commissioner and the State or nonprofit private organization or institution, as the case may be; and

(C) provide for making such reports in such form and containing such information as the Commissioner may reasonably require to carry out his function under this part and for keeping such records and for affording such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports.

(c) The Commissioner shall encourage the inclusion, in any State student loan program or any State or nonprofit private student loan insurance program meeting the requirements of subsection (a)(1)(B) or (C), of provisions authorizing or requiring that in the case of student loans covered by such program periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period (1) during which the borrower is pursuing a full-time course of study at an eligible institution (or at a comparable institution outside the States approved for this purpose by the Commissioner), (2) not in excess of 3 years during which the borrower is a member of the Armed Forces of the United States, (3) not in excess of 3 years during which the borrower is in service as a volunteer under the Peace Corps Act, or (4) not in excess of 3 years during which the borrower is in service as a full-time volunteer under title VIII of the Economic Opportunity Act of 1964. In the case of any such State or nonprofit private program containing such a provision any such period shall be excluded in determining the period specified in clause (ii) of subparagraph (C), or the maximum period for repayment specified in subparagraph (D), of subsection (b)(1) of this section.

(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.

(2) The guaranty agreement—

(A) shall set forth such administrative and fiscal procedures as may be necessary to protect the United States from the risk of unreasonable loss thereunder, to insure proper and efficient administration of the loan insurance program, and to assure that due diligence will be exercised in the collection of loans insured under the program;

(B) shall provide for making such reports, in such form and

containing such information, as the Commissioner may reasonably require to carry out his functions under this subsection, and for keeping such records and for affording such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports;

(C) shall set forth adequate assurance that, with respect to so much of any loan insured under the loan insurance program as may be guaranteed by the Commissioner pursuant to this subsection, the undertaking of the Commissioner under the guaranty agreement is acceptable in full satisfaction of State law or regulation requiring the maintenance of a reserve; and

(D) shall provide that 80 per centum of such amounts as may be made as payments of principal on loans in default, and with respect to which the Commissioner has made payment under the guaranty agreement, shall be paid over to the Commissioner for deposit in the insurance fund established by section 431, but shall not otherwise provide for subrogation of the United States to the rights of any insurance beneficiary.

(E) may include such other provisions as may be necessary to promote the purposes of this part.

(3) Nothing in this subsection shall be construed to preclude any forbearance for the benefit of the student borrower which may be agreed upon by the parties to an insured loan and approved by the insurer, or to require collection of the amount of any loan by the insurance beneficiary or its insurer from the estate of a deceased borrower or from a borrower found by the insurance beneficiary or its insurer to have become permanently and totally disabled.

(4) As used in this subsection, the terms "insurance beneficiary" and "default" shall have the meaning assigned to them by section 430(e).

(5) In the case of any guaranty agreement entered into prior to September 1, 1969, with a State or nonprofit private institution or organization with which the Commissioner has in effect on that date an agreement pursuant to subsection (b) of this section, or section 9(b) of the National Vocational Student Loan Insurance Act of 1965, made prior to the date of enactment of this subsection, the Commissioner shall, in accordance with the terms of this subsection, undertake to guaranty outstanding loans insured by such State, institution, or organization which meet the conditions of subsection (a)(1)(C) of this section or section 9(a)(1)(C) of the National Vocational Student Loan Insurance Act of 1965, but only with respect to defaults occurring on or after the effective date of such guaranty agreement.

CERTIFICATES OF FEDERAL LOAN INSURANCE—EFFECTIVE DATE OF INSURANCE

SEC. 429. (a)(1) If, upon application by an eligible lender, made upon such form, containing such information, and supported by such evidence as the Commissioner may require, and otherwise in conformity with this section, the Commissioner finds that the applicant has made a loan to an eligible student which is insurable under the provisions of this part, he may issue to the applicant a certificate of insurance covering the loan and setting forth the amount and terms of the insurance.

(2) Insurance evidenced by a certificate of insurance pursuant to subsection (a)(1) shall become effective upon the date of issuance of the certificate, except that the Commissioner is authorized, in accordance with regulations, to issue commitments with respect to proposed loans, or with respect to lines (or proposed lines) of credit, submitted by eligible lenders, and in that event, upon compliance with subsection (a)(1) by the lender, the certificate of insurance may be issued effective as of the date when any loan, or any payment by the lender pursuant to a line of credit, to be covered by such insurance was made. Such insurance shall cease to be effective upon sixty days' default by the lender in the payment of any installment of the premiums payable pursuant to subsection (c).

(3) An application submitted pursuant to subsection (a)(1) shall contain (A) an agreement by the applicant to pay, in accordance with regulations, the premiums fixed by the Commissioner pursuant to subsection (c), and (B) an agreement by the applicant that if the loan is covered by insurance the applicant will submit such supplementary reports and statements during the effective period of the loan agreement, upon such forms, at such times, and containing such information as the Commissioner may prescribe by or pursuant to regulation.

(b)(1) In lieu of requiring a separate insurance application and issuing a separate certificate of insurance for each student loan made by an eligible lender as provided in subsection (a), the Commissioner may, in accordance with regulations consistent with section 424, issue to any eligible lender applying therefor a certificate of comprehensive insurance coverage which shall, without further action by the Commissioner, insure all insurable loans made by that lender, on or after the date of the certificate and before a specified cutoff date, within the limits of an aggregate maximum amount stated in the certificate. Such regulations may provide for conditioning such insurance, with respect to any loan, upon compliance by the lender with such requirements (to be stated or incorporated by reference in the certificate) as in the Commissioner's judgment will best achieve the purpose of this subsection while protecting the financial interest of the United States and promoting the objectives of this part, including (but not limited to) provisions as to the reporting of such loans and information relevant thereto to the Commissioner and as to the payment of initial and other premiums and the effect of default therein, and including provision for confirmation by the Commissioner from time to time (through endorsement of the certificate) of the coverage of specific new loans by such certificate, which confirmation shall be incontestable by the Commissioner in the absence of fraud or misrepresentation of fact or patent error.

(2) If the holder of a certificate of comprehensive insurance coverage issued under this subsection grants to a student a line of credit extending beyond the cutoff date specified in that certificate, loans or payments thereon made by the holder after that date pursuant to the line of credit shall not be deemed to be included in the coverage of that certificate except as may be specifically provided therein; but, subject to the limitations of section 424, the Commissioner may, in accordance with regulations, make commitments to insure such future loans or payments, and such commitments may be honored either as provided in subsection (a) or by inclusion of such insurance in comprehensive coverage under this subsection for the period or periods in which such future loans or payments are made.

(c) The Commissioner shall, pursuant to regulations, charge for insurance on each loan under this part a premium in an amount not to exceed [one-fourth] *one-half* of 1 per centum per year of the unpaid principal amount of such loan (excluding interest added to principal), payable in advance, at such times and in such manner as may be prescribed by the Commissioner. Such regulations may provide that such premium shall not be payable, or if paid shall be refundable, with respect to any period after default in the payment of principal or interest or after the borrower has died or becomes totally and permanently disabled, if (1) notice of such default or other event has been duly given, and (2) request for payment of the loss insured against has been made or the Commissioner has made such payment on his own motion pursuant to section 430(a).

(d) The rights of an eligible lender arising under insurance evidenced by a certificate of insurance issued to it under this section may be assigned as security by such lender only to another eligible lender, and subject to regulation by the Commissioner.

(e) The consolidation of the obligations of two or more federally-insured loans obtained by a student borrower in any fiscal year into a single obligation evidenced by a single instrument of indebtedness shall not affect the insurance by the United States. If the loans thus consolidated are covered by separate certificates of insurance issued under subsection (a), the Commissioner may upon surrender of the original certificates issue a new certificate of insurance in accordance with that subsection upon the consolidated obligation; if they are covered by a single comprehensive certificate issued under subsection (b), the Commissioner may amend that certificate accordingly.

DEFAULT, DEATH, OR DISABILITY OF STUDENT UNDER FEDERAL LOAN INSURANCE PROGRAM

SEC. 430. (a) Upon default by the student borrower on any loan covered by Federal loan insurance pursuant to this part, or upon the death of the student borrower or a finding by the insurance beneficiary that the borrower has become totally and permanently disabled (as determined in accordance with regulations established by the Commissioner) before the loan has been repaid in full, and prior to the commencement of suit or other enforcement proceeding upon security for that loan, the insurance beneficiary shall promptly notify the Commissioner, and the Commissioner shall if requested (at that time or after further collection efforts) by the beneficiary, or may on his own motion, if the insurance is still in effect, pay to the beneficiary the amount of the loss sustained by the insured upon that loan as soon as that amount has been determined. The "amount of the loss" on any loan shall, for the purposes of this subsection and subsection (b), be deemed to be an amount equal to the unpaid balance of the principal amount of the loan (other than interest added to principal).

(b) Upon payment by the Commissioner of the amount of the loss pursuant to subsection (a), the United States shall be subrogated to all of the rights of the holder of the obligation upon the insured loan and shall be entitled to an assignment of the note or other evidence of the insured loan by the insurance beneficiary. If the net recovery made by the Commissioner on a loan after deduction of the cost of that recovery (including reasonable administrative costs) exceeds the amount of the loss, the excess shall be paid over to the insured.

(c) Nothing in this section or in this part shall be construed to preclude any forbearance for the benefit of the student borrower which may be agreed upon by the parties to the insured loan and approved by the Commissioner, or to preclude forbearance by the Commissioner in the enforcement of the insured obligation after payment on that insurance, or to require co lection of the amount of any loan by the insurance beneficiary or by the Commissioner from the estate of a deceased borrower or from a borrower found by the insurance beneficiary to have become permanently and totally disabled.

(d) Nothing in this section or in this part shall be construed to excuse the holder of a federally insured loan from exercising reasonable care and diligence in the making and collection of loans under the provisions of this part. If the Commissioner, after reasonable notice and opportunity for hearing to an eligible lender, finds that it has substantially failed to exercise such care and diligence or to make the reports and statements required under section 428(a)(3) and section 429(a)(3), or to pay the required Federal loan insurance premiums, he shall disqualify that lender for further Federal insurance on loans granted pursuant to this part until he is satisfied that its failure has ceased and finds that there is reasonable assurance that the lender will in the future exercise necessary care and diligence or comply with such requirements, as the case may be.

(e) As used in this section—

(1) the term "insurance beneficiary" means the insured or its authorized assignee in accordance with section 429(d); and

(2) the term "default" includes only such defaults as have existed for (A) one hundred and twenty days in the case of a loan which is repayable in monthly installments, or (B) one hundred and eighty days in the case of a loan which is repayable in less frequent installments.

INSURANCE FUND

SEC. 431. (a) There is hereby established a student loan insurance fund (hereinafter in this section called the "fund") which shall be available without fiscal year limitation to the Commissioner for making payments in connection with the default of loans insured by him, *or insured under a loan insurance program of a State or nonprofit private institution or organization with which he has made a guaranty agreement,* under this part. All amounts received by the Commissioner as premium charges for insurance and as receipts, earnings, or proceeds derived from any claim or other assets acquired by the Commissioner in connection with his operations under this part, and any other moneys, property, or assets derived by the Commissioner from his operations in connection with this section, shall be deposited in the fund. All payments in connection with the default of loans insured by the Commissioner, *and in connection with such guaranty agreements,* under this part shall be paid from the fund. Moneys in the fund not needed for current operations under this section may be invested in bonds or other obligations guaranteed as to principal and interest by the United States.

(b) If at any time the moneys in the fund are insufficient to make payments in connection with the default of any loan insured by the Commissioner, *or in connection with any guaranty agreement,* under

this part, the Commissioner is authorized to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Commissioner with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchases of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Sums borrowed under this subsection shall be deposited in the fund and redemption of such notes and obligations shall be made by the Commissioner from such fund.

LEGAL POWERS AND RESPONSIBILITIES

SEC. 432. (a) In the performance of, and with respect to, the functions, powers, and duties vested in him by this part, the Commissioner may—

(1) prescribe such regulations as may be necessary to carry out the purposes of this part;

(2) sue and be sued in any court of record of a State having general jurisdiction or in any district court of the United States, and such district courts shall have jurisdiction of civil actions arising under this part without regard to the amount in controversy, and any action instituted under this subsection by or against the Commissioner shall survive notwithstanding any change in the person occupying the office of Commissioner or any vacancy in that office; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Commissioner or property under his control, and nothing herein shall be construed to except litigation arising out of activities under this part from the application of sections 507(b) and 2679 of title 28 of the United States Code and of section 367 of the Revised Statutes (5 U.S.C. 316);

(3) include in any contract for Federal loan insurance such terms, conditions, and covenants relating to repayment of principal and payment of interest, relating to his obligations and rights and to those of eligible lenders, and borrowers in case of default, and relating to such other matters as the Commissioner determines to be necessary to assure that the purposes of this part will be achieved; and any term, condition, and covenant made pursuant to this clause or any other provisions of this part may be modified by the Commissioner if he determines that modifica-

tion is necessary to protect the financial interest of the United States;

(4) subject to the specific limitations in this part, consent to the modification, with respect to rate of interest, time of payment of any installment of principal and interest or any portion thereof, or any other provision of any note or other instrument evidencing a loan which has been insured by him under this part;

(5) enforce, pay, or compromise, any claim on, or arising because of, any such insurance; and

(6) enforce, pay, compromise, waive, or release any right, title, claim, lien, or demand, however acquired, including any equity or any right or redemption.

(b) The Commissioner shall, with respect to the financial operations arising by reason of this part—

(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by the Government Corporation Control Act; and

(2) maintain with respect to insurance under this part an integral set of accounts, which shall be audited annually by the General Accounting Office in accordance with principles and procedures applicable to commercial corporate transactions, as provided by section 105 of the Government Corporation Control Act, except that the transactions of the Commissioner, including the settlement of insurance claims and of claims for payments pursuant to section 428, and transactions related thereto and vouchers approved by the Commissioner in connection with such transactions, shall be final and conclusive upon all accounting and other officers of the Government.

[ADVISORY COUNCIL ON INSURED LOANS TO STUDENTS

[SEC. 433. (a) The Secretary shall establish in the Office of Education an Advisory Council on Insured Loans to Students, consisting of the Commissioner, who shall be Chairman, and eight members appointed, without regard to the civil service laws, by the Secretary. The membership of the Council shall include persons representing State loan insurance programs, private nonprofit loan insurance programs, financial and credit institutions, and institutions of higher education.

[(b) The Advisory Council shall advise the Commissioner with respect to policy matters arising in the administration of this part, including policies and procedures governing the making of advances under section 422 and the Federal payments to reduce student interest costs under section 428.

[(c) Members of the Advisory Council who are not regular full-time employees of the United States shall, while serving on the business of the Council, be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including travel time; and, while so serving away from their homes or regular places of business, members may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b–2) for persons in the Government service employed intermittently.]

DIRECT LOANS

SEC. 433. (a) The Commissioner may make a direct loan to any student who would be eligible for an insured loan for study at a vocational school under this part if (1) in the particular area in which the student resides loans which are insurable under this Act are not available at the rate of interest prescribed by the Secretary pursuant to section 427(a)(2)(D) for such area, or (2) the particular student has been unable to obtain an insured loan at a rate of interest which does not exceed such rate prescribed by the Secretary.

(b) Loans made under this section shall bear interest at the rate prescribed by the Secretary under section 427(a)(2)(D) for the area where the student resides, and shall be made on such other terms and conditions as the Commissioner shall prescribe, which shall conform as nearly as practicable to the terms and conditions of loans insured under this Act.

(c) There is authorized to be appropriated the sum of $1,000,000 for the fiscal year ending June 30, 1966 and for each of the four succeeding fiscal years to carry out this section.

PARTICIPATION BY FEDERAL CREDIT UNIONS IN FEDERAL, STATE, AND PRIVATE STUDENT LOAN INSURANCE PROGRAMS

SEC. 434. Notwithstanding any other provision of law, Federal credit unions shall, pursuant to regulations of the Director of the Bureau of Federal Credit Unions, have power to make insured loans [up to 10 per centum of their assets,] to student members in accordance with the provisions of this part relating to federally insured loans, or in accordance with the provisions of any State or nonprofit private student loan insurance program which meets the requirements of section 428(a)(1)(C).

DEFINITIONS FOR REDUCED-INTEREST STUDENT LOAN INSURANCE PROGRAM

SEC. 435. As used in this part:

(a) *(1) The term "eligible institution" means an institution of higher education or a vocational school as defined by this section.*

(2) The term [“eligible institution” means an educational institution] *“institution of higher education” means an educational institution* in any state which [(1)](*A*) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate, [(2)](*B*) is legally authorized within such State to provide a program of education beyond secondary education, [(3)](*C*) provides an educational program for which it awards a bachelor's degree or provides not less than a two-year program which is acceptable for full credit toward such a degree, [(4)](*D*) is a public or other nonprofit institution, and [(5)](*E*) is accredited by a nationally recognized accrediting agency or association approved by the Commissioner for this purpose or, if not so accredited, [(A)](*i*) is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this deter-

mination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or [(B)](*ii*) is an institution whose credits are accepted on transfer by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited. Such term includes, *with respect to students who are nationals of the United States*, any institution outside the States which is comparable to an institution described in the preceding sentence and which has been approved by the Commissioner for the purposes of this title, and also includes any public or other nonprofit collegiate or associate degree school of nursing and any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provisions of clauses [(1)](*A*),[(2)](*B*),[(4)](*D*), and [(5)](*E*). If the Commissioner determines that a particular category of such schools does not meet the requirements of clause [(5)](*E*) because there is no nationally recognized accrediting agency or association qualified to accredit schools in such category, he shall, pending the establishment of such an accrediting agency or association, appoint an advisory committee, composed of persons specially qualified to evaluate training provided by schools in such category, which shall (i) prescribe the standards of content, scope, and quality which must be met in order to qualify schools in such category to participate in the program pursuant to this part, and (ii) determine whether particular schools not meeting the requirements of clause [(5)](*E*) meet those standards. For purposes of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.

(*3*) *The term "vocational school" means a business or trade school, or technical institution or other technical or vocational school, in any State, which (A) admits as regular students only persons who have completed or left elementary or secondary school and who have the ability to benefit from the training offered by such institution; (B) is legally authorized to provide, and provides within that State, a program of postsecondary vocational or technical education designed to fit individuals for useful employment in recognized occupations; (C) has been in existence for two years or has been specially accredited by the Commissioner as an institution meeting the other requirements of this subsection; and (D) is accredited (i) by a nationally recognized accrediting agency or association listed by the Commissioner pursuant to this clause, (ii) if the Commissioner determines that there is no nationally recognized accrediting agency or association qualified to accredit schools of a particular category, by a State agency listed by the Commissioner pursuant to this clause, and (iii) if the Commissioner determines there is no nationally recognized or State agency or association qualified to accredit schools of a particular category, by an advisory committee appointed by him and composed of persons specially qualified to evaluate training provided by schools of that category, which committee shall prescribe the standards of content, scope, and quality which must be met by those schools in order for loans to students attending them to be insurable under this part and shall also determine whether particular schools meet those standards. Such term also includes, with respect to students who are nationals of the United States, any vocational school outside the States which is comparable to a vocational school described in the preceding sentence and which has been approved by the*

Commissioner for the purposes of this part. For the purpose of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations and State agencies which he determines to be reliable authority as to the quality of education or training afforded.

(b) The term "collegiate school of nursing" means a department division, or other administrative unit in a college or university which provides primarily or exclusively an accredited program of education in professional nursing and allied subjects leading to the degree of bachelor of arts, bachelor of science, bachelor of nursing, or to an equivalent degree, or to a graduate degree in nursing.

(c) The term "associate degree school of nursing" means a department, division, or other administrative unit in a junior college, community college, college, or university which provides primarily or exclusively an accredited two-year program of education in professional nursing and allied subjects leading to an associate degree in nursing or to an equivalent degree.

(d) The term "accredited" when applied to any program of nurse education means a program accredited by a recognized body or bodies approved for such purpose by the Commissioner of Education.

(e) The term "eligible lender" means an eligible institution, an agency or instrumentality of a State, or a financial or credit institution (including an insurance company) which is subject to examination and supervision by an agency of the United States or of any State, *or a pension fund approved by the Commissioner for this purpose.*

(f) The term "line of credit" means an arrangement or agreement between the lender and the borrower whereby a loan is paid out by the lender to the borrower in annual installments, or whereby the lender agrees to make, in addition to the initial loan, additional loans in subsequent years.

(g) The term "State", as defined in subsection (b) of section 901, includes the Trust Territory of the Pacific Islands.

DISTRICT OF COLUMBIA STUDENT LOAN INSURANCE PROGRAM

SEC. 436. (a) The Board of Commissioners of the District of Columbia is authorized (1) to establish a student loan insurance program which meets the requirements of this title and the National Vocational Student Loan Insurance Act of 1965 for a State loan insurance program in order to enter into agreements with the Commissioner for the purposes of this title and such Act, (2) to enter into such agreements with the Commissioner, (3) to use amounts appropriated to such Board for the purposes of this section to establish a fund for such purposes and for expenses in connection therewith, and (4) to accept and use donations for the purposes of this section.

(b) Notwithstanding the provisions of any applicable law, if the borrower, on any loan insured under the program established pursuant to this section, is a minor, any otherwise valid note or other written agreement executed by him for the purposes of such loan shall create a binding obligation.

(c) There are authorized to be appropriated to such Board such amounts as may be necessary for the purposes of this section.

[PART C—COLLEGE WORK-STUDY PROGRAM EXTENSION AND AMENDMENTS [1]

* * * * * * *

[APPROPRIATIONS AUTHORIZED

[SEC. 442.[2] There are authorized to be appropriated $129,000,000 for the fiscal year ending June 30, 1966, $165,000,000 for the fiscal year ending June 30, 1967, and $200,000,000 for the fiscal year ending June 30, 1968, to carry out the purposes of part C of title I of the Economic Opportunity Act of 1964 (Public Law 88–452). Any sums which are appropriated for the fiscal year ending June 30, 1966, for the purpose of such part C pursuant to an authorization in the Economic Opportunity Act of 1964, or are allocated for such purpose from any appropriation for such year, shall be made available, to the extent unexpended on the date of enactment of this Act to the Commissioner for carrying out such part C, and the total of such sums (including amounts expended prior to such date) shall be deducted from the authorization in this section for such year. Sixty million dollars of the authorization for title I of the Economic Opportunity Act of 1964 for the fiscal year ending June 30, 1966, as contained in section 131 of such Act, shall be only for the purpose of part C of such title. No provision in the Economic Opportunity Act of 1964 which authorizes the appropriation of funds to carry out that Act shall apply to such part C after June 30, 1966.]

PART C—PROGRAMS TO ENCOURAGE FULL UTILIZATION OF EDUCATIONAL TALENT AND OPPORTUNITIES [3]

CONTRACTS *OR GRANTS* TO ENCOURAGE FULL UTILIZATION OF EDUCATIONAL TALENT

SEC. [408.] *441.*[4] (a) To assist in achieving the purposes of this part the Commissioner is authorized (without regard to section 3709 of the Revised Statutes (41 U.S.C. 5)), [to enter into contracts, not to exceed $100,000 per year, with State and local educational agencies and other public or nonprofit organizations and institutions] *to make grants to State or local educational agencies or other public or nonprofit private agencies, institutions, or organizations, or make contracts with public or private agencies, institutions, or organizations, not to exceed (in the case of any contract or grant) $100,000 per year,* for the purpose of—

(1) identifying qualified youths of exceptional financial need and encouraging them to complete secondary school and undertake postsecondary educational training,

(2) publicizing existing forms of student financial aid, including aid furnished under this part, or

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[1] This part repealed effective with fiscal year 1970, concomitantly with repeal of the basic college work-study program (pt. C) of title I of the Economic Opportunity Act of 1964 and its reenactment, in revised form, as part of the consolidated student assistance program in a new pt. A of title IV of the Higher Education Act of 1965. For the fiscal year 1969, the bill amends sec. 442 of the Higher Education Act so as to authorize appropriation of such sums as may be necessary for the existing college work-study program.

[2] Repeal effective with fiscal year 1970. See preceding footnote.

[3] Effective with fiscal year 1970.

[4] Redesignation effective with fiscal year 1970.

(3) encouraging secondary-school or college dropouts of demonstrated aptitude to reenter educational programs, including post-secondary-school programs.

(b) There are hereby authorized to be appropriated such sums as may be necessary to carry out this section.

SPECIAL SERVICES FOR DISADVANTAGED STUDENTS

SEC. 442.[1] *(a) The Commissioner is authorized to make grants to or contracts with institutions of higher education for the planning, development, or carrying out of projects on programs of remedial and other special services for students with academic potential who are enrolled or accepted for enrollment at the institution concerned, and who, by reason of deprived educational, cultural, or economic background, are in need of such services to assist them to initiate, continue, or resume their higher education. The Commissioner also is authorized to make grants to or enter into contracts with public and private nonprofit agencies and organizations, including professional and scholarly associations, when such grants or contracts will make an especially significant contribution to attaining the objectives of this section.*

(b)(1) Grants or contracts pursuant to this section may be made, upon such terms and conditions as the Commissioner, after consultation with the Advisory Council on Financial Aid to Students established under part E of this title, determines will carry out most effectively the purposes of this section, to pay part or all of the cost of planning, developing or, carrying out (including demonstrations) of programs or projects approved by him.

(2) Any such project or program may provide, among other things, for—

(A) counseling, tutorial, or other educational services, including special summer programs, to remedy such students' academic deficiencies.

(B) career guidance, placement or other student personnel services to encourage or facilitate such students' entrance, continuance, or reentrance in higher education programs, or

(C) identification, encouragement, and counseling of any such students with a view to their undertaking a program of graduate or professional education.

(c) There are authorized to be appropriated $15,000,000 for the fiscal year ending June 30, 1969, and such sums as may be necessary for the next 4 fiscal years. Funds appropriated pursuant to this section for any fiscal year shall remain available for obligation until the close of the succeeding fiscal year.

(d) In addition to the authority for utilization of other agencies conferred by section 903(b) of this Act, funds available to the Commissioner under this section shall, with the approval of the Secretary, be available for transfer to any other Federal agency for use (in accordance with an interagency agreement) by such agency (alone or in combination with funds of that agency) for purposes for which such transferred funds otherwise could be expended by the Commissioner under the provisions of this section,

[1] This section is effective upon enactment but is designated by the bill as sec. 409 of pt. A through fiscal year 1969 and thereafter as sec. 442 of this new part.

and the Commissioner similarly is authorized to accept and expend funds of any other Federal agency for use under this section.

* * * * * * *

PART E—ADVISORY COUNCIL ON FINANCIAL AID TO STUDENTS

SEC. 471. (a) There is established in the Office of Education an Advisory Council on Financial Aid to Students (hereafter in this section referred to as the "Council"), consisting of the Commissioner, who shall be Chairman, and of members appointed by the Commissioner without regard to the civil service or classification laws. Such appointed members shall include leading authorities in the field of education, persons representing State and private nonprofit loan insurance programs, financial and credit institutions, and institutions of higher education and other eligible institutions as those terms may be variously defined in this Act, in the National Vocational Student Loan Insurance Act of 1965, or in the National Defense Education Act of 1958.

(b) The Council shall advise the Commissioner on matters of general policy arising in the administration by the Commissioner of programs relating to financial assistance to students and on evaluation of the effectiveness of these programs.

(c) Members of the Council who are not in the regular full-time employ of the United States shall, while attending meetings or conferences of the Council or otherwise engaged in the business of the Council, be entitled to receive compensation at a rate fixed by the Secretary, but not exceeding the rate specified at the time of such service for grade GS–18 in section 5332 of title 5, United States Code, including travel-time, and while so serving on the business of the Council away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons employed intermittently in the Government Service.

(d) The Commissioner is authorized to furnish to the Council such technical assistance, and to make available to it such secretarial, clerical, and other assistance and such pertinent data available to him, as the Council may require to carry out its functions.

TITLE V—EDUCATION PROFESSIONS DEVELOPMENT

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TRANSFER OF FUNDS

SEC. 506. In addition to the authority for utilization of other agencies conferred by section [803(b)] *903(b)* of this Act, funds available to the Commissioner for grants or contracts under this title shall, with the approval of the Secretary, be available for transfer to any other Federal agency for use (in accordance with an interagency agreement) by such agency (alone or in combination with funds of that agency) for purposes for which such transferred funds could be otherwise expended by the Commissioner under the provisions of this title, and the Commissioner is likewise authorized to accept and expend funds of any other Federal agency for use under this title.

PART B—ATTRACTING AND QUALIFYING TEACHERS

"Subpart 1—Teacher Corps"

* * * * * * *

SEC. 513. (a) For the purpose of carrying out this subpart, the Commissioner is authorized to—

(1) enter into contracts or other arrangements with institutions of higher education or local educational agencies under which they will recruit, select, and enroll in the Teacher Corps for periods of up to two years, experienced teachers, persons who have a bachelor's degree or its equivalent, and persons who have successfully completed two years of a program for which credit is given toward a baccalaureate degree;

(2) enter into arrangements, through grants or contracts, with institutions of higher education or local educational agencies (upon approval in either case by the appropriate State educational agency) or with State educational agencies to provide members of the Teacher Corps with such training as the Commissioner may deem appropriate to carry out the purpose of this subpart, including not more than three months of training for members before they undertake their teaching duties under this subpart;

(3) enter into arrangements (including the payment of the cost of such arrangements) with local educational agencies upon approval by the appropriate State educational agency and, after consultation in appropriate cases with institutions of higher education, to furnish to local educational agencies, for service during regular or summer sessions, or both, in the schools of such agencies in areas having concentrations of children from low-income families, teaching teams, each of which shall consist of an experienced teacher and a number of teacher-interns who, in addition to teaching duties, shall be afforded time by the local educational agency for a teacher-intern training program carried out under the guidance of an experienced teacher in cooperation with an institution of higher education;

(4) pay to local educational agencies such part of the amount of the compensation which such agencies pay to or on behalf of members of the Teacher Corps assigned to them pursuant to arrangements made pursuant to the preceding clause as may be agreed upon after consideration of their ability to pay such compensation, but not in excess of 90 per centum thereof, except that, in exceptional cases, the Commissioner may provide more than 90 per centum of such compensation during the first year of any agency's participation in the program;

(5) make available technical assistance to local educational agencies and institutions of higher education for carrying out arrangements entered into under clause (1);

(6) acquaint qualified persons of teaching opportunities and needs in disadvantaged areas and encourage qualified persons to apply to appropriate educational agencies or institutions for enrollment in the Teacher Corps; and

(7) accept and employ in the furtherance of the purposes of this subpart (A) voluntary and uncompensated services notwithstanding the provisions of section 3679(b) of the Revised Statutes, as amended (31 U.S.C. 665(b)), and (B) any money or property (real, personal,

or mixed, tangible or intangible) received by gift, devise, bequest, or otherwise.

COMPENSATION

SEC. 514(a) * * *

(b) * * *

(c) * * *

(d) The Commissioner is authorized to make such arrangements as may be possible, including the payment of any costs incident thereto, to protect the tenure, retirement rights, participation in a medical insurance program, and such other similar employee benefits as the Commissioner deems appropriate, of a member of the Teacher Corps who participates in any program under this part and who indicates his intention to return to the local educational agency or institution of higher education by which he was employed immediately prior to his service under this part.

(e) The Commissioner is authorized to provide medical (including hospitalization) insurance for members of the Teacher Corps who do not otherwise obtain such insurance coverage either under an arrangement made pursuant to subsection (d) of this section or as an incident of an arrangement between the Commissioner and an institution or a State or local educational agency pursuant to section 513.

* * * * * * *

Subpart 2—Attracting and Qualifying Teachers To Meet Critical Teacher Shortages

APPROPRIATIONS AUTHORIZED

SEC. 518. (a) The Commissioner shall carry out during the fiscal year ending June 30, 1969, and the succeeding fiscal year, a program for making grants to States to enable them to support the efforts of local communities experiencing critical teacher shortages, *or the efforts of State educational agencies,* to (1) attract to teaching persons in the community who have been otherwise engaged and to provide them, through short-term intensive training programs and subsequent in-service training, with the qualifications necessary for a successful career in teaching, and (2) obtain the services of teacher aides and provide them with the necessary training with a veiw to increasing the effectiveness of classroom teachers.

(b) For the purpose of making grants under this subpart, three are hereby authorized to be appropriated the sum of $50,000,000 for the fiscal year ending June 30, 1969, and $65,000,000 for the fiscal year ending June 30, 1970.

* * * * * * *

STATE PLANS

SEC. 520. (a) Any State which desires to receive grants under this subpart shall submit to the Commissioner, through its State educational agency, a State plan, in such detail as the Commissioner deems necessary, which—

(1) designates the State educational agency as the sole State agency for administration of the State plan;

(2) sets forth a program under which funds paid to the State from its allotment under section 520 will be expended solely for

(A) programs of local educational agencies *or of the State educational agency, or both,* to attract to teaching, persons in the community who have been otherwise engaged and to provide short-term intensive training and subsequent inservice training to qualify such persons for teaching, (B) programs of such agencies to obtain the services of teacher aides and to provide them with the preservice or inservice training they need to perform their duties as teacher aides, and (C) administration of the State plan, except that the amount used for administration of the State plan for any fiscal year shall not exceed an amount equal to 3 per centum of the amount paid to the State under this subpart for that year;

[(3) provides assurance that every local educational agency whose application for funds under the plan is denied will be given an opportunity for a fair hearing before the State educational agency;]

[(4) sets forth the policies and procedures to be followed in allocating Federal funds to local educational agencies in the State, which policies and procedures shall ensure that such funds will be allocated to local educational agencies having the most urgent need for teachers and teacher aides;]

(3) with respect to so much of the State program as is to be carried out by local educational agencies, (A) provides assurance that every local educational agency whose application for funds under the plan is denied will be given an opportunity for a fair hearing before the State educational agency and (B) sets forth the policies and procedures to be followed in allocating Federal funds to local educational agencies in the State, which policies and procedures shall ensure that such funds will be allocated to local educational agencies having the most urgent need for teachers and teacher aides;

[(5)] *(4)* provides that training under a program described in paragraph (2)(A) will be provided only to persons who will, upon completion of their short-term training, have the qualifications for teaching in elementary or secondary schools in the community, and that training under a program described in paragraph (2)(B) will be provided only to persons who show promise of being able with appropriate training to serve competently as a teacher aide;

[(6)] *(5)* provides assurances that not more than one-third of the sums expended under this Act will be used to support programs described in paragraph (2)(B);

[(7)] *(6)* provides assurance that no person will be denied admission to training programs carried on under this subpart because he is preparing to teach or serve as a teacher aide in a private school;

[(8)] *(7)* sets forth policies and procedures designed to assure that Federal funds made available under this subpart for any fiscal year will be so used as to supplement, and not supplant, funds which are available from State or local sources for purposes for which grants may be made under this subpart;

[(9)] *(8)* sets forth such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of, and accounting for, Federal funds paid to the State (including

any such funds paid by the State to any other public agency) under this subpart; and

[(10)] *(9)* provides for making such reports, in such form and containing such information, as the Commissioner may reasonably require to carry out his functions under this subpart, and for keeping such records and for affording such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports.

(b) The Commissioner shall approve any State plan and any modification thereof which complies with the provisions of subsection (a).

* * * * * * *

APPROVAL OF PROGRAMS; GRANTS

SEC. 524. (a) The Commissioner shall approve a graduate program of an institution of higher education only upon application by the institution and only upon his finding.—

(1) that such program will substantially further the objective of improving the quality of education of persons who are pursuing or intend to pursue a career in elementary and secondary education, *or postsecondary vocational education,*

(2) that such program gives emphasis to high-quality substantive courses,

(3) that such program is of high quality and either is in effect or readily attainable, and

(4) that only persons who demonstrate a serious intent to pursue or to continue a career in elementary and secondary education, *or postsecondary vocational education,* will be accepted for study in the program.

(b) For the purpose of obtaining an appropriate geographical distribution of high-quality programs for the training of personnel for elementary or secondary education, the Commissioner is authorized to make grants to and contracts with institutions of higher education to pay part of the cost of developing or strengthening graduate programs which meet or, as a result of assistance received under this subsection will be enabled to meet, the requirements of subsection (a).

STIPENDS

SEC. 525. (a) The Commissioner shall pay to persons awarded fellowships under this part such stipends (including such allowances for subsistence and other expenses for such persons and their dependents) as he may determine to be consistent with prevailing practices under comparable federally supported programs.

(b) The Commissioner shall (in addition to the stipends paid to persons under subsection (a)) pay to the institution of higher education at which such person is pursuing his course of study such amount as the Commissioner may determine to be [appropriate, not to exceed the equivalent of $2,500 per academic year, but any amount charged such person for tuition and nonrefundable fees and deposits shall be deducted from the amount payable to the institution of higher education under this subsection.] *consistent with prevailing practices under comparable federally supported programs.*

* * * * * * *

TITLE VI—FINANCIAL ASSISTANCE FOR THE IMPROVEMENT OF [UNDERGRADUATE] INSTRUCTION

PART A—EQUIPMENT

STATEMENT OF PURPOSE AND AUTHORIZATION OF APPROPRIATIONS

SEC. 601. (a) The purpose of this part is to improve the quality of classroom instruction [in selected subject areas] in institutions of higher education.

(b) There are hereby authorized to be appropriated $35,000,000 for the fiscal year ending June 30, 1966, $50,000,000 for the fiscal year ending June 30, 1967, [and] $60,000,000 for the fiscal year ending June 30, 1968, *and such sums as may be necessary for each of the five succeeding fiscal years* to enable the Commissioner to make grants to institutions of higher education pursuant to this part for the acquisition of equipment and for minor remodeling described in section 603(2)(A).

(c) There are also authorized to be appropriated $2,500,000 for the fiscal year ending June 30, 1966, and $10,000,000 for the fiscal year ending June 30, 1967, and for the succeeding fiscal year, *and such sums as may be necessary for the next five fiscal years*, to enable the Commissioner to make grants to institutions of higher education pursuant to this part for the acquisition of television equipment and for minor remodeling described in section 603(2)(B).

[(d) For the fiscal year ending June 30, 1969, and for the succeeding fiscal year, there may be appropriated for the purposes set forth in subsections (b) and (c) of this section, only such sums as the Congress may hereafter authorize by law.]

* * * * * * *

STATE COMMISSIONS AND PLANS

SEC. 603. Any State desiring to participate in the program under this part shall designate for that purpose an existing State agency which is broadly representative of the public and of institutions of higher education in the State, or, if no such State agency exists, shall establish such a State agency, and submit to the Commissioner through the agency so designated or established (hereafter in this part referred to as the "State commission"), a State plan for such participation. The Commissioner shall approve any such plan which—

(1) provides that it shall be administered by the State commission;

(2) sets forth, consistently with basic criteria prescribed by regulation pursuant to section 604, objective standards and methods (A) for determining the relative priorities of eligible projects for the acquisition of laboratory and other special equipment ([other than] *except (i) athletic or recreational equipment; and (ii)* supplies consumed in use), including audio-visual materials and equipment for classrooms or audio-visual centers, and printed and published materials (other than textbooks) for classrooms or libraries suitable for use in providing education [in science, mathematics, foreign languages, history, geography, government, English, other humanities, the arts, or education at the undergraduate level] in institutions of higher education, and

minor remodeling of classroom or other space used for such materials or equipment; (B) for determining relative priorities of eligible projects for (i) the acquisition of television equipment for closed-circuit direct instruction [in such fields] in such institutions (including equipment for fixed-service instructional television, as defined by the Federal Communications Commission, but not including broadcast transmission equipment), (ii) the acquisition of necessary instructional materials for use in such television instruction, and (iii) minor remodeling necessary for such television equipment; and (C) for determining the Federal share of the cost of each such project;

(3) provides (A) for assigning priorities solely on the basis of such critieria, standards, and methods to eligible projects submitted to the State commission and deemed by it to be otherwise approvable under the provisions of this part; and (B) for approving and recommending to the Commissioner, in the order of such priority, applications covering such eligible projects and for certifying to the Commissioner the Federal share, determined by the State commission under the State plan, of the cost of the project involved;

(4) provides for affording to every applicant, which has submitted to the Station commission a project, an opportunity for a fair hearing before the commission as to the priority assigned to such project or as to any other determination of the commission adversely affecting such applicant; and

(5) provides (A) for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the State commission under this part, and (B) for the making of such reports, in such form and containing such information, as may be reasonably necessary to enable the Commissioner to perform his functions under this part.

* * * * * * *

CONSULTATION

SEC. 610. So as to promote the coordination of Federal programs providing assistance in the purchase of laboratory or other special equipment for education in the natural or physical sciences at the graduate level, the Commissioner shall consult with the National Science Foundation in developing general policy, under this title, in respect thereof.

* * * * * * *

TITLE VIII—NETWORKS FOR KNOWLEDGE

SHARING EDUCATIONAL AND RELATED RESOURCES

SEC. 801. (a) To the end of stimulating colleges and universities to share to an optimal extent, through cooperative arrangements, their technical and other educational and administrative facilities and resources while maintaining their respective institutional identities, and in order to test and demonstrate the effectiveness and efficiency of a variety of such arrangements, preferably on a multi-institutional basis where appropriate and feasible, the Commissioner is authorized to make project grants for all or part of the cost of planning, developing, or carrying out such

arrangements. Such grants may be made to public or nonprofit private colleges or universities or, when in the Commissioner's judgment it will more effectively promote the purposes of this title, to other established public or nonprofit private agencies or organizations, including professional organizations or academic societies.

(b) Projects for the planning, development, or carrying out of such arrangements assisted under this title may, subject to the provisions of subsection (c), include—

(1) the collection and sharing (A) of modern curricular materials and (B) of information on promising developments in curriculums;

(2) the development of effective systems of processing and maintaining financial and student records;

(3)(A) joint use of facilities such as classrooms, libraries, or laboratories, including joint use of necessary books, materials, and equipment; or (B) affording access to specialized library collections through preparation of inter-institutional catalogs and through development of systems and preparation of suitable media for electronic or other rapid transmission of materials;

(4) establishment and joint operation of closed-circuit television or equivalent transmission facilities;

(5) establishment and joint operation of electronic computer networks and programs therefor, to be available to participating institutions for such purposes as financial and student records, student course work, or transmission of library materials;

(6) exchange of faculty on a part-time or full-time basis, and other arrangements for strengthening the academic programs of participating institutions; and

(7) such other projects as in the judgment of the Commissioner will promote the purposes of this title.

(c)(1) Grants pursuant to clause (B) of paragraph (3) of subsection (b) may not be used to pay the costs of electronic transmission terminals.

(2) In the case of a project for the establishment and operation of a computer network, grants may not include—

(A) the costs of operating administrative terminals or student terminals at participating institutions; or

(B) the cost, or any participating institution's pro rata share of the cost, of using the central computer facilities of the network, except (i) such costs of systems development and programming of computers and transmission costs as are necessary to make the network operational, (ii) the administrative and program support costs of the central facilities of the network, and (iii) the line-access costs incurred by participating institutions.

SEC. 802. There are authorized to be appropriated for, grants under section 801, $8,000,000 for the fiscal year ending June 30, 1969, and such sums as may be necessary for the next 4 fiscal years.

TITLE [VIII] *IX*—GENERAL PROVISIONS

DEFINITIONS

SEC. [801] *901.* As used in this Act—

(a) The term "institution of higher education" means an educational institution in any State which (1) admits as regular students only persons having a certificate of graduation from a

school providing secondary education, or the recognized equivalent of such a certificate, (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides an educational program for which it awards a bachelor's degree or provides not less than a two-year program which is acceptable for full credit toward such a degree, (4) is a public or other nonprofit institution, and (5) is accredited by a nationally recognized accrediting agency or association or, if not so accredited, (*A*) *is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or* (*B*) is an institution whose credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited. Such term also includes any *school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and* business school or technical institution which meets the provision of clauses (1), (2), (4), and (5). For purpose of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.

(b) The term "State" includes, in addition to the several States of the Union, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, and the Virgin Islands.

(c) The term "nonprofit" as applied to a school, agency, organization, or institution means a school, agency, organization, or institution owned and operated by one or more nonprofit corporation or associations no part of the net earnings of which inures, or may lawfully inure, the benefit of any private shareholder or individual.

(d) The term "secondary school" means a school which provides secondary education as determined under State law except that it does not include any education provided beyond grade 12.

(e) The term "Secretary" means the Secretary of Health, Education, and Welfare.

(f) The term "Commissioner" means the Commissioner of Education.

(g) The term "local educational agency" means a public board of education or other public authority legally constituted within a State for either administrative control or direction of, or to perform a service function for, public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a State, or such combination of school districts of counties as are recognized in a State as an administrative agency for its public elementary or secondary schools. Such term also includes any other public institution or agency having administrative control and direction of a public elementary or secondary school.

(h) The term "State educational agency" means the State board of education or other agency or officer primarily responsible for the State supervision of public elementary and secondary schools, or, if there is no such officer or agency, an officer or agency designated by the Governor or by State law.

(i) The term "elementary school" means a school which provides elementary education including education below grade 1, as determined under State law.

(j) The term "combination of institutions of higher education" means a group of institutions of higher education that have entered into a cooperative arrangement for the purpose of carrying out a common objective, or a public or private nonprofit agency, organization, or institution designated or created by a group of institutions of higher education for the purpose of carrying out a common objective on their behalf.

SEC. [802] *902.* * * *

FEDERAL ADMINISTRATION

SEC. [803] *903.* (a) The Commissioner is authorized to delegate any of his functions under this Act, except the making of regulations, to any officer or employee of the Office of Education *or, in the case of functions vested in him by section 429, 430, or 432(a) (other than paragraphs (1) and (2) thereof), to any public or nonprofit private agency or institution in connection with the utilization of such agency or institution pursuant to subsection (b) of this section.*

(b) In administering the provisions of this Act, the Commissioner is authorized to utilize the services and facilities of any agency of the Federal Government and of any other public or nonprofit agency or institution, in accordance with agreements between the Secretary and the head thereof.

SEC. [804] *904.* * * *

ADVISORY COUNCIL ON GRADUATE EDUCATION

SEC. 905. (a) There is hereby established in the Office of Education an Advisory Council on Graduate Education (hereafter in this section referred to as the "Council"), consisting of the Commissioner, who shall be Chairman, of one representative each from the Office of Science and Technology in the Executive Office of the President, the National Science Foundation, and the National Foundation on the Arts and the Humanities, and of members appointed by the Commissioner without regard to the civil service or classification laws. Such appointed members shall be selected from among leading authorities in the field of education.

(b) The Council shall advise the Commissioner on matters of general policy arising in the administration by the Commissioner of programs relating to graduate education.

(c) Members of the Council who are not in the regular full-time employ of the United States shall, while attending meetings or conferences of the Council or otherwise engaged in the business of the Council, be entitled to receive compensation at a rate fixed by the Secretary, but not exceeding the rate specified at the time of such service for grade GS–18 in section 5332 of title 5, United States Code, including travel time, and while so serving on the business of the Council away from their homes or regular

places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons employed intermittently in the Government service.

(d) The Commissioner is authorized to furnish to the Council such technical assistance, and to make available to it such secretarial, clerical, and other assistance and such pertinent data available to him, as the Council may require to carry out its functions.

DISSEMINATION OF INFORMATION

SEC. 906(a). For the purpose of carrying out more effectively the provisions of this Act, the National Defense Education Act of 1958, the Higher Education Facilities Act of 1963, and other Acts administered by him in the field of higher education (including those administered by him by delegation), the Commissioner—

(1) shall prepare and disseminate to institutions of higher education, State agencies concerned with higher education, and other appropriate agencies and institutions (A) reports on programs and projects assisted under such Acts and other programs and projects of a similar nature, and (B) catalogs, reviews, bibliographies, abstracts, analyses of research and experimentation, and such other materials as are generally useful for such purpose;

(2) may upon request provide advice, counsel, technical assistance, and demonstrations to institutions and agencies referred to in paragraph (1) undertaking to initiate or expand programs or projects under such Acts in order to enhance the quality, increase the depth, or broaden the scope of such programs or projects, and shall inform such institutions and agencies of the availability of assistance pursuant to this paragraph; and

(3) shall from time to time prepare and disseminate to institutions and agencies referred to in paragraph (1) reports setting forth developments in the utilization and adaptation of projects carried out pursuant to such Acts;

(4) may enter into contracts with public or private agencies, organizations, groups, or individuals to carry out the provisions of this section.

(b) There are authorized to be appropriated such sums as may be necesssary to carry out the provisions of this section.

PROGRAM PLANNING AND EVALUATION FOR HIGHER EDUCATION PROGRAMS

SEC. 907. There are authorized to be appropriated, for each fiscal year for which appropriations are otherwise authorized under any other provisions of this Act, or any provision of the National Defense Education Act of 1958 or the Higher Education Facilities Act of 1963, such sums as may be necessary, to be available to the Secretary, in accordance with regulations prescribed by him, for expenses, including grants, loans, contracts, or other payments, for (1) planning for the succeeding year programs or projects for which such appropriations are authorized under such Acts, and (2) evaluation of programs or projects so authorized.

ADVANCE FUNDING

SEC. 908. To the end of affording the responsible State, local, and Federal officers concerned adequate notice of available Federal financial assistance for education, appropriations for grants, loans, contracts, or other payments under any Act referred to in section 907 are authorized to be included in the appropriation Act for the fiscal year preceding the fiscal year for which they are available for obligation. In order to effect a transition to this method of timing appropriation action, the preceding sentence shall apply notwithstanding that its initial application under any such Act will result in the enactment in the same year (whether in the same appropriation Act or otherwise) of two separate appropriations, one for the then current fiscal year and one for the succeeding fiscal year.

EVALUATION REPORTS AND CONGRESSIONAL REVIEW

SEC. 909. (a) No later than March 31 of each calendar year, the Secretary shall transmit to the respective committees of the Congress having legislative jurisdiction over any Act referred to in section 907 and to the respective Committees on Appropriations a report evaluating the results and effectiveness of programs and projects assisted thereunder during the preceding fiscal year, together with his recommendations (including any legislative recommendations) relating thereto.

(b) In the case of any such program, the report submitted in the penultimate fiscal year for which appropriations are then authorized to be made for such program shall include a comprehensive and detailed review and evaluation of such program (as up to date as the due date permits) for its entire past life, based to the maximum extent practicable on objective measurements, together with the Secretary's recommendations as to proposed legislative action.

CONTINGENT EXTENSION OF EXPIRING APPROPRIATION AUTHORITY

SEC. 910. Unless the Congress, in the regular session in which a comprehensive evaluation report required by section 909(b) is submitted to Congress, has passed or formally rejected legislation extending the authorization for appropriations then specified for any title, part, or section of law to which such evaluation relates, such authorization is hereby automatically extended for one fiscal year beyond, and at the level specified for, the terminal year of such authorization.

AVAILABILITY OF APPROPRIATIONS ON ACADEMIC OR SCHOOL YEAR BASIS

SEC. 911. Appropriations for any fiscal year for grants, loans, contracts, or other payments to educational agencies or institutions under any Act referred to in section 907, may, in accordance with regulations of the Secretary, be made available for expenditure by the agency or institution concerned on the basis of an academic or school year differing from such fiscal year.

NATIONAL DEFENSE EDUCATION ACT OF 1958

(Public Law 85–864)

* * * * * * *

DEFINITIONS

SEC. 103. As used in this Act—

(a) The term "State" means a State, Puerto Rico, the District of Columbia, the Canal Zone, Guam, American Samoa, [or] the Virgin Islands *and, for the purposes of Titles III and V, the Trust Territory of the Pacific Islands*, except that [(1) as used in section 205(b)(3) such term includes the Trust Territory of the Pacific Islands, and (2)] as used in sections 302 and 502, such term does not include Puerto Rico, the Canal Zone, Guam, American Samoa, [or] the Virgin Islands *or the Trust Territoriy of the Pacific Islands.*

(b) The term "institution of higher education" means an educational institution in any State which (1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate, (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides an educational program for which it awards a bachelor's degree or provides not less than a two-year program which is acceptable for full credit toward such a degree, (4) is a public or other nonprofit institution, and (5) is accredited by a nationally recognized accrediting agency or association approved by the Commissioner for this purpose or, if not so accredited, (A) is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or (B) is an institution whose credits are accepted on transfer by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited. [For purposes of title II, such term includes any school of nursing as defined in subsection (e) of this section, and also includes any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provisions of clauses (1), (2), (4), and (5). If the Commissioner determines that a particular category of such schools does not meet the requirements of clause (5) because there is no nationally recognized accrediting agency or association qualified to accredit schools in such category, he shall, pending the establishment of such an accrediting agency or association, appoint an advisory committee, composed of persons specially qualified to evaluate training provided by schools in

such category, which shall (i) prescribe the standards of content, scope, and quality which must be met in order to qualify schools in such category to participate in the student loan program under title II, and (ii) determine whether particular schools not meeting the requirements of clause (5) meet those standards.] [1] For purposes of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered."

* * * * * * *

[TITLE II—LOANS TO STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION [2]

[APPROPRIATIONS AUTHORIZED

[SEC. 201.[2] For the purpose of enabling the Commissioner to stimulate and assist in the establishment at institutions of higher education of funds for the making of low-interest loans to students in need thereof to pursue their courses of study in such institutions, there are hereby authorized to be appropriated $47,500,000 for the fiscal year ending June 30, 1959, $75,000,000 for the fiscal year ending June 30, 1960, $82,500,000 for the fiscal year ending June 30, 1961, $90,000,000 each for the fiscal year ending June 30, 1962, and the next fiscal year, $125,000,000 for the fiscal year ending June 30, 1964, $163,300,000 for the fiscal year ending June 30, 1965, $179,300,000 for the fiscal year ending June 30, 1966, $190,000,000 for the fiscal year ending June 30, 1967, and $225,000,000 for the fiscal year ending June 30, 1968, and such sums, for the fiscal year ending June 30, 1969, and each of the next three fiscal years as may be necessary to enable students who have received loans for school years ending prior to July 1, 1968, to continue or complete their education. Sums appropriated under this section for any fiscal year shall be available, in accordance with agreements between the Commissioner and institutions of higher education, for payment of Federal capital contributions which, together with contributions from the institutions, shall be used for establishment and maintenance of student loan funds.[2]

[ALLOTMENTS TO STATES

[SEC. 202.[3] (a) From the sums appropriated pursuant to section 201 for any fiscal year ending prior to July 1, 1968,[4] the Commissioner shall allot to each State an amount which bears the same ratio to the amount so appropriated as the number of persons enrolled on a full-time basis in institutions of higher education in such State bears to the total number of persons enrolled on a full-time basis in institutions of higher education in all of the States. The number of persons enrolled on a full-time basis in institutions of higher education for purposes of

[1] Deletion effective with fiscal year 1970, when repeal of title II of this act and the enactment of the new pt. A of title IV of the Higher Education Act of 1965 (consolidated student assistance program) would take effect.

[2] Repeal effective with fiscal year 1970, at which time the consolidated student assistance program (new pt. A of title IV of the Higher Education Act of 1965) would take effect. Pending such repeal, the bill would amend sec. 201 of the National Defense Education Act of 1958 so as to extend through fiscal year 1969, at a level of "such sums as may be necessary," the basic appropriation authorization for the title II program and would correspondingly extend from July 1, 1968 to July 1, 1969 the beginning date of the authorization for appropriations for the phaseout period.

[3] Repeal effective with fiscal year 1970.

[4] Pending repeal, the bill would change "July 1, 1968" to read "July 1, 1969".

this section shall be determined by the Commissioner for the most recent year for which satisfactory data are available to him.

[(b) Sums appropriated pursuant to section 201 for any fiscal year ending after June 30, 1968,[1] shall be allotted among the States in such manner as the Commissioner determines to be necessary to carry out the purpose for which such amounts are appropriated.

[PAYMENT OF FEDERAL CAPITAL CONTRIBUTIONS

[SEC. 203.[2] The Commissioner shall from time to time set dates by which institutions of higher education in a State must file applications for Federal capital contributions from the allotment of such State. In the event the total requested in such applications, which are made by institutions with which he has agreements under this title and which meet the requirements established in regulations of the Commissioner, exceeds the amount of the allotment of such State available for such purpose, the Federal capital contribution from such allotment to each such institution shall bear the same ratio, to the amount requested in its application as the amount of such allotment available for such purpose bears to the total requested in all such applications. In the event the total requested in such applications which are made by institutions in a State is less than the amount of the allotment of such State available for such purposes, the Commission may reallot the remaining amount from time to time, on such date or dates as the Commissioner may fix, to other States in proportion to the original allotments to such States under section 202 for such year. The Federal capital contribution to an institution shall be paid to it from time to time in such installments as the Commissioner determines will not result in unnecessary accumulations in the student loan fund established under its agreement under this title.

[CONDITIONS OF AGREEMENTS

[SEC. 204.[1] An agreement with any institution of higher education for Federal capital contributions by the Commissioner under this title shall—

[(1) provide for establishment of a student loan fund by such institution;

[(2) provide for deposit in such fund of (A) the Federal capital contributions, (B) an amount, equal to not less than one-ninth of such Federal contributions, contributed by such institution, (C) collections of principal and interest on student loans made from such fund, (D) charges collected pursuant to section 205(c), and (E) any other earnings of the fund;

[(3) provide that such student loan fund shall be used only for (A) loans to students in accordance with such agreement, (B) capital distributions as provided in this title, (C) routine expenses incurred by the institution in administering the student loan fund, except that the amount withdrawn from such student loan fund for such routine expenses by an institution in any fiscal year may not exceed either (i) one-half of such routine expenses as estimated for that year by the Commissioner with the advice

[1] Pending repeal, the bill would change "July 1, 1968" to read "July 1, 1969".
[2] Repeal effective with fiscal year 1970.

of an advisory committee which the Commissioner is hereby authorized to appoint on an annual or such other basis as he may deem appropriate, or (ii) 1 per centum of the aggregate of the outstanding loans made from that fund as of the close of that year, whichever is the lesser, and (D) cost of litigation, and other collection costs agreed to by the Commissioner, arising in connection with the collection of any loan from the fund, interest on such loan, or charge assessed with respect to that loan pursuant to section 205(c);

[(4) provide that in the selection of students to receive loans from such student loan fund special consideration shall be given to students with a superior academic background; and

[(5) include such other provisions as may be necessary to protect the financial interest of the United States and promote the purposes of this title and as are agreed to by the Commissioner and the institution.[1]

[TERMS OF LOAN

[SEC. 205[2] (a) The total of the loans for any academic year or its equivalent, as determined under regulations of the Commissioner, made by institutions of higher education from loan funds established pursuant to agreements under this title may not exceed $2,500 in the case of any graduate or professional student (as defined in regulations of the Commissioner), and may not exceed $1,000 in the case of any other student. The aggregate of the loans for all years from such funds may not exceed $10,000 in the case of any graduate or professional student (as so defined, and including any loans from such funds made to such person before he became a graduate or professioual student), or $5,000 in the case of any other student.

[(b) Loans from any such loan fund to any student by any institutions of higher education shall be made on such terms and conditions as the institution may determine; subject, however, to such conditions, limitations, and requirements as the Commissioner may prescribe (by regulation or in the agreement with the institution) with a view to preventing impairment of the capital of the student loan fund to the maximum extent practicable in the light of the objective of enabling the student to complete his course of study; and except that—

[(1) such a loan shall be made only to a student who (A) is in need of the amount of the loan to pursue a course of study at such institution, and (B) is capable, in the opinion of the institution, of maintaining good standing in such course of study, and (C) has been accepted for enrollment as a student in such institution or, in the case of a student already attending such institution, is in good standing there either as an undergraduate, graduate, or professional student, and (D) is carrying at least one-half of the normal full-time academic workload as determined by the institution;

[1] A student loan fund established under an agreement entered into pursuant to this section shall be deemed to be a student loan fund established under part A of title IV of the Higher Education Act of 1965 (as amended for fiscal years ending on or after June 30, 1970), with respect to capital contributions to, and loans from, such fund for fiscal years ending after June 30, 1969. An institution of higher education that has established such student loan fund prior to the fiscal year ending June 30, 1970, and which elects to enter into an agreement with the Commissioner of Education under part A of title IV of such Act as amended for fiscal years ending on or after June 30, 1970, shall waive any entitlement to payments pursuant to clause (C) of paragraph (3) of this section for fiscal years ending after June 30, 1969.

[2] Repeal effective with fiscal year 1970.

[(2) such a loan shall be evidenced by a note or other written agreement which provides for repayment of the principal amount, together with interest thereon, in equal installments (or, if the borrower so requests, in graduated periodic installments determined in accordance with such schedules as may be approved the Commissioner) payable quarterly, bimonthly, or monthly (at the option of the institution) over a period beginning nine months after the date on which the borrower ceases to carry, at an institution of higher education or at a comparable institution outside the States approved for this purpose by the Commissioner, at least one-half the normal full-time academic workload as determined by that institution, and ending ten years and nine months after such date, except that (A) interest shall not accrue on any such loan, and installments need not be paid during any period (i) during which the borrower is carrying, at an institution of higher education or at a comparable institution outside the States approved for this purpose by the Commissioner, at least one-half the normal full-time academic workload as determined by the institution, (ii) not in excess of three years, during which the borrower is a member of the Armed Forces of the United States, (iii) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act, or (iv) not in excess of three years during which the borrower is in service as a volunteer under section 603 of the Economic Opportunity Act of 1964; Provided, That this clause shall apply to any loan outstanding on the effective date of the Peace Corps Act only with the consent of the then obligee institution, (B) any such period shall not be included in determining the ten-year period during which the repayment must be completed, (C) such ten-year period may also be extended for good cause determined in accordance with regulations of the Commissioner, (D) the institution may provide that installments need not be paid during any period or periods, aggregating not in excess of three years, during which the borrower is in less than half-time attendance at an institution of higher education taking courses which are creditable toward a degree, and may also provide that any such period shall not be included in determining the ten-year period during which the repayment must be completed, but interest shall continue to accrue during any such period, (E) the borrower may at his option accelerate repayment of the whole or any part of such loan and (F) the institution may provide, in accordance with regulations of the Commissioner, that during the repayment period of the loan payments of principal and interest by the borrower with respect to all the outstanding loans made to him from loan funds established pursuant to this title shall be at a rate equal to not less than $15 per month:

[(3) not to exceed 50 per centum of any such loan (plus interest) shall be canceled for service as a full-time teacher in a public or other nonprofit elementary or secondary school in a State, in an institution of higher education, or in an elementary or secondary school overseas of the Armed Forces of the United States at the rate of 10 per centum of the total amount of such loan plus interest thereon for each complete academic year, or its equivalent (as determined under regulations of the Commissioner) of such service except that (A) such rate shall be 15

per centum for each complete academic year or its equivalent (as determined under regulations of the Commissioner) of service as a full-time teacher in a public or other nonprofit elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title II of Public Law 874, Eighty-first Congress, as amended, and which for purposes of this clause and for that year has been determined by the Commissioner, pursuant to regulations and after consultations with the State educational agency of the State in which the school is located, to be a school in which there is a high concentration of students from low-income families, except that the Commissioner shall not make such determination with respect to more than 25 per centum of the total of the public and other nonprofit elementary and secondary schools in any one State for any one year, and (B) such rate shall be 15 per centum for each complete academic year or its equivalent (as so determined by regulations) of service as a full-time teacher of handicapped children (including mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed or other health impaired children who by reason thereof require special education) in a public or other nonprofit elementary or secondary school system, and (C) for the purposes of any cancellation pursuant to clause (A) or (B).

[(4) such a loan shall bear interest, on the unpaid balance of the loan, at the rate of 3 per centum per annum except that no interest shall accrue before the date on which repayment of the loan is to begin in all cases except where the date on which repayment is to begin is suspended by reason of clause (D) of paragraph (2);

[(5) such a loan shall be made without security and without endorsement, except that, if the borrower is a minor and the note or other evidence of obligation executed by him would not, under the applicable law, create a binding obligation, either security or endorsement may be required;

[(6) the liability to repay any such loan shall be canceled upon the death of the borrower, or if he becomes permanently and totally disabled as determined in accordance with regulations of the Commissioner;

[(7) such a loan by an institution for any year shall be made in such installments as may be provided in regulations of the Commissioner or the agreement with the institution under this title and, upon notice to the Commissioner by the institution that any recipient of a loan is failing to maintain satisfactory standing, any or all further installments of his loan shall be withheld, as may be appropriate; and

[(8) no note or other evidence of such a loan may be transferred or assigned by the institution of higher education making the loan except, upon the transfer of the borrower to another institution of higher education participating in the program under this title (or, if not participating, is eligible to do so and is approved by the Commissioner for such purpose), to such institution.

[(c) Pursuant to regulations of the Commissioner, an institution may assess a charge with respect to a loan from the loan fund established by the institution pursuant to this title for failure of the bor-

rower to pay all or any part of an installment when it is due and, in the case of a borrower who is entitled to deferment benefits under section 205(b)(2) or cancellation benefits under section 205(b)(3), for any failure to file timely and satisfactory evidence of such entitlement. The amount of any such charge may not exceed—

[(1) in the case of a loan which is repayable in monthly installments, $1 for the first month or part of a month by which such installment or evidence is late and $2 for each such month or part of a month thereafter; and

[(2) in the case of a loan which has a bimonthly or quarterly repayment interval, $3 and $6, respectively, for each such interval or part thereof by which such installment or evidence is late.

[The institution may elect to add the amount of any such charge to the principal amount of the loan as of the first day after the day on which such installment or evidence was due, or to make the amount of the charge payable to the institution not later than the due date of the next installment after receipt by the borrower of notice of the assessment of the charge.

[(d) An agreement under this title for payment of Federal capital contributions shall include provisions designed to make loans from the student loan fund established pursuant to such agreement reasonably available (to the extent of the available funds in such fund) to all eligible students in such institution in need thereof.]

[DISTRIBUTION OF ASSETS FROM STUDENT LOAN FUNDS

[SEC. 206 [1] (a) After June 30, 1972, and not later than September 30, 1972, there shall be a capital distribution of the balance of the student loan fund established under this title by each institution of higher education as follows:

[(1) The Commissioner shall first be paid an amount which bears the same ratio to the balance in such fund at the close of June 30, 1972, as the total amount of the Federal capital contributions to such fund by the Commissioner under this title bears to the sum of such Federal capital contributions and the institution's capital contributions to such fund.

[(2) The remainder of such balance shall be paid to the institution.

[(b) After September 30, 1972, each institution with which the Commissioner has made an agreement under this title shall pay to the Commissioner, not less often than quarterly, the same proportionate share of amounts received by the institution after June 30, 1972, in payment of principal or interest on student loans made from the student loan fund established pursuant to such agreement (which amount shall be determined after deduction of any costs of litigation incurred in collection of the principal or interest on loans from the fund and not already reimbursed from the student loan fund or such payments of principal or interest) as was determined for the Commissioner under subsection (a).

[(c) Upon a finding by the institution or the Commissioner prior to July 1, 1972, that the liquid assets of a student loan fund estab-

[1] Repeal effective with fiscal year 1970. Pending such repeal, the bill would change "1972" to "1973" each time it occurs in this section.

lished pursuant to an agreement under this title exceed the amount required for loans or otherwise in the foreseeable future, and upon notice to such institution or to the Commissioner, as the case may be, there shall be, subject to such limitations as may be included in regulations of the Commissioner or in such agreement, a capital distribution from such fund. Such capital distribution shall be made as follows:

[(1) The Commissioner shall first be paid an amount which bears the same ratio to the total to be distributed as the Federal capital contributions by the Commissioner to the student loan fund prior to such distribution bear to the sum of such Federal capital contributions and the capital contributions to the fund made by the institution.

[(2) The remainder of the capital distribution shall be paid to the institution.

[LOANS TO INSTITUTIONS

[SEC. 207.[1] (a) Upon application by any institution of higher education with which he has made an agreement under this title, the Commissioner may make a loan to such institution for the purpose of helping to finance the institution's capital contributions to a student loan fund established pursuant to such agreement. Any such loan may be made only if such institution shows it is unable to secure such funds from non-Federal sources upon terms and conditions which the Commissioner determines to be reasonable and consistent with the purposes of this title. Loans made to institutions under this section shall bear interest at a rate which the Commissioner determines to be adequate to cover (1) the cost of the funds to the Treasury as determined by the Secretary of the Treasury taking into consideration the current average yields of outstanding marketable obligations of the United States having maturities comparable to the maturities of loans made by the Commissioner under this section, (2) the cost of administering this section, and (3) probable losses.

[(b) There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this section, but not to exceed a total of $25,000,000.

[(c) Loans made by the Commissioner under this section shall mature within such period as may be determined by the Commissioner to be appropriate in each case, but not exceeding fifteen years.

[PAYMENTS TO COVER REDUCTION IN AMOUNTS OF LOANS

[SEC. 208.[1] In addition to the payments otherwise authorized to be made pursuant to this title, the Commissioner shall pay to the appropriate institution, at such time or times as he determines, an amount which bears the same ratio to the interest which has been prevented from accruing and the portion of the principal which has been canceled on student loans pursuant to paragraph (3) of section 205(b) (and not previously paid pursuant to this subsection) as the total amount of the institution's capital contributions to such fund under this title bears to the sum of such institution's capital contributions and the Federal capital contributions to such fund.

[1] Repeal effective with fiscal year 1970.

[ADMINISTRATIVE PROVISIONS

[SEC. 209.[1] (a) The Commissioner, in addition to the other powers conferred upon him by this title, shall have power to agree to modifications of agreements or loans made under this title and to compromise, waive, or release any right, title, claim, or demand, however arising or acquired under this title.

[(b) Financial transactions of the Commissioner pursuant to this title, and vouchers approved by him in connection with such financial transactions, shall be final and conclusive upon all officers of the Government; except that all such transactions shall be subject to audit by the General Accounting Office at such times and in such manner as the Comptroller General may by regulation prescribe.]

TITLE III—FINANCIAL ASSISTANCE FOR STRENGTHENING INSTRUCTION IN [SCIENCE, MATHEMATICS, MODERN FOREIGN LANGUAGES, AND OTHER CRITICAL] *ACADEMIC* SUBJECTS

APPROPRIATIONS AUTHORIZED

SEC. 301. There are hereby authorized to be appropriated $70,000,000 for the fiscal year ending June 30, 1959, and for each of the five succeeding fiscal years, $90,000,000 for the fiscal year ending June 30, 1965, $100,000,000 for the fiscal year ending June 30, 1966, and for the succeeding fiscal year [and] $110,000,000 for the fiscal year ending June 30, 1968, *and such sums as may be necessary for the next five fiscal years;* for (1) making payments to State educational agencies under this title for the acquisition of equipment and for minor remodeling, described in paragraph (1) of section 303(a), and (2) making loans authorized in section 305. [There are also authorized to be appropriated $5,000,000 for the fiscal year ending June 30, 1959, and for each of the five succeeding fiscal years, and $10,000,000 for the fiscal year ending June 30, 1965, and for each of the three succeeding fiscal years, for making payments to State educational agencies under this title to carry out the programs described in paragraph (5) of section 303(a).][1]

ALLOTMENTS TO STATES

SEC. 302. (a)(1) From the sums appropriated pursuant to [the first sentence of][2] section 301 for any fiscal year the Commissioner shall reserve such amount, but not in excess of [2] *3* per centum thereof as he may determine for allotment as provided in section 1008, and shall reserve *not in excess of* 12 per centum for loans authorized in section 305. From the remainder of such sums the Commissioner shall allot to each State an amount which bears the same ratio to the amount of such remainder as the product of—

(A) The school-age population of the State, and

(B) The State's allotment ratio (as determined under paragraph (2)),

bears to the sum of the corresponding products for all the States.

[1] This deletion effective with fiscal year 1970.
[2] Deletions effective with fiscal year 1970.

(2) The "allotment ratio" for any State shall be 100 per centum less the product of (A) 50 per centum and (B) the quotient obtained by dividing the income per child of school age for the State by the income per child of school age for the United States except that the allotment ratio shall in no case be less than 33⅓ per centum or more than 66⅔ per centum. The allotment ratios shall be promulgated by the Commissioner between July 1 and August 31 of each even-numbered year beginning with calendar year 1964, on the basis of the average of the incomes per child of school age for the States and for the United States for the three most recent consecutive years for which satisfactory data are available from the Department of Commerce. Each such promulgation shall be conclusive for each of the two fiscal years in the period July 1 next succeeding such promulgation except that the ratios promulgated in 1959 shall be conclusive for each of the five fiscal years in the period beginning July 1, 1960, and ending June 30, 1965.

(3) For the purpose of this title—

(A) The term "child of school age" means a member of the population between the ages of five and seventeen, both inclusive.

(B) The term "United States" means the fifty States and the District of Columbia.

(C) The term "income per child of school age" for any State or for the United States means the total personal income for the State and the United States respectively, divided by the number of children of school age in such State and in the United States, respectively.

[(b) From the sums appropriated pursuant to the second sentence of section 301 for any fiscal year the Commissioner shall reserve such amount, but not in excess of 2 per centum thereof, as he may determine for allotment as provided in section 1008. From the remainder of such sums the Commissioner shall allot to each State an amount which bears the same ratio to the amount of such remainder as the school-age population of such State bears to the total of the school-age population of all the States. The amount allotted to any State under the preceding sentence for any fiscal year which is less than $50,000 shall be increased to $50,000 the total thereby required being derived by proportionately reducing the amount allotted to each of the remaining States under the preceding sentence, but with such adjustments as may be necessary to prevent the allotment of any of such remaining States from being thereby reduced to less than $50,000.] [1]

[(c)] (*b*) The amount of any State's allotment under subsection (a) [or (b)] of this section, or section 305(a) for any fiscal year which the Commissioner determines will not be required for such fiscal year shall be available for reallotment from time to time, on such dates during such year as the Commissioner may fix, to other States in proportion to the original allotments to such States under [subsections] *subsection* (a) [and (b)] of this section, and section 305(a), respectively, but with such proportionate amount for any of such other States being reduced to the extent it exceeds the sum the Commissioner estimates such State needs and will be able to use for such year; and the total of such reductions shall be similarly reallotted among the States whose proportionate amounts were not so reduced. Any

[1] Deletion of this subsection effective with fiscal year 1970.

amount reallotted to a State under this subsection during a year from funds appropriated pursuant to section 301 shall be deemed part of its allotment under subsection (a) [or (b)] of this section, or section 305(a), as the case may be, for such year.[1]

STATE PLANS

SEC. 303. (a) Any State which desires to receive payments under this title shall submit to the Commissioner, through its State educational agency, a State plan which meets the requirements of section 1004(a) and—

(1) sets forth a program under which funds paid to the State from its allotment under section 302(a) will be expended solely for projects approved by the State educational agency for (A) acquisition of laboratory and other special equipment (other than *(i) athletic or recreational equipment, and* (ii) supplies consumed in use), including audiovisual materials and equipment, and printed and published materials (other than textbooks), suitable for use in providing education [in science, mathematics, history, civics, geography, economics, industrial arts, modern foreign language, English, or reading] in public elementary or secondary schools, or both, and of testgrading equipment for such schools and specialized equipment for audiovisual libraries serving such schools, [and such equipment, may, if there exists a critical need therefor in the judgments of local school authorities, be used when available and suitable in providing education in other subject matter, and] (B) minor remodeling of laboratory or other space used for such materials or equipment, *and (C) administration of the State plan, except that the amount used for administration of the State plan for any year shall not exceed an amount equal to 3 per centum of the amount paid to the State under this title for that year, or $50,000, whichever is greater;* [2]

(2) sets forth principles for determining the priority of such projects in the State for assistance under this title and provides for undertaking such projects, insofar as financial resources available therefor make possible, in the order determined by the application of such principles;

(3) provides an opportunity for a hearing before the State educational agency to any applicant for a project under this title;

(4) provides for the establishment of standards on a State level for laboratory and other special equipment acquired with assistance furnished under this title;

[(5) sets forth a program under which funds paid to the State from its allotment under section 302(b) will be expended solely for (A) expansion or improvement of supervisory or related services in public elementary and secondary schools in the fields of science, mathematics, history, civics, geography, economics, industrial arts, modern foreign languages, English, and reading, and (B) administration of the State plan.] [3]

[1] Amendments to this subsection effective with fiscal year 1970.

[2] New clause (C) to be effective with fiscal year 1970, at the time same as repeal of par. (5).

[3] Pending the fiscal year 1970 repeal of this paragraph, the bill would delete the phrase "in the fields of science, mathematics, history, civics, geography, economics, industrial arts, modern foreign languages, English, and reading" and substitute for it the phrase "in the subject-matter areas for which equipment and materials acquired under the State plans are used."

(b) The Commissioner shall approve any State plan and any modification thereof which complies with the provisions of subsection (a).

PAYMENT TO STATES

SEC. 304. [(a)] From a State's allotment for a fiscal year under section 302(a), the Commissioner shall, from time to time during the period such allotment is available for payment [as provided in paragraph (4) of section 302(a)], pay to such State an amount equal to one-half of the expenditures [for projects for acquisition of equipment and minor remodeling referred to in paragraph (1) of section 303(a) which are carried out] under its State plan approved under section 303(b); except that (*1*) *such payments with respect to expenditures for administration of the State plan shall not exceed the limitation established by paragraph (1)(C) of section 303, and* (*2*) no State shall receive payments under this subsection for any period in excess of its allotments for such period under section 302(a).

[(b) From a State's allotment under section 302(b) for the fiscal year ending June 30, 1959, the Commissioner shall from time to time pay to such State an amount equal to the amount expended by such State for such year to carry out the program referred to in paragraph (5) of section 303(a) under its State plan approved under section 303(b). From a State's allotment under section 302(b) for the fiscal year ending June 30, 1960, and for each of the eight succeeding fiscal years, such payments shall equal one-half of the amount so expended under its State plan approved under section 303(b); except that no State shall receive payments under this subsection for any fiscal year in excess of its allotment under section 302(b) for that fiscal year.] [1]

LOANS TO NONPROFIT PRIVATE SCHOOLS

SEC. 305. [(a) The Commissioner shall allot, out of funds reserved for each fiscal year for the purposes of this section under the provisions of section 302(a), to each State for loans under the provisions of this section an amount which bears the same ratio to such funds as the number of persons in such State enrolled in private nonprofit elementary and secondary schools bears to the total of such numbers for all States.]

[(b) From the sums allotted to each State under the provisions of this section the Commissioner is authorized to make loans to private nonprofit elementary and secondary schools in such State for the purposes for which payments to State educational agencies are authorized under the first sentence of section 301. Any such loan—] *From the sums reserved for each fiscal year for the purposes of this section under the provisions of section 302(a), the Commissioner is authorized to make loans to private nonprofit elementary and secondary schools in any State, and to private nonprofit elementary and secondary schools outside of the United States that the Commissioner determines to be founded or sponsored by citizens of the United States:* Provided, *That the Commissioner shall give priority to those schools outside the United States serving primarily children of American citizens. Any such loan shall be made only for the purposes for which payments to State educational agencies are authorized under the first sentence of section 301, and—*

[1] All amendments to this section effective with fiscal year 1970.

(1) shall be made upon application containing such information as may be deemed necessary by the Commissioner;

(2) shall be subject to such conditions as may be necessary to protect the financial interest of the United States;

(3) shall bear interest at the rate arrived at by adding one-quarter of 1 per centum per annum to the rate which the Secretary of the Treasury determines to be equal to the current average *market* yield on [all] outstanding marketable obligations of the United States with *redemption periods to maturity comparable to the average maturities of such loans* as computed at the end of the fiscal year next preceding the date the application for the loan is approved and by adjusting the result so obtained to the nearest one-eighth of 1 per centum; and

(4) shall mature and be repayable on such date as may be agreed to by the Commissioner and the borrower, but such date shall not be more than ten years after the date on which such loan was made.

LIMITATION ON PAYMENTS UNDER THIS TITLE

SEC. 306. No grant or loan may be made under this title for equipment or materials to be used for sectarian instruction or religious worship.

TITLE IV—NATIONAL DEFENSE FELLOWSHIPS

* * * * * * *

NUMBER OF FELLOWSHIPS

SEC. 402. (a) During the fiscal year ending June 30, 1965, the Commissioner is authorized to award not to exceed three thousand fellowships to be used for study in graduate programs at institutions of higher education, during the fiscal year ending June 30, 1966, he is authorized to award not to exceed six thousand such fellowships, and during each of the [two] *seven* succeeding fiscal years, he is authorized to award not to exceed seven thousand five hundred such fellowships. Such fellowships may be awarded for such period of study as the Commissioner may determine, but not in excess of three academic years, except *(1)* that where a fellowship holder pursues his studies as a regularly enrolled student at the institution during periods outside the regular sessions of the graduate program of the institution, a fellowship may be awarded for a period not in excess of three calendar years, *and (2) that the Commissioner may provide by regulation for the granting of such fellowships for a period of study not to exceed one academic year (or one calendar year in the case of fellowships to which clause (1) applies) in addition to the maximum period otherwise applicable, under special circumstances in which the purposes of this title would most effectively be served thereby.*

(b) In addition to the number of fellowships authorized to be awarded by subsection (a) of this section, the Commissioner is authorized to award fellowships equal to the number previously awarded during any fiscal year under this section but vacated prior to the end of the period for which they were awarded; except that each fellowship awarded under this subsection shall be for such period of study, not in excess of the remainder of the period for which the fellowship which it replaces was awarded, as the Commissioner may determine.

AWARD OF FELLOWSHIPS AND APPROVAL OF INSTITUTIONS

SEC. 403. (a) Of the total number of fellowships authorized by section 402(a) to be awarded during a fiscal year (1) not less than one thousand five hundred of such fellowships awarded during the fiscal year ending June 30, 1965, and not less than one-third of such fellowships awarded during the [three] *eight* succeeding fiscal years shall be awarded to individuals accepted for study in graduate programs approved by the Commissioner under this section, and (2) the remainder shall be awarded on such bases as he may determine, subject to the provisions of subsection (c). The Commissioner shall approve a graduate program of an institution of higher education only upon application by the institution and only upon the finding—

(1) that such program is a new program or an existing program which has been expanded; and

(2) that such new program or expansion of an existing program will substantially further the objective of increasing the facilities available in the Nation for the graduate training of college or university level teachers and of promoting a wider geographical distribution of such facilities throughout the Nation[.], *and*

(3) that the application contains satisfactory assurance that the institution will make reasonable continuing efforts to encourage recipients of fellowships under this title, enrolled in such program, to teach or continue to teach in institutions of higher education.

(b) The total of the fellowships awarded as described in clause (1) of subsection (a) for pursuing a course of study in a graduate program at any institution of higher education may not exceed a limit established by the Commissioner in light of the objective referred to in subsection (a)(2), and the Commissioner shall give consideration to such objectives in determining the number of fellowships awarded under this title for attendance at any one institution of higher education.

(c) Recipients of fellowships under this title shall be persons who are interested in teaching, or continuing to teach, in institutions of higher education and are pursuing, or intend to pursue, a course of study leading to a degree of doctor of philosophy or an equivalent degree.

(d) No fellowship shall be awarded under this title for study at a school or department of divinity. For the purposes of this subsection the term "school or department of divinity" means an institution or department or branch of an institution, whose program is specifically for the education of students to prepare them to become ministers of religion or to enter upon some other religious vocation or to prepare them to teach theological subjects.

FELLOWSHIP STIPENDS

SEC. 404. [(a) Each person awarded a fellowship under the provisions of this title shall receive a stipend of $2,000 for the first academic year of study, $2,300 for the second such year, and $2,400 for the third such year, plus an additional amount of $400 for each such year on account of each of his dependents. Where a person awarded a fellowship under this title for study at an institution of higher education pursues his studies as a regularly enrolled student at such

institution during periods outside of the regular sessions of the graduate program of the institution, the Commissioner may make appropriate adjustments in his stipends and allowances for dependents.]
(a) The Commissionr shall pay to persons awarded fellowships under this title such stipends (including such allowances for subsistence and other expenses for such persons and their dependents) as he may determine to be consistent with prevailing practices under comparable federally supported programs.

(b) [In addition to the amounts paid to persons pursuant to subsection (a) there shall be paid to the institution of higher education at which each such person is pursuing his course of study $2,500 per academic year, less any amount charged such person for tuition.]
The Commissioner shall (in addition to the stipends paid to persons under subsection (a)) pay to the institution of higher education at which such person is pursuing his course of study such amount as the Commissioner may determine to be consistent with prevailing practices under comparable federally supported programs.

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TITLE V—GUIDANCE, COUNSELING, AND TESTING; IDENTIFICATION AND ENCOURAGEMENT OF ABLE STUDENTS

PART A—STATE PROGRAMS

APPROPRIATIONS AUTHORIZED

SEC. 501. There are hereby authorized to be appropriated $15,000,000 for the fiscal year ending June 30, 1963, $17,500,000 for the fiscal year ending June 30, 1964, $24,000,000 for the fiscal year ending June 30, 1965, $24,500,000 for the fiscal year ending June 30, 1966, [and] $30,000,000 for each of the two succeeding fiscal years *and such sums as may be necessary for the next five fiscal years*, for making grants to State educational agencies under this part to assist them to establish and maintain programs of testing and guidance and counseling.

ALLOTMENTS TO STATES

SEC. 502. (a) From the sums appropriated pursuant to section 501 for any fiscal year the Commissioner shall reserve such amount, but not in excess of [2] *3* per centum thereof, as he may determine for allotment as provided in section 1008. From the remainder of such sums the Commissioner shall allot to each State an amount which bears the same ratio to the amount of such remainder as the school-age population of such States bears to the total of the school-age population of all the States. The amount allotted to any State under the preceding sentence for any fiscal year which is less than $50,000 shall be increased to $50,000, the total of increases thereby required being derived by proportionately reducing the amount allotted to each of the remaining States under the preceding sentence, but with such adjustments as may be necessary to prevent the allotment of any such remaining States from being thereby reduced to less than $50,000.

* * * * * * *

PAYMENTS TO STATES

SEC. 504. (a) Payment under this part shall be made to those State educational agencies which administer plans approved under section 503. For the fiscal year ending June 30, 1969, such payments shall equal the amount expended by the State in carrying out its State plan, and for the fiscal year ending June 30, 1960, and for each of the [eight] *thirteen* suceeding fiscal years, such payments shall equal one-half of the amount so expended, including amounts expended under the State plan for State supervisory or related services in public elementary or secondary schools in the fields of guidance, counseling, and testing, and for administration of the State plan; except that no State educational agency shall receive payment under this part for any fiscal year in excess of that State's allotment for that fiscal year as determined under section 502.

(b) In any State which has a State plan approved under section 503 and in which the State educational agency is not authorized by law to make payments to cover the cost of testing students in any one or more elementary or secondary schools, or junior colleges or technical institutes, in such State to determine student abilities and aptitudes the Commissioner shall arrange for the testing of such students and shall pay the cost thereof for the fiscal year ending June 30, 1959, and one-half of the cost thereof for any of the [nine] *fourteen* succeeding fiscal years out of such State's allotment. Testing of students pursuant to this subsection shall, so far as practicable, be comparable to, and be done at the same grade levels and under the same conditions as in the case of, testing of students in public schools under the State plan.

* * * * * * *

TITLE VI—LANGUAGE DEVELOPMENT

LANGUAGE AND AREA CENTERS

SEC. 601. (a) The Secretary is authorized to arrange through grants to or contracts with institutions of higher education for the establishment and operation by them, during the period beginning July 1, 1958, and ending with the close of June 30, [1968] *1973*, of centers for the teaching of any modern foreign language with respect to which the Secretary determines that individuals trained in such language are needed by the Federal Government or by business, industry, or education in the United States. Any such grant or contract may provide for instruction not only in such modern foreign language but also in other fields needed to provide a full understanding of the areas, regions, or countries in which such language is commonly used, to the extent adequate instruction in such field is not readily available, including fields such as history, political science, linguistics, economics, sociology, geography, and anthropology. Any such grant or contract may cover all or part of the cost of the setablishment and operation of the center with respect to which it is made, including the cost of grants to the staff for travel in the foreign areas, regions, or countries with which the subject matter of the field or fields in which they are or will be working is concerned and the cost of travel

of foreign scholars to such centers to teach or assist in teaching therein and the cost of their return, and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of this section.

(b) The Secretary is also authorized, during the period beginning July 1, 1958, and ending with the close of June 30, [1968] *1973*, to pay stipends to individuals undergoing advanced training in any modern foreign language (with respect to which he makes the determination under subsection (a)), and other fields needed for a full understanding of the area, region, or country in which such language is commonly used, at any short-term or regular session of any institution of higher education, including allowances for dependents and for travel to and from their places of residence, but only upon reasonable assurance that the recipients of such stipends will, on completion of their training, be available for teaching a modern foreign language in an institution of higher education or for such other service of a public nature as may be permitted in regulations of the Secretary.

* * * * * * *

APPROPRIATIONS AUTHORIZED

SEC. 603. There are hereby authorized to be appropriated $8,000,000 for the fiscal year ending June 30, 1964, $13,000,000 for the fiscal year ending June 30, 1965, $14,000,000 for the fiscal year ending June 30, 1966, $16,000,000 for the fiscal year ending June 30, 1967, [and] $18,000,000 for the fiscal year ending June 30, 1968, *and such sums as may be necessary for the next five succeeding fiscal years*, to carry out the provisions of this title.

* * * * * * *

TITLE X—MISCELLANEOUS PROVISIONS

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ALLOTMENTS TO TERRITORIES AND POSSESSIONS

SEC. 1008. The amounts reserved by the Commissioner under sections 302 and 502 shall be allotted [by the Commissioner] among [Puerto Rico, the Canal Zone, Guam, American Samoa, and the Virgin Islands, according to their respective needs for the type of assistance furnished under the part or title in which the section appears]—

(A) Puerto Rico, the Canal Zone, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands according to their respective needs for the type of assistance furnished under the part or title in which the section appears, and

(b)(i) the Secretary of the Interior according to the need for such assistance in order to effectuate the purposes of such part or title in schools operated for Indian children by the Department of the Interior, and (ii) the Secretary of Defense according to the need for such assistance in order to effectuate the purposes of such part or title in the overseas dependents schools of the Department of Defense. The terms upon which payments for such purpose shall be made to the Secretary of the Interior and the Secretary of Defense shall be determined pursuant to such criteria as the Commissioner determines will best carry out the purposes of this title.

* * * * * * *

HIGHER EDUCATION FACILITIES ACT OF 1963

(Public Law 88-204)

AN ACT To authorize assistance to public and other nonprofit institutions of higher education in financing the construction, rehabilitation, or improvement of needed academic and related facilities in undergraduate and graduate institutions.

Be enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Higher Education Facilities Act of 1963".

* * * * * * *

TITLE I—GRANTS FOR CONSTRUCTION OF UNDERGRADUATE ACADEMIC FACILITIES

APPROPRIATIONS AUTHORIZED

SEC. 101. (a) The Commissioner of Education (hereinafter in this Act referred to as the "Commissioner") shall carry out [during the fiscal year ending June 30, 1964, and each of the seven succeeding fiscal years] a program of grants to institutions of higher education for the construction of academic facilities in accordance with this title.

(b) For the purpose of making grants under this title, there is hereby authorized to be appropriated the sum of $230,000,000 the for fiscal year ending June 30, 1964, and for the succeeding fiscal year, $460,000,000 for the fiscal year ending June 30, 1966, $475,000,000 for the fiscal year ending June 30, 1967, $728,000,000 for the fiscal year ending June 30, 1968, [and] $936,000,000 for the fiscal year ending June 30, 1969 [; but for the fiscal year ending June 30, 1970, and the succeeding fiscal year, only such sums may be appropriated as Congress may hereafter authorize by law], *and such sums as may be necessary for the next five fiscal years.* In addition to the sums authorized to be appropriated for each fiscal year for which an appropriation is authorized by the preceding sentence, there is hereby authorized to be appropriated for that fiscal year for making such grants the difference (if any) between any specific sums authorized to be appropriated under the preceding sentence for the preceding fiscal year and the sums which were appropriated for such preceding year such sentence.

(c) Sums appropriated pursuant to subsection (b) of this section shall remain available for reservation as provided in section 109 until the close of the fiscal year next succeeding the fiscal year for which they were appropriated.

* * * * * * *

STATE COMMISSIONS AND PLANS

SEC. 105. (a) Any State desiring to participate in the grant program under this title shall designate for that prupose an existing State agency which is broadly representative of the public and of institutions of higher education (including junior colleges and technical institutes) in the State, or, if no such State agency exists, shall establish such a State agency, and submit to the Commissioner through the agency so designated or established (in this title referred to as the "State commission"), a State plan for such participation. The Commissioner shall approve any such plan which—

(1) provides that it shall be administered by the State commission;

(2) sets forth, consistently with basic criteria prescribed by regulation pursuant to section 107, objective standards and methods (A) for determining the relative priorities of eligible projects for the construction of academic facilities submitted by institutions of higher education within the State, and (B) for determining the Federal share of the development cost of each such project (unless such plan provides for a uniform Federal share for all such projects);

(3) provides that the funds allotted (or reallotted) for any year under section 103 will be available (except as provided in section 103(b)(2)) only for use for the construction of academic facilities for public community colleges and public technical institutes, and that funds allotted (or reallotted) for any year to the State under section 104 will be available (except as provided in section 104(b)(2)) only for use for the construction of academic facilities for institutions of higher education other than public community colleges and public technical institutes;

(4) provides (A) for assigning priorities solely on the basi- of such criteria, standards, and methods to eligible projects subs mitted to the State commission and deemed by it to be otherwise approvable under the provisions of this title; and (B) for approving and recommending to the Commissioner, in the order of such priority, applications covering such eligible projects, and for certifying to the Commissioner the Federal share, determined by the State commission under the State plan, of the development cost of the project involved;

(5) provides for affording to every applicant, which has submitted to the State commission a project, an opportunity for a fair hearing before the State commission as to the priority assigned to such project or as to any other determination of the State commission adversely affecting such applicant; and

(6) provides (A) for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the State commission under this title, and (B) for the making of such reports, in such form and containing such information, as may be reasonably necessary to enable the Commissioner to perform his functions under this title.

(b) The Commissioner is authorized to expend not exceeding $3,000,000 during the fiscal years ending June 30, 1965, and June 30, 1966, and not exceeding $7,000,000 for the fiscal year ending June 30, 1967,

and each of the [two] *seven* succeeding fiscal years, in such amounts as he may consider necessary (1) for the proper and efficient administration of the State plans approved under this title, and under part A of title VI of the Higher Education Act of 1965, including expenses which he determines were necessary for the preparation of such plans, and (2) for grants, upon such terms and conditions as the Commissioner determines will best further the purposes of this Act, to State commissions for conducting, either directly or through other appropriate agencies and institutions, comprehensive planning to determine the construction needs of institutions (and particularly combinations and regional groupings of institutions) of higher education. Not more than $3,000,000 may be expended in any fiscal year for the purposes set forth in clause (1). [For the fiscal year ending June 30, 1970, and the succeeding fiscal year, the Commissioner may expend for purposes of this subsection only such sums as Congress may hereafter authorize by law.]

* * * * * * *

TITLE II—GRANTS FOR CONSTRUCTION OF GRADUATE ACADEMIC FACILITIES

APPROPRIATIONS AUTHORIZED

SEC. 201. In order to increase the supply of highly qualified personnel critically needed by the community, industry, government, research, and teaching, the Commissioner shall [, during the fiscal year ending June 30, 1964, and each of the seven succeeding fiscal years,] make construction grants to assist institutions of higher education to improve existing graduate schools and cooperative graduate centers, and to assist in the establishment of graduate schools and cooperative graduate centers of excellence. For the purpose of making grants under this title, there is hereby authorized to be appropriated the sum of $25,000,000 for the fiscal year ending June 30, 1964, the sum of $60,000,000 for the fiscal year ending June 30, 1965, the sum of $120,000,000 for the fiscal year ending June 30, 1966, the sum of $60,000,000 for the fiscal year ending June 30, 1967, [and] the sum of $120,000,000 for the fiscal year ending June 30, 1968, and for the succeeding fiscal year [; but for the fiscal year ending June 30, 1970, and the succeeding fiscal year, only such sums may be appropriated as Congress may hereafter authorize by law], *and such sums as may be necessary for the next five fiscal years*. In addition to the sums authorized to be appropriated for each fiscal year for which an appropriation is authorized by the preceding sentence, there is hereby authorized to be appropriated for that fiscal year for making such grants the difference (if any) between any specific sums authorized to be appropriated under the preceding sentence for the preceding fiscal year and the sums which were appropriated for such preceding year under such sentence. Sums appropriated pursuant to this title for any fiscal year shall remain available for grants under this title until expended.

GRANTS

SEC. 202. (a) Grants under this title may be made to institutions of higher education and to cooperative graduate center boards to assist

them to meet the development costs for projects for construction of academic facilities for graduate schools and cooperative graduate centers. Such grants may be made only upon application therefor at such time or times, in such manner, and containing or accompanied by such information as the Commissioner finds necessary to determine eligibility for the grants and the amounts thereof.

(b) Grants under this title for construction of academic facilities may not exceed 33⅓ per centum of the development cost of any such construction project.

(c)(1) The Commissioner shall not approve any application for a grant under this title [without the advice of the Advisory Committee established under section 203.] *until he has obtained the advice and recommendations of a panel of specialists who are not employees of the Federal Government and who are competent to evaluate such applications.*

(2) In determining whether to approve applications for grants under this title, the order in which to approve such applications, and the amount of the grants, the Commissioner shall give consideration to the extent to which such projects will contribute to achieving the objectives of this title and also the extent to which they will aid in attaining a wider distribution throughout the United States of graduate schools and cooperative graduate centers.

(d) Notwithstanding the other provisions of this title the total of the payments from the appropriations for any fiscal year under this title made with respect to projects in any State may not exceed an amount equal to 12½ per centum of such appropriation.

[ADVISORY COMMITTEE

[SEC. 203. (a) There is hereby established in the Office of Education an Advisory Committee on Graduate Education, consisting of the Commissioner, who shall be Chairman; one representative from the Office of Science and Technology in the Executive Office of the President; one from the National Science Foundation; and eight members appointed, without regard to the civil service laws, by the Commissioner with the approval of the Secretary of Health, Education, and Welfare. Such appointed members shall be selected from leading authorities in the field of education, at least three of whom shall be from the field of the humanities, with at least one of these three from a graduate school of education.

[(b) The Advisory Committee shall advise the Commissioner (1) on the action to be taken with regard to each application for a grant under this title, and (2) in the preparation of general regulations and with respect to policy matters arising in the administration of this title, including the development of criteria for approval of applications thereunder. The Advisory Committee may appoint such special advisory and technical expert and consultants as may be uesful in carrying out its functions.

[(c) Members of the Advisory Committee and special advisory and technical experts and consultants appointed prusuant to subsection (b) shall, while serving on the business of the Advisory Committee. be entitled to receive compensation at rates fixed by the Secretary of Health, Education, and Welfare, but not exceeding $75 per day, including travel time; and, while so serving away from their homes or regular places of business, they may be allowed travel expenses,

including per diem in lieu of subsistence, as authorized by section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b–2) for persons in the Government service employed intermittently.]

TITLE III—LOANS FOR CONSTRUCTION OF ACADEMIC FACILITIES

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ELIGIBILITY CONDITIONS, AMOUNTS, AND TERMS OF LOANS

SEC. 303. (a) No loan pursuant to this title shall be made unless the Commissioner finds (1) that not less than one-fourth of the development cost of the facility will be financed from non-Federal sources, (2) that the applicant is unable to secure the amount of such loan from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title, and (3) that the construction will be undertaken in an economical manner and that it will not be of elaborate or extravagant design or materials.

(b) A loan pursuant to this title shall be secured in such manner, and shall be repaid within such period not exceeding [fifty] *50* years, as may be determined by the Commissioner; and shall bear interest at [(1) a rate determined by the Commissioner which shall not be less than a per annum rate that is one-quarter of 1 percentage point above the average annual interest rate on all interest-bearing obligations of the United States forming a part of the public debt as computed at the end of the preceding fiscal year, adjusted to the nearest one-eighth of 1 per centum, or (2) the rate of 3 per centum per annum, whichever is the lesser] *a per annum rate that is not less than (1) a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with redemption periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less (2) not to exceed a rate of 1 per centum per annum as determined by the Commissioner.*

(c) The Commissioner shall[, during the fiscal year ending June 30, 1964, and each of the seven succeeding fiscal years,] make loans to institutions of higher education for the construction of academic facilities in accordance with the provisions of this title. For the purpose of making payments into the fund established under section 305 there is hereby authorized to be appropriated the sum of $120,000,000 for the fiscal year ending June 30, 1964, and each of the two succeeding fiscal years, the sum of $200,000,000 for the fiscal year ending June 30, 1967, [and] the sum of $400,000,000 for the fiscal year ending June 30, 1968, and for the succeeding fiscal year[; but for the fiscal year ending June 30,1970, and the succeeding fiscal year, only such sums may be appropriated as the Congress may hereafter authorize by law], *and such sums as may be necessary for the next five fiscal years.* In addition to the sums authorized to be appropriated for each fiscal year for which an appropriation is authorized by the the preceding sentence, there is hereby authorized to be appropriated for that fiscal year, for making such loans, the difference (if any) between any specific sums authorized to be appropriated under the preceding sentence for the preceding fiscal year and the sums which were appropriated for such preceding year under such sentence.

Sums appropriated pursuant to this subsection for any fiscal year shall be available without fiscal-year limitations for loans under this title.

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TITLE IV—GENERAL PROVISIONS

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HIGHER EDUCATION FACILITIES CONSTRUCTION ASSISTANCE IN MAJOR DISASTER AREAS

SEC. 408. (a) If the Director of the Office of Emergency Planning determines that a public institution of higher education is located in whole or in part within an area which, before July 1, [1967] *1972* has suffered a disaster which is a "major disaster" as defined in section 2(a) of the Act of September 30, 1950 (42 U.S.C. 1855a(a)), and if the Commissioner determines with respect to such public institution of higher education that—

(1) the academic facilities of the institution have been destroyed or seriously damaged as a result of the disaster;

(2) the institution is exercising due diligence in availing itself of State and other financial assistance available for the restoration or replacement of the facilities; and

(3) the institution does not have sufficient funds available to it from other sources, including the proceeds of insurance on the facilities, to provide for the restoration or replacement of the academic facilities so destroyed or seriously damaged,

the Commissioner may provide the additional assistance necessary to enable the institution to carry out construction necessary to restore or replace the facilities, upon such terms and in such amounts (subject to the provisions of this section) as the Commissioner may consider to be in the public interest; but such additional assistance, plus the amount which he determines to be available to the institutio from other sources, including the proceeds of insurance on the facilities, may not exceed the cost of construction incident to the restoration or replacement of the academic facilities destroyed or seriously damaged as a result of the disaster.

(b) In addition to and apart from the assistance provided to a public institution of higher education under subsection (a), the Commissioner may provide funds to such institution in an amount which he considers necessary to replace equipment, maintenance supplies, and instructional supplies (including books and curricular and program materials) destroyed or seriously damaged as a result of the disaster, or to lease or otherwise provide (other than by acquisition of land or construction of academic facilities) such facilities needed to replace temporarily those academic facilities which have been made unavailable as a result of the disaster, or both.

(c) In any case deemed appropriate by the Commissioner, disaster assistance provided under subsection (a) or (b) may be in the form of a repayable advance subject to such terms and conditions as he considers to be in the public interest.

HOME OWNERS' LOAN ACT OF 1933

* * * * *

SEC. 5 * * *.

(c) Such associations shall lend their funds only on the security of their shares or on the security of first liens upon real property within one hundred miles of their home office which constitute first liens upon homes, combinations of homes and business property, other dwelling units, or combinations of dwelling units, including homes, and business property involving only minor or incidental business use (all of which may be defined by the Board): *Provided*, That not more than $40,000 for each single-family dwelling, and not more than such amount per room as the Board may determine by regulation within the limits allowable (at the time of the loan) in section 1713(c) (3) of this title for any other dwelling unit covered by such lien, shall be loaned on the security of any such lien, and the Board shall by regulation limit to not more than 15 per centum of the assets of the association the aggregate amount or amounts of the investments which may be made by an association under the foregoing provisions of this sentence on the security of property which comprises or includes more than four dwelling units or does not constitute homes or combinations of homes and business property; except that not exceeding 20 per centum of the assets of such association may be loaned on the security of first liens upon improved real estate without regard to the foregoing limitations, and additional sums not exceeding 20 per centum of the assets of an association may be used without regard to such area restriction for the making or purchase of participating interests in first liens on real property of the type described in this sentence in the matter preceding this proviso: *And provided further*, That any portion of the assets of such associations may be invested in obligations of, or fully guaranteed as to principal and interest by, the United States, or in the stock or bonds of a Federal Home Loan Bank, or in obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association or any other agency of the United States; or in general obligations of any State or of any political subdivision thereof; and as used in this proviso the term "State" shall include the District of Columbia, the Commonwealth of Puerto Rico, and the possessions of the United States: *And provided further*, That any such association which is converted from a State-chartered institution may continue to make loans in the territory in which it made loans while operating under State charter. In addition to the loans and investments otherwise authorized, such associations may purchase, subject to all the provisions of this paragraph except the area restriction, loans secured by first liens on improved real estate which are insured under the provisions of the National Housing Act, as amended, or insured as provided in the Servicemen's Readjustment Act of 1944, as amended, or chapter 37 of Title 38.

Structures or parts thereof designed or used as fraternity or sorority houses which include sleeping accommodations for students of a college or university, or designed or used principally for the provision of living accommodations for persons who are students, employees, or members of the staff of a college, university, or hospital, shall be considered, subject to such regulations as the Board may prescribe, "other dwelling units" for the purpose of this subsection.

Without regard to any other provision of this subsection except the area requirement, any such association is authorized to invest a sum not in excess of 20 per centum of the assets of such association in loans insured under subchapter I of chapter 13 of this title, in home improvement loans insured under subchapter II of chapter 13 of this title unsecured loans insured or guaranteed under the provisions of the Servicemen's Readjustment Act of 1944, as amended, or chapter 37 of Title 38, and in other loans for property alteration, repair, or improvement: *Provided*, That no such loan, unless so insured or guaranteed, shall be made in excess of $5,000. Participating interests in loans secured by mortgages which have the benefit of insurance or guaranty (or a commitment therefor) under the National Housing Act, the Servicemen's Readjustment Act of 1944, or chapter 37 of Title 38 shall not be taken into account in determining the amount of loans which an association may make within any of the percentage limitations contained in the first proviso of this subsection.

Without regard to any other provision of this subsection, any such association is authorized to invest in loans, obligations, and advances of credit (all of which are hereinafter referred to as "loans") made for the payment of [expenses of college or university education] *expenses of college, university, or vocational education*, but no association shall make any investment in loans under this paragraph if the principal amount of its investment in such loans, exclusive of any investment which is or which at the time of its making was otherwise authorized, would thereupon exceed 5 per centum of its assets.

Without regard to any other provision of this subsection except the area restriction, any such association whose general reserves, surplus, and undivided profits aggregate a sum in excess of 5 per centum of its withdrawable accounts is authorized to invest an amount not exceeding at any one time 5 per centum of such withdrawable accounts in loans to finance the acquisition and development of land for primarily residential usage, subject to such rules and regulations as the Board may prescribe.

Without regard to any other provision of this subsection except the area restriction and the dollar amount limitation, any such association may invest an amount not exceeding at any one time 5 per centum of its assets in nonamortized loans which are made on the security of first liens upon homes or combinations of homes and business property and which (1) are repayable within a period of eighteen months, (2) provide that interest payments be made at least semiannually, and (3) do not exceed 80 per centum of the appraised value of the property involved. For the purposes of this paragraph the term "first liens" includes the assignment of the whole of the beneficial interest in a trust having a corporate trustee whereunder real estate held in the trust can be subjected to the satisfaction of the obligation or obligations secured with the same priority as a first mortgage, a first deed

of trust, or a first trust deed in the jurisdiction where the real estate is located.

Without regard to any other provision of this subsection except the area restriction, any such association is authorized to invest an amount not exceeding at any one time 5 per centum of its assets in amortized loans or participating interests therein which are secured by first liens upon improved real estate used to provide housing facilities for the aging, subject to the following qualifications:

(1) each such loan shall be repayable within a period of 30 years;

(2) no such loan shall exceed 90 per centum of the appraised value of the improved real estate given as security therefor; and

(3) each such loan—

(A) shall be made upon and secured by real estate which is improved by housing accommodations, individual or multiple, designed for the purpose of providing accommodations for occupancy by aging persons, or of providing rest homes or nursing homes, so constructed or altered as to be suitable primarily for the occupancy of persons over fifty-five years of age and limited principally to the occupancy of such persons; and

(B) shall be made for the implementation of the purpose described in clause (A).

Without regard to any other provision of this subsection, any such association is authorized to invest not more than 5 per centum of its assets in, or in interests in, real property located within urban renewal areas as defined in subsection (a) of section 1460 of Title 42 and obligations secured by first liens on real property so located, but no investment shall be made by an association under this sentence in real property or any interest therein if the aggregate investment of the association under this sentence in real property and interests therein, determined as prescribed by the Board, would thereupon exceed 2 per centum of the assets of the association.

Without regard to any other provision of this subsection, any such association whose general reserves, surplus, and undivided profits aggregate a sum in excess of 5 per centum of its withdrawable accounts is authorized to invest in, to lend to, or to commit itself to lend to any business development credit corporation incorporated in the State in which the head office of such association is situated, in the same manner and to the same extent as the statutes of such State authorize a savings and loan association organized under the laws of said State to invest in, to lend to, or to commit itself to lend to such business development credit corporation, but the aggregate amount of such investments, loans, and commitments of any such association outstanding at any time shall not exceed one-half of 1 per centum of the total outstanding loans made by such association, or $250,000, whichever is the lesser.

For the purpose of this section the terms "real property" and "real estate" shall include a leasehold or subleasehold estate in real property under a lease or sublease the term of which does not expire, or which is renewable automatically or at the option of the holder (or at the option of the association) so as not to expire, for at least ten years beyond the maturity of the debt.

Any such association is authorized to invest in the capital stock, obligations, or other securities of any corporation organized under the laws of the State, District, Commonwealth, territory, or possession

in which the home office of the association is located, if the entire capital stock of such corporation is available for purchase only by savings and loan associations of that State, District, Commonwealth, territory, or possession and by Federal savings and loan associations having their home offices therein, but no association may make any investment under this sentence if its aggregate outstanding investment under this sentence, determined as prescribed by the Board, would thereupon exceed 1 per centum of its assets.

Without regard to any other provision of this subsection, any such association may, to such extent as the Federal Home Loan Bank Board may by regulation permit, invest in loans, and interests in loans, (1) secured by mortgages as to which the association has the benefit of insurance under title X of the National Housing Act or of a commitment or agreement for such insurance, or (2) guaranteed by the President under section 2184 of Title 22, as amended. Investments under clause (1) of this paragraph shall not be included in any percentage of assets or other percentage referred to in this subsection. Investments under clause (2) of this paragraph shall not exceed, in the case of any association, 1 per centum of the assets of such association.

No building and loan association incorporated under the laws of the District of Columbia or organized in such District or doing business in such District shall establish any branch or move its principal office or any branch without the prior written approval of the Federal Home Loan Bank Board, and no other building and loan association shall establish any branch in such District or move its principal office or any branch in such District without such approval. As used in the sentence next preceding, "branch" means any office, place of business, or facility, other than the principal office as defined by the Board, of a building and loan association at which accounts are opened or payments thereon are received or withdrawals therfrom are paid, or any other office, place of business, or facility of a building and loan assocation defined by the Board as a branch within the meaning of such sentence, and as used in such sentence and in this sentence "building and loan association" means any incorporated or unincorporated building, building or loan, building and loan, savings and loan, or homestead associations or cooperative bank.

ECONOMIC OPPORTUNITY ACT OF 1964

(Public Law 88-452)

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TITLE I—YOUTH PROGRAMS

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[PART C—WORK-STUDY PROGRAMS [1]

[STATEMENT OF PURPOSE

[SEC. 141.[1] The purpose of this part is to stimulate and promote the part-time employment of students, particularly students from low-income families, in institutions of higher education who are in need of the earnings from such employment to pursue courses of study at such institutions.

[ALLOTMENTS TO STATES

[SEC. 142.[1] (a) From the sums appropriated to carry out this title for a fiscal year, the Commissioner of Education (hereinafter in this part referred to as the "Commissioner") shall reserve the amount needed for making grants under section 123. Not to exceed 2 per centum of the amount so reserved shall be allotted by the Director among Puerto Rico, Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Virgin Islands according to their respective needs for assistance under this part. The remainder of the sums so reserved shall be allotted among the States as provided in subsection (b).

[(b) Of the sums being allotted under this subsection—

[(1) one-third shall be allotted by the Commissioner among the States so that the allotment to each State under this clause will be an amount which bears the same ratio to such one-third as the number of persons enrolled on a full-time basis in institutions of higher education in such State bears to the total number of persons enrolled on a full-time basis in institutions of higher education in all the States,

[(2) one-third shall be allotted by the Commissioner among the States so that the allotment to each State under this clause will be an amount which bears the same ratio to such one-third as the number of high school graduates (as defined in section 103(d)(3) of the Higher Education Facilities Act of 1963) of such State bears to the total number of such high school graduates of all the States, and

[(3) one-third shall be allotted by him among the States so that the allotment to each State under this clause will be an amount which bears the same ratio to such one-third as the number of related children under eighteen years of age living in families with

[1] Repeal of this part is to become effective with fiscal year 1970, concomitantly with the becoming effective of the new pt. A of title IV of the Higher Education Act of 1965 (consolidated student assistance program).

annual incomes of less than $3,000 in such State bears to the number of related children under eighteen years of age living in families with annual incomes of less than $3,000 in all the States.

[(c) The amount of any State's allotment which has not been granted to an institution of higher education under section 123 at the end of the fiscal year for which appropriated shall be reallotted by the Commissioner in such manner as he determines will best assist in achieving the purposes of this Act. Amounts reallotted under this subsection shall be available for making grants under section 123 until the close of the fiscal year next succeeding the fiscal year for which appropriated.

[(d) For purposes of this section, the term "State" does not include Puerto Rico, Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Virgin Islands.

[GRANTS FOR WORK-STUDY PROGRAMS

[SEC. 143.[1] (a) The Commissioner is authorized to enter into agreements with institutions of higher education under which the Commissioner will made grants to such institutions to assist in the operation of work-study programs as hereinafter provided.

[(b) For the purposes of this part—

[(1) The term "institution of higher education" means an educational institution in any State which (A) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate, (B) is legally authorized within such State to provide a program of education beyond secondary education, (C) provides an educational program for which it awards a bachelor's degree or provides not less than a two-year program which is acceptable for full credit toward such a degree, (D) is a public or other nonprofit institution, and (E) is accredited by a nationally recognized accrediting agency or association approved by the Commissioner for this purpose or, if not so accredited, (i) is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time or (ii) is an institution whose credits are accepted on transfer by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited. Such term also includes any public or other nonprofit collegiate or associate degree school of nursing and any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provisions of clauses (A), (B), (D), and (E). If the Commissioner determines that a particular category of such schools does not meet the requirements of clause (E) because there is no nationally recognized accrediting agency or association qualified to accredit schools in such category, he shall, pending the establishment of such an accrediting agency or association, appoint an advisory committee, composed of persons specially qualified to evaluate training provided by schools in such category,

[1] Repeal to become effective with fiscal year 1970.

which shall (I) prescribe the standards of content, scope, and quality which must be met in order to qualify schools in such category to participate in the program pursuant to this part and (II) determine whether particular schools not meeting the requirements of clause (E) meet those standards. For purposes of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.

[(2) The term "collegiate school of nursing" means a department, division, or other administrative unit in a college or university which provides primarily or exclusively an accredited program of education in professional nursing and allied subjects leading to the degree of bachelor of arts, bachelor of science, bachelor of nursing, or to an equivalent degree, or to a graduate degree in nursing.

[(3) The term "associate degree school of nursing" means a department, division, or other administrative unit in a junior college, community college, college, or university which provides primarily or exclusively an accredited two-year program of education in professional nursing and allied subjects leading to an associate degree in nursing or to an equivalent degree.

[(4) The term "accredited" when applied to any program of nurse education means a program accredited by a recognized body or bodies approved for such purpose by the Commissioner.

[CONDITIONS OF AGREEMENTS

[SEC. 144.[1] An agreement entered into pursuant to section 123 shall—

[(a) provide for the operation by the institution of a program for the part-time employment of its students in work for the institution itself or work in the public interest for a public or private nonprofit organization under an arrangement between the institution and such organization, and such work—

[(1) will not result in the displacement of employed workers or impair existing contracts for services.

[(2) will be governed by such conditions of employment as will be appropriate and reasonable in light of such factors as type of work performed, geographical region, and proficiency of the employee, and

[(3) does not involve the construction, operation, or maintenance of so much of any facility as is used or is to be used for sectarian instruction or as a place for religious worship;

[(b) provide that funds granted an institution of higher education, pursuant to section 123 may be used only to make payments to students participating in work-study programs, except that an institution may use a portion of the sums granted to it to meet administrative expenses, but the amount so used may not exceed 5 per centum of the payments made by the Commissioner to such institution for that part of the work-study program in which students are working for public or nonprofit organizations other than the institution itself;

[1] Repeal effective with fiscal year 1970.

[(c) provide that in the selection of students for employment under such work-study program preference shall be given to students from low-income families and that employment under such work-study program shall be furnished only to a student who (1) is in need of the earnings from such employment in order to pursue a course of study at such institution, (2) is capable, in the opinion of the institution, of maintaining good standing in such course of study while employed under the program covered by the agreement, and (3) has been accepted for enrollment as a full-time student at the institution or, in the case of a student already enrolled in and attending the institution, is in good standing and in full-time attendance there either as an undergratudate, graduate, or professional student;

[(d) provide that the average hours of employment of a student under such work-study program, shall not exceed fifteen per week over a semester, or other term used by the institution in awarding credits, during which the student is enrolled in classes.

[(e) provide that in each fiscal year during which the agreement remains in effect, the institution shall expend (from sources other than payments under this part) for the employment of its students (whether or not in employment eligible for assistance under this part) an amount that is not less than its average annual expenditure for such employment during the three fiscal years preceding the fiscal year in which the agreement is entered into;

[(f) provide that the Federal share of the compensation of students employed in the work-study program in accordance with the agreement will not exceed 90 per centum of such compensation for work performed during the period ending three years after the date of enactment of this Act, 85 per centum during the fourth year after such date, 80 per centum during the fifth year after such date, and 75 per centum thereafter;

[(g) include provisions designed to make employment under such work-study program, or equivalent employment offered or arranged for by the institution, reasonably available (to the extent of available funds) to all eligible students in the institution in need thereof; and

[(h) include such other provisions as the Commissioner shall deem necessary or appropriate to carry out the purposes of this part.

[SOURCES OF MATCHING FUNDS

[SEC. 145.[1] Nothing in this part shall be construed as restricting the source (other than this part) from which the institution may pay its share of the compensation of a student employed under a work-study program covered by an agreement under this part, and such share may be paid to such student in the form of services and equipment (including tuition, room, board, and books) furnished by such institution.

[EQUITABLE DISTRIBUTION OF ASSISTANCE

[SEC. 126.[1] The Commissioner shall establish criteria designed to achieve such distribution of assistance under this part among institutions of higher education within a State as will most effectively carry out the purposes of this Act.][2]

[1] Repeal effective with fiscal year 1970.

[2] The bill also would extend the appropriation authorization for this work-study program throu al year 1969 (pending the becoming effective, with fiscal year 1970, of the consolidated student a program in the new pt. A of title IV of the Higher Education Act of 1965). That exte nsion is to in the amendment to sec. 442 of that act which is not part of the Economic Opportuni ty Act of 1

NATIONAL VOCATIONAL STUDENT LOAN INSURANCE ACT OF 1965 [1]

(Public Law 89-287)

* * * * *

[STATEMENT OF PURPOSE AND APPROPRIATIONS AUTHORIZED

[SEC. 2. (a) The purpose of this Act is to enable the Commissioner (1) to encourage States and nonprofit private institutions and organizations to establish adequate loan insurance programs for students in eligible institutions (as defined in section 17), (2) to provide a Federal program of student loan insurance for students who do not have reasonable access to a State or private nonprofit program of student loan insurance covered by an agreement under section 9(b), and (3) to pay a portion of the interest on loans to qualified students which are insured under this Act or under a program of a State or of a nonprofit private institution or organization which meets the requirements of section 9(a) (1) (A).

[(b) For the purpose of carrying out this Act—

[(1) there are authorized to be appropriated to the vocational student loan insurance fund (established by section 13) (A) the sum of $250,000, and (B) such further sums, if any, as may become necessary for the adequacy of the vocational student loan insurance fund,

[(2) there are authorized to be appropriated, for payments under section 9 with respect to interest on insured loans, such sums for the fiscal year ending June 30, 1966, and succeeding fiscal years, as may be required therefor, and

[(3) there are authorized to be appropriated the sum of $1,875,000 for making advances pursuant to section 3 for the reserve funds of State and nonprofit private student loan insurance programs.

Sums appropriated under clauses (1) and (2) of this subsection shall remain available until expended, and sums appropriated under clause (3) of this subsection shall remain available for advances under section 3 until the close of the fiscal year ending June 30, 1968.

[ADVANCES FOR RESERVE FUNDS OF STATE AND NONPROFIT PRIVATE LOAN INSURANCE PROGRAMS

[SEC. 3. (a)(1) From the sums appropriated pursuant to clause (3) of section 2(b), the Commissioner is authorized to make advances to any State with which he has made an agreement pursuant to section 9(b) for the purpose of helping to establish or strengthen the reserve fund of the student loan insurance program covered by that agreement.

[1] While this act would, technically, be repealed, it would, in effect, be added, with concomitant liberalizations, to title IV, pt. B, of the Higher Education Act of 1965, as shown in the comparative print for that part.

If for any of the fiscal years ending June 30, 1966, June 30, 1967, or June 30, 1968, a State does not have a student loan insurance program covered by an agreement pursuant to section 9(b), and the Commissioner determines after consultation with the chief executive officer of that State that there is no reasonable likelihood that the State will have such a student loan insurance program for such year, the Commissioner may make advances for such year for the same purpose to one or more nonprofit private institutions or organizations with which he has made an agreement pursuant to section 9(b) in order to enable students in that State to participate in a program of student loan insurance covered by such an agreement. The Commissioner may make advances under this subsection both to a State program with which he has such an agreement and to one or more nonprofit private institutions or organizations with which he has such an agreement in that State if he determines that such advances are necessary in order that students in each eligible institution have access through such institution to a student loan insurance program which meets the requirements of section 9(b)(1).

[(2) Advances pursuant to this subsection shall be upon such terms and conditions (including conditions relating to the time or times of payment) consistent with the requirements of section 9(b) as the Commissioner determines will best carry out the purposes of this section. Advances made by the Commissioner under this subsection shall be repaid within such period as the Commissioner may deem to be appropriate in each case in the light of the maturity and solvency of the reserve fund for which the advance was made.

[(b) The total of the advances to any State pursuant to subsection (a) may not exceed an amount which bears the same ratio to 2½ per centum of $75,000,000 as the population of that State aged eighteen to twenty-two, inclusive, bears to the total population of all the States aged eighteen to twenty-two, inclusive. If the amount so determined for any State, however, is less than $10,000, it shall be increased to $10,000 and the total of the increases thereby required shall be derived by proportionately reducing (but not below $10,000) the amount so determined for each of the remaining States. Advances to nonprofit private institutions and organizations pursuant to subsection (a) may be in such amounts as the Commissioner determines will best achieve the purposes for which they are made, except that the sum of (1) advances to such institutions and organizations for the benefit of students in any State plus (2) the amounts advanced to such State, may not exceed the maximum amount which may be advanced to that State pursuant to the first two sentences of this subsection. For the purposes of this subsection, the population aged eighteen to twenty-two, inclusive, of each State and of all the States shall be determined by the Commissioner on the basis of the most satisfactory data available to him.

[EFFECT OF ADEQUATE NON-FEDERAL PROGRAMS

[SEC. 4. The Commissioner shall not issue certificates of insurance under section 11 to lenders in a State if he determines that every eligible institution has reasonable access in that State to a State or private nonprofit student loan insurance program which is covered by an agreement under section 9(b).

[SCOPE AND DURATION OF LOAN INSURANCE PROGRAM

[SEC. 5. (a) The total principal amount of new loans made and installments paid pursuant to lines of credit (as defined in section 17) to students covered by insurance under this Act shall not exceed $75,000,000 in the fiscal year ending June 30, 1966, and in each of the two succeeding fiscal years. Thereafter, insurance pursuant to this part may be granted only for loans made (or for loan installments paid pursuant to lines of credit) to enable students, who have obtained prior loans insured under this Act, to continue or complete their educational programs; but no insurance may be granted for any loan made or installement paid after June 30, 1972.

[(b) The Commissioner may, if he finds it necessary to do so in order to assure an equitable distribution of the benefits of this Act, assign, within the maximum amounts specified in subsection (a), insurance quotas applicable to eligible lenders, or to States or areas, and may from time to time reassign unused portions of these quotas.

[LIMITATIONS ON INDIVIDUAL LOANS AND ON INSURANCE

[SEC. 6. (a) No loan or loans by one or more eligible lenders in excess of $1,000 in the aggregate to any student in any academic year or its equivalent shall be covered by insurance under this Act. The aggregate insured unpaid principal amount of all such insured loans made to any student shall not at any time exceed $2,000. The annual insurable limit per student shall not be deemed to be exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any year in excess of the annual limit.

[(b) The insurance liability on any loan insured under this Act shall be 100 per centum of the unpaid balance of the principal amount of the loan. Such insurance liability shall not include liability for interest whether or not that interest has been added to the principal amount of the loan.

[SOURCES OF FUNDS

[SEC. 7. Loans made by eligible lenders in accordance with this Act shall be insurable whether made from funds fully owned by the lender or from funds held by the lender in a trust or similar capacity and available for such loans.

[ELIGIBILITY OF STUDENT BORROWERS AND TERMS OF STUDENT LOANS

[SEC. 8. (a) A loan by an eligible lender shall be insurable under the provisions of this Act only if—

[(1) made to a student who (A) has been accepted for enrollment at an eligible institution or, in the case of a student already attending such institution, is in good standing there as determined by the institution, and (B) is carrying at least one-half of the normal full-time workload as determined by the institution, and (C) has provided the lender with a statement of the institution which sets forth a schedule of the tuition and fees applicable to that student and its estimate of the cost of board and room for such a student; and

[(2) evidenced by a note or other written agreement which—

[(A) is made without security and without endorsement, except that if the borrower is a minor and such note or other

written agreement executed by him would not, under the applicable law, create a binding obligation, endorsement may be required,

[(B) provides for repayment (except as provided in subsection (c)) of the principal amount of the loan in installments over a period of not less than three years (unless sooner repaid) nor more than six years beginning not earlier than nine months nor later than one year after the date on which the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution in accordance with regulations of the Commissioner, except (i) as provided in clause (C) below, (ii) that the period of the loan may not exceed nine years from the execution of the note or written agreement evidencing it and (iii) the note or other written instrument may contain such provisions relating to repayment in the event of default in the payment of interest or in the payment of the cost of insurance premiums, or other default by the borrower, as may be authorized by regulations of the Commissioner in effect at the time the loan is made,

[(C) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period (i) during which the borrower is pursuing a full-time course of study at an institution of higher education or at a comparable institution outside the States approved for this purpose by the Commissioner, (ii) not in excess of three years, during which the borrower is a member of the Armed Forces of the United States, or (iii) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act, and any such period shall not be included in determining the six-year period or the nine-year period provided in clause (B) above,

[(D) provides for interest on the unpaid principal balance of the loan at a yearly rate, not exceeding the applicable maximum rate prescribed and defined by the Secretary (within the limits set forth in subsection (b)) on a national, regional, or other appropriate basis, which interest shall be payable in installments over the period of the loan except that, if provided in the note or other written agreement, any interest payable by the student may be deferred until not later than the date upon which repayment of the first installment of principal falls due, in which case interest that has so accrued during that period may be added on that date to the principal (but without thereby increasing the insurance liability under this Act),

[(E) provides that the lender will not collect or attempt to collect from the borrower any portion of the interest on the note which is payable by the Commissioner under this Act,

[(F) entitles the student borrower to accelerate without penalty repayment of the whole or any part of the loan, and

[(G) contains such other terms and conditions, consistent with the provisions of this Act and with the regulations issued by the Commissioner pursuant to this Act, as may be agreed upon by the parties to such loan, including, if agreed upon, a provision requiring the borrower to pay to the lender, in addition to principal and interest, amounts equal to the insurance premi-

ums payable by the lender to the Commissioner with respect to such loan.

[(b) No maximum rate of interest prescribed and defined by the Secretary for the purposes of clause (2)(D) of subsection (a) may exceed 6 per centum per annum on the unpaid principal balance of the loan, except that under circumstances which threaten to impede the carrying out of the purposes of this Act, one or more of such maximum rates of interest may be as high as 7 per centum per annum on the unpaid principal balance of the loan.

[(c) The total of the payments by a borrower during any year of any repayment period with respect to the aggregate amount of all loans to that borrower which are insured under this Act shall not be less than $360 or the balance of all such loans (together with interest thereon), whichever amount is less.

[FEDERAL PAYMENTS TO REDUCE STUDENT INTEREST COSTS

[SEC. 9. (a)(1) Each student who has received a loan—

[(A) which is insured under this Act;

[(B) which was made for study at an eligible institution under a State student loan program (meeting criteria prescribed by the Commissioner), and which was contracted for, and paid to the student, within the period specified by paragraph (4); or

[(C) which is insured under a program of a State or of a nonprofit private institution or organization, which was contracted for, and paid to the student, within the period specified in paragraph (4), and which—

[(i) in the case of a loan insured prior to July 1, 1967, was made by an eligible lender and is insured under a program which meets the requirements of subparagraph (E) of subsection (b)(1) and provides that repayment of such loan shall be in installments beginning not earlier than sixty days after the student ceases to pursue a course of study (as described in subparagraph (D) of subsection (b)(1)) at an eligible institution, or

[(ii) in the case of a loan insured after June 30, 1967, is insured under a program covered by an agreement made pursuant to subsection (b),

and whose adjusted family income is less than $15,000 at the time of execution of the note or written agreement evidencing such loan, shall be entitled to have paid on his behalf and for his account to the holder of the loan, over the period of the loan, a portion of the interest on the loan. For the purposes of this paragraph, the adjusted family income of a student shall be determined pursuant to regulations of the Commissioner in effect at the time of the execution of the note or written agreement evidencing the loan. Such regulations shall provide for taking iuto account such factors, including family size, as the Commissioner deems appropriate.

[(2) The portion of the interest on a loan which a student is entitled to have paid on his behalf and for his account to the holder of the loan pursuant to paragraph (1) shall be equal to the total amount of the interest on the unpaid principal amount of the loan which accrues prior to the beginning of the repayment period of the loan, and 3 per centum per annum of the unpaid principal amount of the

loan (excluding interest which has been added to principal) thereafter; but such portion of the interest on a loan shall not exceed, for any period, the amount of the interest on that loan which is payable by the student after taking into consideration the amount of any interest on that loan which the student is entitled to have paid on his behalf for that period under any State or private loan insurance program. In the absence of fraud by the lender, that determination shall be final so far as the obligation of the Commissioner to pay a portion of the interest on a loan is concerned. The holder of a loan with respect to which payments are required to be made under this section shall be deemed to have a contractual right, as against the United States, to receive from the Commissioner the portion of interest which has been so determined. The Commissioner shall pay this portion of the interest to the holder of the loan on behalf of and for the account of the borrower at such times as may be specified in regulations in force when the applicable agreement entered into pursuant to subsection (b) was made, or if the loan was made by a State or is insured under a program which is not covered by such an agreement, at such times as may be specified in regulations in force at the time the loan was paid to the student.

[(3) Each holder of a loan with respect to which payments of interest are required to be made by the Commissioner shall submit to the Commissioner, at such time or times and in such manner as he may prescribe, statements containing such information as may be required by or pursuant to regulation for the purpose of enabling the Commissioner to determine the amount of the payment which he must make with respect to that loan.

[(4) The period referred to in subparagraphs (B) and (C) of paragraph (1) of this subsection shall begin on the date of enactment of this Act and end on June 30, 1968, except that, in the case of a loan made or insured under a student loan or loan insurance program, to enable a student who has obtained a prior loan made or insured under such program to continue his educational program, such period shall end on June 30, 1972.

[(5) No payment may be made under this section with respect to the interest on a loan made from a student loan fund established under title II of the National Defense Education Act of 1958.

[(b)(1) Any State or any nonprofit private institution or organization may enter into an agreement with the Commissioner for the purpose of entitling students who receive loans which are insured under a student loan insurance program of that State, institution, or organization to have made on their behalf payments equal to those provided for in subsection (a) if the Commissioner determines that the student loan insurance program—

[(A) authorizes the insurance of not less than $1,000 in loans to any individual student in any academic year or its equivalent (as determined under regulations of the Commissioner);

[(B) authorizes the insurance of loans to any individual student for at least two academic years of study or their equivalent (as determined under regulations of the Commissioner);

[(C) provides that (i) the student borrower shall be entitled to accelerate without penalty the whole or any part of an insured loan, (ii) the period of any insured loan may not exceed nine years from the date of execution of the note or other written evidence

of the loan, and (iii) the note or other written evidence of any loan may contain such provisions relating to repayment in the event of default by the borrower as may be authorized by regulations of the Commissioner in effect at the time such note or written evidence was executed;

[(D) subject to subparagraph (C), provides that, where the total of the insured loans to any student which are held by any one person exceeds $1,000, repayment of such loans shall be in installments over a period of not less than three years nor more than six years beginning not earlier than nine months nor later than one year after the student ceases to pursue a full-time course of study at an eligible institution, except that if the program provides for the insurance of loans for part-time study at eligible institutions the program shall provide that such repayment period shall begin not earlier than nine months nor later than one year after the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution;

[(E) authorizes interest on the unpaid balance of the loan at a yearly rate not in excess of 6 per centum per annum on the unpaid principal balance of the loan (exclusive of any premium for insurance which may be passed on to the borrower);

[(F) insures not less than 90 per centum of the unpaid principal of loans insured under the program;

[(G) does not provide for collection of an excessive insurance premium;

[(H) provides that the benefits of the loan insurance program will not be denied any student because of his family income or lack of need if his adjusted family income at the time the note or written agreement is executed is less than $15,000 (as determined pursuant to the regulations of the Commissioner prescribed under section 9(a)(1));

[(I) provides that a student may obtain insurance under the program for a loan for any year of study at an eligible institution; and

[(J) in the case of a State program, provides that such State program is administered by a single State agency, or by one or more nonprofit private institutions or organizations under the supervision of a single State agency.

[(2) Such an agreement shall—

[(A) provide that the holder of any such loan will be required to submit to the Commissioner, at such time or times and in such manner as he may prescribe, statements containing such information as may be required by or pursuant to regulation for the purpose of enabling the Commissioner to determine the amount of the payment which he must make with respect to that loan;

[(B) include such other provisions as may be necessary to protect the financial interest of the United States and promote the purposes of this Act and as are agreed to by the Commissioner and the State or private organization or institution; and

[(C) provide for making such reports in such form and containing such information as the Commissioner may reasonably require to carry out his function under this Act and for keeping such records and for affording such access thereto as the Com-

missioner may find necessary to assure the correctness and verification of such reports.

[DIRECT LOANS

[SEC. 10. (a) The Commissioner may make a direct loan to any student who would be eligible for an insured loan under this Act if (1) in the particular area in which the student resides loans which are insurable under this Act are not available at the rate of interest prescribed by the Secretary pursuant to section 8(a)(2)(D) for such area, or (2) the particular student has been unable to obtain an insured loan at a rate of interest which does not exceed such rate prescribed by the Secretary.

[(b) Loans made under this section shall bear interest at the rate prescribed by the Secretary under section 8(a)(2)(D) for the area where the student resides, and shall be made on such other terms and conditions as the Commissioner shall prescribe, which shall conform as nearly as practicable to the terms and conditions of loans insured under this Act.

[(c) There is authorized to be appropriated the sum of $1,000,000 for the fiscal year ending June 30, 1966 and for each of the four succeeding fiscal years to carry out this section.

[CERTIFICATES OF INSURANCE—EFFECTIVE DATE OF INSURANCE

[SEC. 11. (a)(1) If, upon application by an eligible lender, made upon such form, containing such information, and supported by such evidence as the Commissioner may require, and otherwise in conformity with this section, the Commissioner finds that the applicant has made a loan to an eligible student which is insurable under the provisions of this Act, he may issue to the applicant a certificate of insurance covering the loan and setting forth the amount and terms of the insurance.

[(2) Insurance evidenced by a certificate of insurance pursuant to subsection (a)(1) shall become effective upon the date of issuance of the certificate, except that the Commissioner is authorized, in accordance with regulations, to issue commitments with respect to proposed loans, or with respect to lines (or proposed lines) of credit, submitted by eligible lenders, and in that event, upon compliance with subsection (a)(1) by the lender, the certificate of insurance may be issued effective as of the date when any loan, or any payment by the lender pursuant to a line of credit, to be covered by such insurance was made. Such insurance shall cease to be effective upon sixty days' default by the lender in the payment of any installment of the permiums payable pursuant to subsection (c).

[(3) An application submitted pursuant to subsection (a)(1) shall contain (A) an agreement by the applicant to pay, in accordance with regulations, the premiums fixed by the Commissioner pursuant to subsection (c), and (B) an agreement by the applicant that if the loan is covered by insurance the applicant will submit such supplementary reports and statements during the effective period of the loan agreement, upon such forms, at such times, and containing such information as the Commissioner may prescribe by or purusant to regulation.

[(b)(1) In lieu of requiring a separate insurance application and issuing a separate certificate of insurance for each student loan made by an eligible lender as provided in subsection (a), the Commissioner may, in accordance with regulations consistent with section 5, issue to any eligible lender applying therefor a certificare of comprehensive insurance coverage which shall, without further action by the Commissioner, insure all insurable loans made by that lender, on or after the date of the certificate and before a specified cutoff date, within the limits of an aggregate maximum amount stated in the certificate. Such regulations may provide for conditioning such insurance, with respect to any loan, upon compliance by the lender with such requirements (to be stated or incorporated by reference in the certificate) as in the Commissioner's judgment will best achieve the purpose of this subsection while protecting the financial interest of the United States and promoting the objectives of this Act, including (but not limited to) provisions as to the reporting of such loans and information relevant thereto to the Commissioner and as to the payment of initial and other premiums and the effect of default therein, and including provision for confirmation by the Commissioner from time to time (through endorsement of the certificate) of the coverage of specific new loans by such certificate, which confirmation shall be incontestable by the Commissioner in the absence of fraud or misrepresentation of fact or patent error.

[(2) If the holder of a certificate of comprehensive insurance issued under this subsection grants to a student a line of credit extending beyond the cutoff date specified in that certificate, loans or payments thereon made by the holder after that date pursuant to the line of credit shall not be deemed to be included in the coverage of that certificate except as may be specifically provided therein; but, subject to the limitations of section 5, the Commissioner may, in accordance with regulations, make commitments to insure such future loans or payments, and such commitments may be honored either as provided in subsection (a) or by inclusion of such insurance in comprehensive coverage under this subsection for the period or periods in which such future loans or payments are made.

[(c) The Commissioner shall, pursuant to regulations, charge for insurance on each loan under this Act a premium in an amount not to exceed one-fourth of 1 per centum per year of the unpaid principal amount of such loan (excluding interest added to principal, payable in advance, at such time and in such manner as may be prescribed by the Commissioner. Such regulations may provide that such premium shall not be payable, or if paid shall be refundable, with respect to any period after default in the payment of principal or interest or after the borrower has died or become totally and permanently disabled, if (1) notice of such default or other event has been duly given, and (2) request for payment of the loss insured against has been made or the Commissioner has made such payment on his own motion pursuant to section 12(a).

[(d) The rights of an eligible lender arising under insurance evidenced by a certificate of insurance issued to it under this section may be assigned as security by such lender only to another eligible lender, and subject to regulation by the Commissioner.

[(e) The consolidation of the obligations of two or more insured loans obtained by a student borrower in any fiscal year into a single obligation evidenced by a single instrument of indebtedness shall not affect the insurance by the United States. If the loans thus consolidated are covered by separate certificates of insurance issued under subsection (a), the Commissioner may upon surrender of the original certificates issue a new certificate of insurance in accordance with that subsection upon the consolidated obligation; if they are covered by a single comprehensive certificate issued under subsection (b), the Commissioner may amend that certificate accordingly.

[PROCEDURE ON DEFAULT, DEATH, OR DISABILITY OF STUDENT

[SEC. 12. (a) Upon default by the student borrower on any loan covered by insurance pursuant to this Act, or upon the death of the student borrower or a finding by the insurance beneficiary that the borrower has become totally and permanently disabled (as determined in accordance with regulations established by the Commissioner) before the loan has been repaid in full, and prior to the commencement of suit or other enforcement proceeding upon security for that loan, the insurance beneficiary shall promptly notify the Commissioner, and the Commissioner shall if requested (at that time or after further collection efforts) by the beneficiary, or may on his own motion, if the insurance is still in effect, pay to the beneficiary the amount of the loss sustained by the insured upon that loan as soon as that amount has been determined. The "amount of the loss" on any loan shall, for the purposes of this subsection and subsection (b), be deemed to be an amount equal to the unpaid balance of the principal amount of the loan.

[(b) Upon payment by the Commissioner of the insured portion of the loss pursuant to subsection (a), the United States shall be subrogated to all of the rights of the holder of the obligation upon the insured loan and shall be entitled to an assignment of the note or other evidence of the insured loan by the insurance beneficiary. If the net recovery made by the Commissioner on a loan after deduction of the cost of that recovery (including reasonable administrative costs) exceeds the amount of the loss, the excess shall be paid over to the insured.

[(c) Nothing in this section or in this Act shall be construed to preclude any forbearance for the benefit of the student borrower which may be agreed upon by the parties to the insured loan and approved by the Commissioner, or to preclude forbearance by the Commissioner in the enforcement of the insured obligation after payment on that insurance, or to require collection of the amount of any loan by the insurance beneficiary or by the Commissioner from the estate of a deceased borrower or from a borrower found by the insurance beneficiary to have become permanently and totally disabled.

[(d) Nothing in this section or in this Act shall be construed to excuse the holder of a loan from exercising reasonable care and diligence in the making and collection of loans under the provisions of this Act. If the Commissioner, after reasonable notice and opportunity for hearing to an eligible lender, finds that it has substantially failed to exercise such care and diligence or to make the reports and statements required under section 9(a)(3) and section 11(a)(3), or to

pay the required insurance premiums, he shall disqualify that lender for further insurance on loans granted pursuant to this Act until he is satisfied that its failure has ceased and finds that there is reasonable assurance that the lender will in the future exercise necessary care and diligence or comply with such requirements, as the case may be.

[(e) As used in this section—

[(1) the term "insurance beneficiary" means the insured or its authorized assignee in accordance with section 11(d); and

[(2) the term "default" includes only such defaults as have existed for (A) one hundred and twenty days in the case of a loan which is repayable in monthly installments, or (B) one hundred and eighty days in the case of a loan which is repayable in less frequent installments.

[INSURANCE FUND

[SEC. 13. (a) There is hereby established a vocational student loan insurance fund (hereinafter in this section called the "fund") which shall be available without fiscal year limitation to the Commissioner for making payments in connection with the default of loans insured under this Act. All amounts received by the Commissioner as premimum charges for insurance and as receipts, earnings, or proceeds derived from any claim or other assets acquired by the Commissioner in connection with his operations under this Act, and any other moneys, property, or assets derived by the Commissioner from his operations in connection with this section, shall be deposited in the fund. All payments in connection with the default of loans insured under this Act shall be paid from the fund. Moneys in the fund not needed for current operations under this section may be invested in bonds or other obligations guaranteed as to principal and interest by the United States.

[(b) If at any time the moneys in the fund are insufficient to make payments in connection with the default of any loan insured under this Act, the Commissioner is authorized to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Commissioner with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchases of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the

United States. Sums borrowed under this subsection shall be deposited in the fund and redemption of such notes and obligations shall be made by the Commissioner from such fund.

[LEGAL POWERS AND RESPONSIBILITIES

[SEC. 14. (a) In the performance of, and with respect to, the functions, powers, and duties vested in him by this Act, the Commissioner may—

[(1) prescribe such regulations as may be necessary to carry out the purposes of this Act

[(2) sue and be sued in any court of record of a State having general jurisdiction or in any district court of the United States, and such district courts shall have jurisdiction of civil actions arising under this Act without regard to the amount in controversy, and any action instituted under this subsection by or against the Commissioner shall survive notwithstanding any change in the person occupying the office of Commissioner or any vacancy in that office; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Commissioner or property under his control, and nothing herein shall be construed to except litigation arising ous of activities under this Act from the application of sectiont 507(b) and 2679 of title 28 of the United States Code and of section 367 of the Revised Statutes (5 U.S.C. 316);

[(3) include in any contract for insurance such terms, conditions, and covenants relating to repayment of principal and payment of interest, relating to his obligations and rights and to those of eligible lenders, and borrowers in case of default, and relating to such other matters as the Commissioner determines to be necessary to assure that the purposes of this Act will be achieved; and any term, condition, and covenant made pursuant to this clause or any other provisions of this Act may be modified by the Commissioner if he determines that modification is necessary to protect the financial interest of the United States;

[(4) subject to the specific limitations in this Act, consent to the modification, with respect to rate of interest, time of payment of may installment of principal and interest or any portion thereof, or any other provision of any note nor other instrument evidencing a loan which has been insured under this Act;

[(5) enforce, pay, or compromise, any claim on, or arising because of, any such insurance; and

[(6) enforce, pay, compromise, waive, or release any right, title, claim, lien, or demand, however acquired, including any equity or any right or redemption.

[(b) The Commissioner shall, with respect to the financial operations arising by reason of this Act—

[(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by the Government Corporation Control Act; and

[(2) maintain with respect to insurance under this Act an integral set of accounts, which shall be audited annually by the General Accounting Office in accordance with principles and procedures applicable to commercial corporate transactions, as provided by section 105 of the Government Corporation Control

Act, except that the transactions of the Commissioner, including the settlement of insurance claims and of claims for payments pursuant to section 9, and transactions related thereto and vouchers approved by the Commissioner in connection with such transactions, shall be final and conclusive upon all accounting and other officers of the Government.

[ADVISORY COUNCIL ON INSURED LOANS TO VOCATIONAL STUDENTS

[SEC. 15. (a) The Secretary shall establish in the Office of Education an Advisory Council on Insured Loans to Vocational Students, consisting of the Commissioner, who shall be Chairman, and eight members appointed, without regard to the civil service laws, by the Secretary. The membership of the Council shall include persons representing State loan insurance programs, private nonprofit loan insurance programs, financial and credit institutions, and eligible institutions.

[(b) The Advisory Council shall advise the Commissioner in the preparation of general regulations and with respect to policy matters arising in the administration of this Act, including policies and procedures governing the making of advances under section 3, the Federal payments to reduce student interest costs under section 9 and the making of loans under section 10.

[(c) Members of the Advisory Council, while attending meetings or conferences of such Council, or otherwise engaged in the business of such Council, shall be entitled to receive compensation at a rate fixed by the Secretary, but not exceeding $100 per diem, including travel time, and while so serving on the business of the Advisory Council away from their homes or regular places of business, they may be allowed travel expenses, including per diem, in lieu of subsistence, as authorized by section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b–2), for persons in the Government service employed intermittently.

[PARTICIPATION BY FEDERAL CREDIT UNIONS IN FEDERAL, STATE, AND PRIVATE STUDENT LOAN INSURANCE PROGRAMS

[SEC. 16. Notwithstanding any other provision of law, Federal credit unions shall, pursuant to regulations of the Director of the Bureau of Federal Credit Unions, have power to make insured loans up to 5 per centum of their assets, to student members in accordance with the provisions of this Act or in accordance with the provisions of any State or nonprofit private student loan insurance program with respect to which there is in effect an agreement with the Commissioner under section 9(b).

[DEFINITIONS

[SEC. 17. As used in this Act—

[(a) The term "eligible institution" means a business or trade school, or technical institution or other technical or vocational school, in any State, which (1) admits as regular students only persons who have completed or left elementary or secondary school and who have the ability to benefit from the training offered by such institution; (2) is legally authorized to provide, and provides within that State, a pro-

gram of postsecondary vocational or technical education designed to fit individuals for useful employment in recognized occupations; (3) has been in existence for two years or has been specially accredited by the Commissioner as an institution meeting the other requirements of this subsection; and (4) is accredited (A) by a nationally recognized accrediting agency or association listed by the Commissioner pursuant to this clause, (B) if the Commissioner determines that there is no nationally recognized accrediting agency or association qualified to accredit schools of a particular category, by a State agency listed by the Commissioner pursuant to this clause, and (C) if the Commissioner determines there is no nationally recognized or State agency or association qualified to accredit schools of a particular category, by an advisory committee appointed by him and composed of persons specially qualified to evaluate training provided by schools of that category, which committee shall prescribe the standards of content, scope, and quality which must be met by those schools in order for loans to students attending them to be insurable under this Act and shall also determine whether particular schools meet those standards. For the purpose of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations and State agencies which he determines to be reliable authority as to the quality of education or training afforded.

[(b) The term "eligible lender" means an eligible institution, an agency or instrumentality of a State, or a financial or credit institution (including an insurance company) which is subject to examination and supervision by an agency of the United States or of any State.

[(c) The term "line of credit" means an arrangement or agreement between the lender and the borrower whereby a loan is paid out by the lender to the borrower in annual installments, or whereby the lender agrees to make, in addition to the initial loan, additional loans in subsequent years.

[(d) The term "State" includes, in addition to the several States of the Union, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.

[(e) The term "Secretary" means the Secretary of Health, Education, and Welfare.

[(f) The term "Commissioner" means the Commissioner of Education.]

SECTION-BY-SECTION ANALYSIS OF S. 3098, THE "HIGHER EDUCATION AMENDMENTS OF 1968"

TITLE I—AMENDMENTS TO TITLE I OF THE HIGHER EDUCATION ACT OF 1965 (COMMUNITY SERVICE AND CONTINUING EDUCATION PROGRAMS)

Section 101. Extension of grant program

This section would extend the community service and continuing education program an additional 5 years, through fiscal year 1973, and would authorize the appropriation of such sums as may be necessary for such extended period.

Section 102. Extension of 75 percent Federal share through fiscal year 1969

Subsection (a) of this section would amend section 106(a) of the Higher Education Act of 1965, to provide that the Federal share of costs of State plans under this program, scheduled under present law to drop to 50 percent after fiscal year 1967, will continue at 75 percent for fiscal years 1968 and 1969, and will drop to 50 percent thereafter.

Subsection (b) provides that the amendment made by subsection (a) shall be effective with respect to grants awarded after the enactment of this act.

Section 103. Authorization of experimental or pilot projects

Subsection (a) would insert a new section 107 in title I of the Higher Education Act of 1965, to authorize the Commissioner of Education to use not to exceed 10 percent of the sums appropriated for each fiscal year under title I of the Higher Education Act of 1965, to make grants to or contracts with institutions of higher education for experimental or pilot projects in the fields of community service or continuing education, with emphasis on innovative approaches and on the promotion of comprehensiveness and coordination in these fields. The Commissioner would also be authorized to make grants to other public or private nonprofit agencies or organizations, or contracts with public or private organizations, including grants to or contracts with professional or scholarly associations when an especially significant contribution will thereby be made toward attaining these objectives. (In order to permit insertion of the new section 107, former section 107 and the remaining sections of title I of the act would be renumbered accordingly.)

Subsection (b) would make conforming changes in section 103 (the allotment section) of the act to accommodate the new section 107.

Subsection (c) provides that the amendments made by this section shall be effective with respect to appropriations for fiscal years ending after June 30, 1968, except so much of any such appropriation as has been allotted prior to such amendment.

TITLE II—AMENDMENTS TO TITLE II OF THE HIGHER EDUCATION ACT OF 1965

PART A—COLLEGE LIBRARY RESOURCES

Section 201. Extension of program

This section would extend the college library resources program for an additional 5 years through fiscal year 1973, and would authorize the appropriation of such sums as may be necessary for such extended period.

Section 202. Revision of maintenance-of-effort requirement for special purpose grants

This section would modify the maintenance-of-effort requirement for special purpose grants set out in section 204(b) of the Higher Education Act of 1965 so as to make such requirement consistent with the maintenance-of-effort requirements for basic and supplemental grants set out in section 202 (a) and (b) of the Higher Education Act of 1965. as amended by section 9 of Public Law 89–752. As amended, section 204(b) of the Higher Education Act of 1965 would require that an applicant (or applicants jointly in the case of a combination of institutions) provide satisfactory assurance that it would expend during the fiscal year for which the grant was requested (from non-Federal funds) for all library purposes (exclusive of construction) an amount not less than the average annual amount it expended for such purposes during the 2-year period ending June 30, 1965, or during the 2 fiscal years preceding the fiscal year for which the grant is requested, whichever is less. This amendment would be effective with respect to applications for grants payable on or after the date of enactment of this bill.

PART B—LIBRARY TRAINING AND RESEARCH, AND LIBRARY SCHOOL PROGRAM DEVELOPMENT

Section 221. Extension of program

This section would extend the library training and research program for an additional 5 years through fiscal year 1973, and would authorize the appropriation of such sums as may be necessary for such extended period.

Section 222. Authorizing planning and development grants for library schools

This section would amend section 224(a) of the Higher Education Act of 1965 to authorize the Commissioner to make grants to institutions of higher education and other public or private agencies, institutions, and organizations, for the planning or development of programs for the opening of library or information science schools, or of programs intended to lead to the accreditation of such existing schools. This is in addition to the authority the Commissioner has under the Higher Education Act of 1965 to make grants or contracts for research and demonstration projects relating to the improvement of libraries or the improvement of training in librarianship and the dissemination of information derived therefrom. These amendments would be effective with respect to grants payable from appropriations for fiscal years ending after June 30, 1968.

Section 223. Clarifying authority of institution to use training institutes

This section would amend section 223(a) of the Higher Education Act of 1965 so as to clarify the fact that short-term or regular-session institutes are among the courses of training or study for which grants made under this section may be used.

PART C—STRENGTHENING COLLEGE AND RESEARCH LIBRARY RESOURCES THROUGH LIBRARY OF CONGRESS

Section 231. Extension of program

This section would extend for 2 fiscal years; that is, fiscal years 1969 and 1970, section 231 of the Higher Education Act of 1965 which authorizes appropriations to the Commissioner of Education to enable him to transfer funds to the Librarian of Congress for specified purposes. For these 2 years, the appropriation of such sums as may be necessary would be authorized.

Section 232. Clarifying authority to purchase copies; increasing authority to prepare catalog and bibliographic materials; authorizing Librarian to act as acquisitions agent

This section would further amend section 231 of the Higher Education Act of 1965 by:

(1) making it clear that the purpose of clause (1) of the section will be met through acquisition, by the Librarian of Congress so far as possible, of "copies of" all library materials currently published throughout the world which are of value to scholarship;

(2) authorizing the Librarian of Congress to compile and distribute catalog and general bibliographic information about library materials forming a part of the collection of the Library whether or not such materials were recently acquired under the authority of section 231; and

(3) adding authority to enable the Librarian of Congress to pay administrative costs of cooperative arrangements for acquiring library materials published outside of the United States, its territories, and possessions, and not readily obtainable outside of the country of origin, for institutions of higher education, combinations thereof, or other public or private nonprofit research libraries. The administrative cost would not include amounts paid to the vendor representing the purchase price of materials acquired.

TITLE III—STRENGTHENING DEVELOPING INSTITUTIONS

Section 301. Extension of program

This section would amend paragraph (1) of section 301(b) of the Higher Education Act of 1965 to extend the program for 5 fiscal years, through the fiscal year ending June 30, 1973, and would authorize to be appropriated such sums as may be necessary for such extended period.

Section 302. Grants to strengthen graduate education

This section would add at the end of the present provisions of title III of the Higher Education Act of 1965 a new "Part B—Improvement of Graduate Programs," and make necessary conforming changes.

Section 321 of the new part B states that its purpose is to strengthen and improve the quality of doctoral programs of graduate schools and to increase the number of such programs.

New section 322 would authorize to be appropriated, for the fiscal year 1969 and the next 4 years, such sums as may be necessary to enable the Commissioner to make grants to institutions of higher education having programs leading to a degree of doctor of philosophy or its equivalent, to pay all or part of the cost of projects or activities to (1) strengthen graduate faculties by increasing their size or number of disciplines represented therein, or by improving their academic or professional qualifications; (2) expand or improve existing graduate programs or establish new ones; (3) acquire equipment or curricular, research, or other materials needed for such programs; (4) develop or carry out cooperative arrangements among graduate schools in furtherance of the purposes of the new part; or (5) strengthen graduate school administration. A grant for equipment, books, or other materials of any kind could not exceed 50 percent of their cost less any part of such cost paid from other Federal financial assistance. No grant could be used for sectarian instruction or religious worship, or primarily in connection with any part of the program of an institution (or department or branch thereof) whose program is to train students for the ministry or another religious vocation or to teach theological subjects.

Section 323 of the new part would direct the Commissioner to consider, when awarding grants, and insofar as practicable and consistent with the purposes of this part, an adequate regional distribution of good quality graduate schools.

Section 324 of the new part would direct the Commissioner to consult with the National Science Foundation and the National Foundation on the Arts and the Humanities in developing the general policies that would govern this program, for the purpose of promoting coordination of this and any other relevant Federal programs.

Section 325 of the new part would permit the Commissioner to transfer funds under this part to other Federal agencies for use for purposes authorized in this part and to accept funds from them for like purposes.

Section 303. Increase in cost-of-education allowance

This section would amend section 525(b) of the Higher Education Act of 1965 and section 404(b) of the National Defense Education Act of 1958, so that the Federal payment authorized to be made to an institution of higher education at which the recipient of a Federal fellowship is pursuing his course of study would not be fixed, as under present law, at a specific dollar figure ($2,500) but would be such amount as the Commissioner may determine to be consistent with prevailing practices under comparable federally supported programs.

TITLE IV—STUDENT ASSISTANCE

PART A—CONSOLIDATION OF EDUCATIONAL OPPORTUNITY GRANT, NATIONAL DEFENSE STUDENT LOAN, AND WORK-STUDY PROGRAMS

Section 401. Short title

Title IV of the Higher Education Amendments of 1968 would be cited as the Educational Opportunity Act of 1968.

Section 402. Consolidated program

Effective with respect to appropriations for fiscal year 1970 and thereafter, subsection (a) of this section would consolidate in part A of title IV of the Higher Education Act of 1965 the educational opportuntity grant, national defense student loan, and work-study programs now contained in part A of title IV of the Higher Education Act of 1965, title II of the National Defense Education Act of 1958, and part C of title I of the Economic Opportunity Act of 1964, respectively. The consolidation would be effected in 11 sections as follows:

Section 400, Statement of purpose; short title, would declare the national interest in providing educational opportunities beyond secondary school, and the purpose of title IV of the Higher Education Act of 1965 (to be cited as the Educational Opportunity Act) to provide substantial assistance to students in order that none be denied a higher education because of inability to meet its basic costs.

PART A—EDUCATIONAL OPPORTUNITY GRANTS, NATIONAL DEFENSE STUDENT LOANS, AND WORK-STUDY PROGRAMS

Section 401, statement of purpose, would declare the purpose of part A to establish programs of educational opportunity grants, national defense student loans, and work-study. This section consolidates statements of purpose contained in the present section 401, section 201 of the National Defense Education Act of 1958, and section 141 of the Economic Opportunity Act of 1964, without substantial change.

Section 402, appropriations authorized, would establish, for the fiscal years 1970 through 1974, a single authorization for appropriations available for national defense student loans and work-study assistance, and a second separate authorization for educational opportunity grant appropriations. Appropriations would be available until the close of the fiscal year succeeding the fiscal year for which appropriated. The section would consolidate into two the existing three separate authorizations for the EOG, NDSL, and work-study programs.

Section 403, allotment of funds to institutions of higher education, is intended to permit the Commissioner to allot appropriated funds on the basis of institutional requests, as modified by regional review panels. Subsection (a) would therefore provide only that allotments be made in accordance with equitable criteria designed to carry out the purposes of the consolidated program. However, no more than 12½ percent of appropriated funds could be allotted to institutions in any one State for any fiscal year.

Subsection (b) would require the Commissioner to specify the proportion of each institutional allotment for any fiscal year to be reserved for each of the three student assistance programs in which the institution may participate. Institutions would be authorized in their discretion to transfer up to 20 percent of funds thus reserved for any such program to any other such program, and in excess of 20 percent with the Commissioner's approval.

Subsection (c) would permit reallotment of unused funds.

The section would replace the varying State allotment formulas currently applicable to the three student assistance programs.

Section 404, educational opportunity grants, in conjunction with section 407, would substantially reenact the present EOG program, modified, however (*a*) to raise the maximum grant amount from $800 to $1,000; (*b*) to repeal the requirement that an EOG may not exceed other assistance (exclusive of work-study assistance) provided to the student; (*c*) to repeal the $200 additional grant to students in the upper half of their class; (*d*) to repeal the current mandatory minimum $200 grant amount, but authorize (not require) the Commissioner to prescribe a minimum grant amount; (*e*) to extend the duration of an EOG from 4 to 5 years for students (1) who are pursuing 5-year courses of study leading to a first degree, or (2) who will be unable to complete a course of study in 4 years because of an institutional requirement that they enroll in noncredit remedial courses; and (*f*) to provide a payment for administrative expenses described in the explanation of section 409, infra.

Section 405, national defense student loans, in conjunction with section 407, would substantially reenact the present title II of the National Defense Education Act of 1958, modified, however (*a*) to raise the maximum undergraduate loan from $1,000 to $1,500 per academic year, and the maximum aggregate of loans to undergraduates from $5,000 to $6,000, and to graduate or professional students from $10,000 to $11,000; (*b*) to alter the formula for the allowance of administrative expenses by omitting the provision now contained in section 204(3)(C) of National Defense Education Act (one-half of actual cost up to 1 percent of aggregate outstanding loans, for each fiscal year) and substituting the administrative expense payment described in section 409, infra; (*c*) to provide for loan cancellation at the rate of 10 percent for each adcademic year (or its equivalent) of service as a full-time teacher in a program of special (including preschool) education or training designed to combat disadvantage, poverty, or unemployment which is conducted by an elementary or secondary school or an institution of higher education or by another public or nonprofit agency, institution, or organization; and (*d*) to omit the preference given, in the making of loans, to students with a superior academic background.

As a consequence of its transfer to the Higher Education Act of 1965, the student loan program would no longer be subject to section 1001 of the National Defense Education Act of 1958 which prohibits expenditures under the National Defense Education Act to persons who have not subscribed to an oath of allegiance to the United States, and which also makes it a felony for a member of a Communist organization, which is registered or required to register under the Subversive Activities Control Act, to apply for or use payments or loans under that act. The Higher Education Act of 1965 has no comparable provisions for work-study, insured loans, and educational opportunity grants.

Section 406, work-study programs, in conjunction with section 407, would substantially reenact as part of the Higher Education Act of 1965 the work-study program now contained in part C of title I of the Economic Opportunity Act of 1964. The program would be modified, however (*a*) to fix the Federal share of work-study assistance at 90 percent for the duration of the program, in lieu of the present provision of 85 percent for fiscal 1968, 80 percent for fiscal 1969, and 75 percent thereafter; (*b*) to permit the Commissioner to issue regula-

tions under which students who are attending classes during vacation periods or comparable periods of additional or nonregular enrollment (as respects the particular student) may be employed under the program up to 40 hours a week; (*c*) to limit the existing rule providing that the average hours of employment of a student under a work-study program shall not exceed an average of 15 hours per week over a semester, so as to prohibit work-study employment in excess of 40 hours in any week irrespective of whether such employment would otherwise comply with the 15-hour-per-week average; (*d*) to authorize the Commissioner to make work-study grants to proprietary institutions otherwise meeting the current definition of "institution of higher education" to conduct work-study programs, whereby students at such institutions would perform work in the public interest for public or private nonprofit organizations under the limitations now governing such work when performed by students in work-study programs who attend public or private nonprofit institutions of higher education; and (*e*) to substitute for the present administrative expense provision (sec. 144(b) of EOA authorizing reimbursement for administrative expenses up to 5 percent of Federal payments for off-campus work) the provision described in the explanation of section 409, infra.

Section 407, agreements with institutions, would require institutions of higher education that desire to obtain funds for any or all of the three assistance programs to enter into an agreement with the Commissioner. This provision would replace the present section 407 of the Higher Education Act of 1965 (conditions of agreement to participate in EOG program), section 204 of the National Defense Education Act of 1958 (conditions of agreement to participate in NDSL program), and section 144 of the Economic Opportunity Act of 1964 (conditions of agreement to participate in work-study program).

Paragraph (2) of subsection (a), requiring institutional efforts to identify qualified youths of exceptional financial need, is substantially the language of the present paragraph (3) of section 407(a) of the HEA.

Paragraph (3) of subsection (a), providing for the establishment of student loan funds and their use, and payments by the Commissioner to reimburse the institution for losses from teacher loan cancellations, is substantially the language of paragraphs (1), (2), and (3) of section 204, and section 208 of NDEA, except where modified as described in the explanation of section 405, supra, and except for the addition (subpar. (C)) of language authorizing the institution to withdraw from a student loan fund such amounts as it may reallocate pursuant to section 403(b), described, supra.

Paragraph (4) of subsection (a) would provide for the conduct of work-study programs in which the Federal share of student compensation shall not exceed 90 percent. The language authorizing institutional matching in kind and regardless of source is substantially that of section 145 of the Economic Opportunity Act of 1964.

Paragraph (5) would provide that an institution shall award an EOG only to a student who is of exceptional financial need, shall give preference in the selection of students for employment under a work-study program to students from low-income families, and shall extend assistance under any of the three programs only to a student who is in need of such assistance in order to pursue a course of study at the institution. These are the requirements of existing law except that the described test of need (applicable in the present NDSL and W–S

programs) would be extended to apply to EOGs in lieu of the present section 404(b)(4) of HEA that requires that the student be financially unable to study at the institution but for the EOG. In addition, as noted in the description of section 405, supra, the NDSL preference for academically superior students would be omitted.

Paragraph (6) consolidates existing provisions of law relative to full-time and half-time attendance of students eligible for assistance under the three programs.

Paragraph (7) reflects existing provisions of law intended to make assistance under each program reasonably available to all eligible students.

Paragraph (8) represents a change in institutional maintenance-of-effort requirements. The new provision would require the institution to expend for student assistance from non-Federal sources, in any year for which it receives an allotment under the new part A, an amount equal to its average of such expenditures for the 3 fiscal years preceding the fiscal year in which the allotment was applied for. In specified situations of institutional hardship, the Commissioner is authorized to set a lower maintenance-of-effort level.

Subsection (b) of section 407 makes clear that an institution may participate in all three programs, in any two programs, or in only one program, at its option. An election in this regard may be amended subsequently.

Subsection (c) of section 407 empowers the Commissioner to agree to modifications of agreements entered into under the section, consistent with the requirements of the section and other provisions of the consolidated programs.

Section 408, Loans to institutions, would substantially reenact the present section 207 of the NDEA, broadened, however, to permit an institution to borrow from the Commissioner in order to meet the 10-percent matching requirement of the work-study program. The proposed subsection (d) (modification of agreements or loans) is adapted from section 209(a) of the NDEA.

Section 409, Expenses of administration, would provide, in subsection (a), for an annual payment to a participating institution, in lieu of reimbursement for actual administrative expenses, of 3 percent of the institution's annual expenditure of its allotment plus related non-Federal matching. Payments could not exceed $125,000 in any fiscal year.

Subsection (b) would permit a section 407 agreement to include provisions authorizing the institution to use a portion of its work-study allocations to cover its administrative expenses (in addition to the in-lieu payment of subsection (a)) in developing or carrying out a program to demonstrate or explore the feasibility or value of methods of cooperative education involving alternate periods of full-time academic study at the institution and periods of full-time public or private employment.

Section 410, Definitions, would include proprietary institutions in the definition of institution of higher education for purposes of the work-study program in order that they may participate as described in the explanation of section 406, supra, and would include the Trust Territory of the Pacific Islands in the definition of State in order to

make an institution of higher education that might be established in the territory eligible to participate in the consolidated programs. The remainder of the section restates present law.

Subsection (b) of section 402 of the bill would provide for the transition from the present separate EOG, NDSL, and W–S programs. EOG's awarded prior to the consolidation would be continued under the terms of the consolidation. Student loan funds established under title II, NDEA, would be preserved for use under the consolidation, but subject to the new administrative expense provisions. Teaching service would qualify for the expanded loan forgiveness described supra if performed after June 30, 1969, regardless of when the loan was made. Effective with respect to appropriations for fiscal years ending on or after June 30, 1970, the present separate EOG, NDSL, and W–S programs would be repealed.

Section 403. One-year extension of educational opportunity grant, national defense student loan, and work-study programs

Each of the above-captioned programs would be extended through the fiscal year ending June 30, 1969, without change.

PART B—AMENDMENTS TO STUDENT LOAN INSURANCE PROGRAMS

Section 421. Authorizing deferment of repayment of State or privately insured loan during attendance of student borrower at eligible institution or during military, Peace Corps, or VISTA service; and authorizing Federal payment of all interest accruing during any such attendance or service

Subsection (a) of this section would amend section 428 of the Higher Education Act of 1965 by adding a new subsection directing the Commissioner to encourage the inclusion, in State loan programs and State or nonprofit private loan insurance programs, of provisions authorizing or requiring that installments of principal need not be paid during any period during which the borrower is a full-time student in an eligible institution, or for periods of not to exceed 3 years while the borrower is a member of the Armed Forces, a full-time volunteer in the Peace Corps, or a volunteer in VISTA. In the case of any State or nonprofit private student loan insurance program containing such a provision, any such period would be excluded in determining the maximum period of the loan (15 years from the date of execution of the note) or the maximum period of repayment (10 years from payment of the first installment).

Subsection (b) of this section would amend section 427(a)(2)(C)(i) of the Higher Education Act of 1965, which provides that installments of principal need not be paid on a federally insured loan during any period during which the borrower is a full-time student in an institution of higher education, so as to extend this deferment to students attending any eligible institution. The term "eligible institution," as amended by section 430(a) of the bill, would refer both to institutions of higher education and to those vocational schools now meeting the definition of eligible institution contained in section 17(a) of the National Vocational Student Loan Insurance Act of 1965, which would be merged into the higher education loan insurance program by section 430 of the bill.

Subsection (b) would also make a technical adjustment of the deferment accorded by section 427(a)(2)(iv) to VISTA volunteers so as to

reflect the enactment of the Economic Opportunity Amendments of 1967. No substantive change would be effected.

Subsection (c) would amend section 428(a)(2) of the Higher Education Act of 1965 to increase the interest payment made by the Commissioner from 3 percent per annum to the total amount of interest which accrues on the loan during any period during which payment of principal is deferred because the borrower is attending an eligible institution or is a member of the Armed Forces, or a volunteer in the Peace Corps or VISTA.

Subsection (d), essentially a transitional provision, deals with the effect of the section upon loans insured pursuant to the loan insurance provisions of the Higher Education Act of 1965 that are outstanding upon the 60th day after enactment of the bill. In such cases, where the borrower attends an eligible institution, or performs up to 3 years of military, Peace Corps, or VISTA service on or after such 60th day, the subsection would (1) authorize deferral of repayment of any such loan from a State loan program, or insured under a State or private nonprofit program, during such attendance or service; (2) provide for the Commissioner to pay interest on any such outstanding loan (whether made under a State loan program, or insured under a State, Federal, or private nonprofit program) during any such attendance or service. The provision respecting deferment of principal payments on loans insured by the Commissioner would be effective with respect to loans outstanding upon the date of the bill's enactment, in regard to periods of attendance occurring on or after such date or after June 30, 1968, whichever is later. This latter provision is also made effective at such time to loans "made by the Commissioner" so as to anticipate the merger by section 430 of the bill of the National Vocational Student Loan Insurance Act of 1965, which in section 10 (to become section 433 of the Higher Education Act of 1965) establishes a standby program of direct loans to vocational students.

Section 422. Coordination between non-Federal and Federal programs with respect to maximum amounts of individual loans insured, issuance of installment obligations, and minimum amounts of repayments installments on such loans

The amendments to be made by this section are designed to accomplish the general objective stated in the caption by establishing a maximum amount that may be loaned to any one student under a State or private nonprofit insured loan program, raising the maximum amount of loans insured by the Commissioner so as to equal the amount insurable under State or private nonprofit programs, requiring installment obligations to issue on loans insured under a State or private nonprofit insured loan program regardless of loan size (as is now required in the case of federally insured loans), and making the minimum annual repayment of insured loans the same in the non-Federal programs as is currently in effect in the Federal programs.

Subsection (a). Annual maximum of $1,500, aggregate maximum of $7,500.—Paragraph (1) of this subsection would amend section 428(b)(1)(A) of the Higher Education Act of 1965 to provide that the maximum amount of loans to any one student outstanding at any one time that may be insured by State and private nonprofit loan insurance agencies is $7,500. The amendment also clarifies the application of the loan ceilings per student to loans made pursuant to a line of credit.

Paragraph (2) of this subsection would amend section 425(a)(1) of such act to in effect provide that the maximum amount of loans to undergraduate (as well as graduate or professional) students that may be insured by the Commissioner in an academic year or its equivalent would be $1,500 rather than $1,000, and that the aggregate amount of loans that may be outstanding at any one time for such students would be $7,500 rather than $5,000, thus eliminating the existing distinction in this respect between the two categories of students.

Subsection (b). Issuance of installment obligations.—This subsection would amend section 428(b)(1)(D) of the Higher Education Act of 1965 so as to require the issuance of installment obligations on loans insured under a State or private nonprofit insured loan program regardless of the size of such loan. At present, installment obligations are required with respect only to the aggregate of such loans to any student in excess of $2,000. The change would conform the installment requirement applicable to nonfederally insured loans under the program to the installment requirement now applicable to federally insured loans.

Subsection (c). Minimum annual repayments.—This subsection would amend section 428(b)(1) of the Higher Education Act of 1965 by adding a new subparagraph which would provide that the State or private nonprofit guarantee agency must require the borrower to repay the total of his loans insured under the program of a given insurer at a rate of not less than $360 per year.

Subsection (d) would provide that the amendments of this section would be effective with respect to loans made on or after the 60th day after enactment of the bill, except that preexisting loans would be taken into account, on or after such 60th day, in computing the maximum allowable loans, and the minimum repayments.

Section 423. Federal guarantee of student loans insured by States or nonprofit private institutions or organizations, and Federal advances to reserve funds of student loan insurance programs of such States, institutions, or organizations

Subsection (a). Federal guarantee of student loans insured by States or nonprofit private institutions or organizations.—This subsection would amend section 428 of the Higher Education Act of 1965, and related sections, so as to authorize the Commissioner to enter into a guarantee agreement with any State or nonprofit private insurer under the program to guarantee on behalf of the United States 80 percent of each student loan insured by such insurer. No guarantee premium would be charged. The guarantee would also extend to insured loans outstanding upon enactment of this subsection, but only with respect to defaults occurring on or after the effective date of the guarantee agreements with the insurers of such loans. Losses under the guarantee would be made payable from the student loan insurance fund (sec. 431, HEA).

Inasmuch as the purpose of the Federal guarantee is to multiply by a factor of 5 the dollar value of loans that insurers would be permitted to insure under State law, the guarantee would be available only to those insurers in States that permit a Federal guarantee to serve in lieu of reserve funds.

Subsection (b). Federal advances to reserve funds of student loan insurance programs of States or nonprofit private institutions or organi-

zations.—The present $17½ million authorization for advances to State and nonprofit private student loan insurance programs would be increased by an additional $12½ million. This latter sum would become available in fiscal year 1969, would remain available until expended, and would be advanced to a State or nonprofit private program only to the extent that the advance would be equally matched by unencumbered amounts in the program's own reserve funds (exclusive of amounts previously received from the Federal Government as an advance under the loan insurance program). In this regard, it might be noted that reserve funds that are released by virtue of the Federal guaranty described in the explanation of subsection (a), supra, would thereby become available for matching Federal advances.

From appropriations pursuant to the above authorization, the Commissioner would be required to reserve 15 percent to advance to insurers conducting programs that insure loans without regard to the residence or domicile of student borrowers, and in which there are participating lending institutions of more than one State. This 15 percent would be advanced without regard to the State allotment formula governing the remaining advances from the appropriation.

It is intended that the additional Federal advance funds to be made available by the amendments of subsection (b) be employed so as to effect an optimal increase in the number of insured loans. For this reason, it is contemplated that such funds would be advanced solely to insurers that have entered into a guaranty agreement with the Commissioner, as described in the explanation of subsection (a) of this section of the bill, supra.

Section 424. Extension of authority for payments to reduce student interest cost

Paragraph (4) of section 428(a) of the Higher Education Act of 1965 would be amended to extend for 5 years the authority of the Commissioner to make payments to reduce student interest costs. The authority of the Commissioner to insure student loans would be extended for 2 years by section 431 of the bill, described infra.

Section 425. Technical amendments

Subsection (a) of this section would amend the caption of section 427 of the Higher Education Act of 1965 so as to make it immediately apparent that the section relates only to student loans insured by the Commissioner. No substantive change would be effected.

Subsection (b) would authorize the Commissioner to delegate to any public or nonprofit private agency or institution, incident to his utilization of its services, certain of his functions related to the issuance of insurance certificates, determinations and actions required upon the default, death, or disability of a student under the Federal loan insurance program, and the exercise of various legal powers and responsibilities (exclusive of the issuance of regulations and the bringing of suit in the name of the United States).

Subsection (c)(1) would make clear that students in institutions abroad that were made eligible under the reduced-interest loan insurance program by the International Education Act of 1966 are required to be nationals of the United States.

Subsection (c)(2) would make pension funds eligible lenders if approved by the Commissioner for this purpose.

Section 426. Fees payable to eligible lenders

This section would amend various sections of the loan insurance provisions so as to require the Commissioner to pay to each eligible lender certain fees, to be set on an appropriate basis by the Secretary, as follows:

(*a*) An application fee of not to exceed $35 for the processing of each application for a student loan (but not more than one with respect to any one student per academic year) that is approved by the lender; and

(*b*) A consolidation or other conversion fee not to exceed a total of $35, to cover administrative cost incurred by the lender in connection with arranging the repayment schedule for a student's total insured indebtedness (including any incidental consolidation of notes, etc.) at the end of the student's study program when the repayment obligation begins.

The fees would be paid regardless of the adjusted family income of the student borrower.

These amendments would be effective retroactively with respect to any insured loan made on or after June 1, 1967.

Section 427. Accrual of Federal interest payment

This section would amend subparagraph (A) of section 428(a)(2) of the Higher Education Act of 1965 so that each eligible lender entitled to have the Federal Government pay it interest on behalf of student borrowers could elect to have the Federal Government retain and accumulate the Federal interest payments on student loans, and to pay over such accumulation (with interest at a rate determined by the Treasury in the light of the average yield of U.S. obligations of 5-year maturity) when the final payment of principal falls due.

The amendment would be effective on the 60th day following the date of the bill's enactment, and would apply to all loans then outstanding.

Section 428. Increase of maximum Federal insurance premium

Subsection (c) of section 429 of the Higher Education Act of 1965 would be amended to increase from one-fourth of 1 percent to one-half of 1 percent the maximum premium that may be charged by the Commissioner for Federal loan insurance.

Section 429. Federal savings and loan associations authorized to invest in loans for vocational education

The Home Owners' Loan Act of 1933 would be amended to permit Federal savings and loan associations to invest in loans for vocational education. These associations are now empowered to invest in loans for education at colleges or universities.

Section 430. Merger of National Vocational Student Loan Insurance Act of 1965 with low-interest insured loan program of Higher Education Act of 1965

This section would variously amend the Higher Education Act of 1965 and the National Vocational Student Loan Insurance Act of 1965 so as to merge the vocational insured loan program into the higher education insured loan program. The principal substantive effect of the merger would be to make vocational students eligible for the more generous insured loans now available only to students pursuing postsecondary education. Authorization for direct Federal loans to

vocational students and the eligibility of students in proprietary institutions, now contained in the Vocational Loan Insurance Act, would be retained for such students.

There would be eliminated the restriction upon student loans of Federal credit unions to 10 percent of their assets.

The Trust Territory of the Pacific Islands, now included only under the vocational loan insurance program, would be included for all purposes in the merged program.

The merger would be effective with respect to loans made on or after the 60th day after the date of the bill's enactment. However, in applying requirements setting the maximum amounts that may be borrowed and the minimum repayment installments, all insured loans would be considered, whenever made.

Inasmuch as vocational students would, by virtue of the merger, become eligible for deferment of repayment of principal during periods of attendance at any eligible institution (see the explanation of sec. 421, supra), or for up to 3 years of VISTA service, subsection (i)(2) provides that the provisions of the Higher Education Act conferring such eligibility shall apply to loans made by the Commissioner and, with the consent of the lender, loans insured by the Commissioner, to vocational students, which are outstanding on the 60th day after the bill's enactment, but only with respect to periods of attendance or service occurring on or after such 60th day.

Section 431. Extension of Federal loan insurance program

The Federal loan insurance program would be extended for 2 fiscal years, through fiscal 1970.

PART C—SPECIAL SERVICES FOR DISADVANTAGED STUDENTS

Section 441. Special services for disadvantaged students

This section of the bill would insert in title IV of the Higher Education Act a new section entitled "Special Services for Disadvantaged Students." That new section would, pending the becoming effective of the consolidated student assistance program proposed by section 402 of the bill, be temporarily inserted in part A of title IV of the act as section 409 (the present sec. 409 being redesignated as sec. 410), and would, simultaneously with the becoming effective of that program, be transferred to become (together with the present talent search section, sec. 408) a new "Part C: Programs to Encourage Full Utilization of Educational Talent and Opportunities," consisting of those two sections, redesignated as sections 441 and 442.

The new section would authorize appropriations of $15 million for the fiscal year ending June 30, 1969, and such sums as may be necessary for the next 4 years, to finance a program of remedial or other special services for students with academic potential who are enrolled or accepted for enrollment at an institution of higher education, and who, by reason of deprived educational, cultural, or economic background, are in need of such services to assist them to initiate, continue, or resume their higher education. The Commissioner would be authorized to make project grants to, or contracts with, institutions of higher education—or other public or nonprofit private agencies and organizations when a grant to, or contract with, such an agency or organization can make an especially significant contribution to the objectives

of this section—to pay part or all of the cost of planning, developing, or carrying out programs or projects for such services, such as programs or projects to remedy such students' academic deficiencies (through counseling, tutorial, or other educational services, including special summer programs), or to encourage or assist such students, through career guidance, placement, or other student personnel services to enter, continue, or resume higher education, or to identify, encourage, and counsel such students with a view to their undertaking graduate or professional training.

In the development of terms and conditions applicable to grants or contracts under this program, the Commissioner would consult with the Advisory Council on Financial Aid to Students established by section 481 of the bill.

The Commissioner would be authorized to transfer funds under this section to other Federal agencies for use by them for purposes authorized by this section and to accept funds from other agencies for like purposes.

TITLE V—EDUCATION PROFESSIONS DEVELOPMENT (AMENDMENTS TO TITLE V OF HIGHER EDUCATION ACT OF 1965)

Section 501. Provision of medical insurance coverage to Teacher Corps members not otherwise covered

This section would add at the end of section 514 of the Higher Education Act of 1965 a new subsection (e), under which the Commissioner would be authorized to cover the cost of medical (including hospitalization) insurance for members of the Teacher Corps who do not otherwise obtain such insurance under the Teacher Corps program. The Commissioner now is authorized to pay such costs directly under subsection (d) for members of the Teacher Corps who have been employed by, and intend to return to, a local educational agency or. institution of higher education which has such an insurance program. Also, under section 513(a), insurance coverage is one of the costs the Commissioner may pay when, pursuant to an arrangement made under that section, members of the Teacher Corps are trained at institutions of higher education or local educational agencies, if such institution or agency provides insurance coverage for its students or teachers generally. The provision added by the bill would authorize the Commissioner to provide medical insurance coverage for Teacher Corps members who were not employed by, and during their service in the Teacher Corps are neither trained at nor assigned to, an institution or agency that provides such benefits.

Section 502. Authorizing State educational agencies to administer directly programs of teacher and teacher aide recruitment and training

This section would amend sections 518 and 520 of subpart 2 of title V of the Higher Education Act of 1965—inserted in that title by Public Law 90–35—so that a State educational agency administering a State plan under that subpart could use all or part of the State's allotment for carrying out directly a program of attracting and qualifying teachers and teacher aides under that subpart. Under present law the State agency must allocate such funds among local educational agencies for use by the latter for such programs.

Section 503. Technical corrections

This section would make technical conforming amendments to section 524(a) of the Higher Education Act of 1965, by changing the term "career in elementary or secondary education" to read "career in elementary or secondary education or postsecondary vocational education." This change was inadvertently omitted from Public Law 90–35 which extended the teacher fellowship program to include graduate education for, among other things, vocational education personnel at the postsecondary level.

TITLE VI—INSTRUCTIONAL EQUIPMENT AND MATERIALS

PART A—EQUIPMENT AND MATERIALS FOR HIGHER EDUCATION (AMENDMENTS TO HIGHER EDUCATION ACT OF 1965)

Section 601. Extension of programs

This section would extend the programs under part A of title VI of the Higher Education Act of 1965 for 5 years through the fiscal year ending June 30, 1973, and would authorize for these purposes appropriations of such sums as may be necessary after the fiscal year 1968.

Section 602. Elimination of subject limitations; extension of assistance to graduate instruction

Subsection (a) of this section would amend part A of title VI of the Higher Education Act of 1965 so as to provide that eligible projects may include laboratory and other special equipment (except athletic or recreational equipment) suitable for use in providing education in all subject matter areas, and would eliminate the limitation to the undergraduate level.

Subsection (b) would add to title VI a new section 610, under which the Commissioner would be required to consult with the National Science Foundation in developing general policy under this title with respect to Federal assistance for the purchase of laboratory or other special equipment for graduate education in the natural or physical sciences.

PART B—EQUIPMENT AND MATERIAL FOR ELEMENTARY AND SECONDARY EDUCATION (AMENDMENTS TO TITLE III OF NATIONAL DEFENSE EDUCATION ACT OF 1958)

Section 621. Extension of program

Section 621 would extend from fiscal year 1968 through fiscal year 1973 the authorization for appropriations for equipment under title III of the National Defense Education Act of 1958, and would authorize the appropriation of such sums as may be necessary for such extended period.

Section 622. Elimination of subject limitations, and merger of section 12 of National Foundation on Arts and Humanities Act in title III of National Defense Education Act

Effective July 1, 1968, section 622(a) would eliminate the subject-matter limitations from title III of the NDEA and would thus permit the acquisition under title III of the NDEA of laboratory and other special equipment (other than athletic and recreational equipment),

and minor remodeling, suitable for providing education, without restriction to education in specified subject-matter areas. (It would also allow appropriations under that title for supervisory or related services to be used in those subject-matter areas for which equipment and materials are acquired under the State plan, so long as the special provision relating to supervisory services remains in effect.) [1] It would, concomitantly, add a new section 306 to that title prohibiting the use of grants or loans under that title for equipment or materials to be used for sectarian instruction or religious worship.

Section 622(b) of the bill would make all amendments in section 622 applicable beginning with fiscal year 1969.

Section 623. Provision for within-State equalization in State-imposed requirements for financial participation of project applicants

Section 623 would amend section 303(a) of the National Defense Education Act of 1958 by adding a new requirement to State plans under title III of that act to set forth any requirements imposed under the State plan on applicants for financial participation in projects assisted under title III, including any requirement to take into account the relative resources available to such applicants.

Section 624. Payment of State administrative expenses out of project funds in lieu of separate funding

Section 624 would amend sections 301, 302, 303(a), and 304 of the National Defense Education Act of 1958 to eliminate the separate authorization for appropriations for the administration of State plans and for supervisory services, and to authorize appropriations for the acquisition of equipment and minor remodeling to be used for administrative expenses (on the same 50–50 matching basis as expenditures for equipment). However, Federal payments with respect to expenditures for administration of the State plan could not exceed 3 percent of the total payments made to the State under title III, or $50,000 if greater. These amendments would be effective with respect to fiscal years beginning after June 30, 1969.

Section 625. Private schools: Authorizing less than maximum set-aside for loans; repealing loan allotment formula; and authorizing loans to American-sponsored schools serving American children abroad

Section 625 would, effective beginning with fiscal 1969, amend sections 302 and 205 of the National Defense Education Act of 1958 to authorize the Commissioner of Education to reserve for loans to nonprofit private schools up to 12 percent, rather than require a reservation of a flat 12 percent, of the appropriations for title III of that act. It would eliminate the requirement for allotting those reserved amounts among the several States according to formula. It would also make eligible for loans schools outside the United States which the Commissioner of Education determines to be founded or sponsored by citizens of the United States, but in making any such loans, the Commissioner would be required to give priority to schools serving primarily children of American citizens.

Section 625 of the bill would further amend section 305 of the National Defense Education Act of 1958 to provide that the interest rate on such loans shall be based on the current average market yield

[1] For proposed repeal of the special provisions for supervisory services, effective with the fiscal year 1970, see sec. 624 of the bill.

on comparable outstanding marketable obligations of the United States, rather than on all outstanding marketable obligations of the United States.

TITLE VII—GUIDANCE, COUNSELING, AND TESTING (AMENDMENTS TO PART A OF TITLE V OF NATIONAL DEFENSE EDUCATION ACT OF 1958)

Section 701. Extension of program

Section 701 would extend for 5 years—i.e., the fiscal years 1969 through 1973—the program under title V–A of the NDEA of 1958, and would authorize appropriations of such sums as may be necessary for the extended period.

TITLE VIII—LANGUAGE DEVELOPMENT (AMENDMENTS TO TITLE VI OF NATIONAL DEFENSE EDUCATION ACT OF 1958)

Section 801. Extension of program

This section would extend for 5 years, until the close of the fiscal year 1973, the authority of the Secretary under section 601 of the National Defense Education Act of 1958 to arrange with institutions of higher education for the establishment and operation of language and area centers and to pay stipends to individuals undergoing advanced training in modern foreign languages, as well as the research authority in this field under section 602, and would authorize for these purposes appropriations of such sums as may be necessary during that period.

TITLE IX—NETWORKS FOR KNOWLEDGE

Section 901. Sharing of educational and related resources among colleges and universities

This section would redesignate title VIII of the Higher Education Act of 1965 as title IX, and insert a new title VIII—Networks for Knowledge.

Section 801 of the new title would authorize a program of project grants to stimulate colleges and universities to share their technical and other educational and administrative facilities and resources through cooperative arrangements while maintaining their institutional identities, and to test and demonstrate the effectiveness of a variety of such arrangements, preferably on a multi-institutional basis. Such grants might be made directly to the colleges or universities involved or, when deemed more effective, to other established public or nonprofit private agencies or organizations. Assistance under this title would be authorized for planning, developing, or carrying out, among others, such cooperative arrangements to—

(1) collect and share modern curricular materials and promising curricular developments;

(2) develop effective systems for processing and maintaining financial and student records;

(3) share classroom, library, or laboratory facilities and the necessary books, materials, and equipment, or afford access to specialized library collections through preparation of interinstitutional catalogs and through development of systems and preparation of suitable media for electronic or other rapid transmission of materials;

(4) establish and jointly operate closed-circuit television facilities;

(5) establish and jointly operate electronic computer networks for such purposes as financial and student records, student course work, or transmission of library materials;

(6) exchange faculty on a part- or full-time basis or otherwise arrange for strengthening the academic programs of participating institutions; and

(7) for other projects to promote the purposes of the program.

In the case of projects for sharing library facilities through electronic transmission of data, grants could not be used to pay for electronic transmission terminals. In the case of projects involving computer networks, grants could not be used to pay for the cost of operating the terminals or central computer facilities, except (1) such costs of systems development and programing of computers and transmission costs as are necessary to make the network operational, (2) the administrative and program support costs of the central computer facilities, and (3) the line-access costs of participating institutions.

Section 802 of the new title would authorize the appropriation of $8 million for the fiscal year ending June 30, 1969, and such sums as may be necessary for the next 4 fiscal years.

TITLE X—AMENDMENTS TO TITLE VIII (GENERAL PROVISIONS) OF HIGHER EDUCATION ACT OF 1965 AND TO TITLE I (GENERAL PROVISIONS) AND TITLE X (MISCELLANEOUS PROVISIONS) OF NATIONAL DEFENSE EDUCATION ACT OF 1958

Section 1001. Establishment of Advisory Council on Graduate Education; abolition of Higher Education Facilities Act Advisory Committee

Subsection (a) of section 1001 would amend the Higher Education Act of 1965 by adding a new section 905 captioned "Advisory Council on Graduate Education."

Under subsection (a) of the new section 905, there would be established, effective July 1, 1968, an Advisory Council on Graduate Education chaired by the Commissioner of Education. The Council would include—in addition to one representative each from the Office of Science and Technology in the Executive Office of the President, the National Science Foundation, and the National Foundation on the Arts and Humanities—members appointed by the Commissioner from among leading authorities in the field of education.

Subsection (b) of the new section 905 would provide that the Council shall advise the Commissioner on matters of general policy arising in his administration of programs relating to graduate education.

Subsection (c) of section 905 would set forth the amounts of per diem compensation and travel expense which may be paid to members of the Council.

Subsection (d) of section 905 would authorize the Commissioner to furnish such assistance (including technical, secretarial, and clerical assistance) and such pertinent data as the Council may require.

Effective July 1, 1968, subsection (b) of section 1001 of the bill would repeal section 203 of the Higher Education Facilities Act of 1963 (which established an Advisory Committee on Graduate Education to advise the Commissioner on grants for construction of

graduate facilities) and would amend section 202(c) of such act to provide that no application for a grant for construction of graduate facilities shall be approved by the Commissioner without the advice of a panel of competent specialists who are not employees of the Federal Government (instead of the superseded provisions for advice of the Advisory Committee on Graduate Education).

Section 1002. Dissemination of information

This section would add a new section 906 to the Higher Education Act of 1965. Under this section, for the purpose of carrying out more effectively the provisions of that act, the National Defense Education Act of 1958, the Higher Education Facilities Act of 1963, and other acts administered by the Commissioner in the field of higher education, the Commissioner would be required to prepare and disseminate to institutions of higher education, State agencies concerned with higher education, and other appropriate agencies and institutions, reports on programs and projects assisted under such acts and other programs and projects of a similar nature, and catalogs, reviews, bibliographies, abstracts, analyses of research and experimentation, and such other materials as would be generally useful for such purpose.

The Commissioner would also be authorized, upon request, to provide advice, counsel, technical assistance, and demonstrations to the above-described agencies and institutions to increase the quality or depth or broaden the scope of their educational programs.

The section also would further require the Commissioner to prepare and disseminate to such agencies and institutions reports setting forth developments in the utilization and adaptation of projects carried out pursuant to such acts.

Section 1003. Conforming definition of institution of higher education in Higher Education Act of 1965 to other definitions used in the Act and National Defense Education Act of 1958

This section would amend section 901(a) of the Higher Education Act of 1965; that is former section 801(a) redesignated by section 901 of the bill to conform the definition of "institution of higher education" in certain respects to the definition contained in section 435 of that act (as proposed to be amended by section 430 of the bill) applicable to the loan insurance programs, and to the definition contained in section 103(b) of the National Defense Education Act of 1958 (as it would be amended by section 402(b)(3) of the bill).

Subsection (a) of section 1003 would amend paragraph (a) of section 901 of the Higher Education Act of 1965 by adding a provision, common in other higher education assistance programs, which permits an institution to satisfy accreditation standards if it can present satisfactory assurance that it is making efforts with its available resources to meet accreditation standards and if the Commissioner determines that such standards will be met within a reasonable time.

Subsection (b) of section 1003 would amend the definition of "institution of higher education" so as to substitute for the phrase "business school or technical institution" in paragraph (a) of section 901 of the Higher Education Act of 1965 the more inclusive phrase "any school which provides not less than a 1-year program of training to prepare students for gainful employment in a recognized occupation."

ection 1004. Insertion of definition of "combination of institutions of higher education" in Higher Education Act of 1965

Section 901 of the Higher Education Act of 1965; that is, section 801 redesignated by section 901 of the bill would be amended by the insertion, as a new subsection (j), of a definition of the term "combination of institutions of higher education." The term would be defined as a group of institutions of higher education that have entered into a cooperative arrangement for the purpose of carrying out a common objective, or a public or private nonprofit agency, organization, or institution designated or created by a group of institutions of higher education for the purpose of carrying out a common objective on their behalf.

Section 1005. Provision in the National Defense Education Act of 1958 for the Trust Territory of the Pacific Islands, for schools of Department of Interior for Indian children, and for overseas dependents schools of Department of Defense

Subsection (a) of section 1005 of the bill would amend section 1008 of the National Defense Education Act of 1958 to provide for the allotment of funds to the Trust Territory of the Pacific Islands (in addition to the other outlying areas now referred to in section 1008) under section 302 of title III and section 502 of title V–A of the NDEA. In addition, the subsection provides that from the amount reserved under sections 302 and 502 of the NDEA the Commissioner shall allot such sums as may be necessary to the Secretary of the Interior for elementary and secondary schools operated for Indian children by the Department of the Interior, and to the Secretary of Defense for overseas dependents' schools of the Department of Defense, to carry out the purposes of title III and title V–A in those schools. This would be in accordance with policy in other laws extending aid to these areas.

Subsection (b) of section 1005 would amend sections 302(a)(1), 302(b), and 502(a) of the National Defense Education Act of 1958 to increase from 2 to 3 percent the maximum authorized to be reserved for outlying areas. Subsection (c) of section 1005 would amend section 103(a) of the act (definition of the term "State") so as to carry through the purpose of the amendment to be made by subsection (a) of this section of the bill. These two subsections of the bill would take into consideration the inclusion in sections 302 and 502 of the Trust Territory of the Pacific Islands, the overseas dependents' schools of the Department of Defense, and the schools of the Department of Interior for Indian children. This would be consistent with previous legislation extending aid under other programs to these same areas.

Subsection (d) of section 1005 would make the section effective with respect to fiscal years ending after June 30, 1968. It is to be noted that section 103(a) of the National Defense Education Act of 1958, to be amended by subsection (c) of section 1005 of the bill, would also be amended, effective with respect to appropriations for fiscal years ending on or after June 30, 1970, by section 402(b)(3) of the bill. Thus, the explanatory phrase in subsection (c) of section 1005 of the bill, "Section 103(a) as previously amended by this Act," refers merely to the order of the two section 103(a) amendments as they appear in the bill. Chronologically, however, the section 1005(c) amendment precedes (i.e., would become effective prior to) the section 402(b)(3) amendment.

Section 1006. Provisions for adequate leadtime and for planning and evaluation in higher education programs

Section 1006 would add the following new sections to the Higher Education Act of 1965:

Section 907. Program planning and evaluation for higher education programs.—This section would authorize the appropriation of such sums as may be necessary, to be available to the Secretary for planning and evaluating programs authorized under the Higher Education Act of 1965, the National Defense Education Act of 1958, and the Higher Education Facilities Act of 1963. The section is patterned after section 402 of the Elementary and Secondary Education Amendments of 1967.

Section 908. Advance funding.—This section would authorize appropriations for the acts referred to in the new section 907 to be included in appropriation acts for the fiscal year preceding the fiscal year for which they would be made available, so as to provide adequate notice of available Federal financial assistance to responsible State, local, and Federal officers. The section is patterned after section 403 of the Elementary and Secondary Education Amendments of 1967.

Section 909. Evaluation reports and congressional review.—The Secretary would be required to transmit an annual report, no later than March 31 of each year, to the respective committees of the Congress having legislative jurisidcition of the acts referred to in the new section 907 and to the respective Committees on Appropriations, evaluating the results and effectiveness of programs and projects assisted under such acts, and his related recommendations. A report submitted in the penultimate fiscal year for which appropriations are authorized for a program would be required to include a comprehensive review and evaluation of the program to date, together with the Secretary's recommendations as to proposed legislative action.

This section is patterned on section 404 of the Elementary and Secondary Education Amendments of 1967.

Section 910. Contingent extension of expiring appropriation authority.—This section would automatically extend for one fiscal year, at the preexisting level, any appropriation authorization under a program required to be evaluated by the new section 909, unless, after in the regular session in which the comprehensive evaluation report required by that section is received, the Congress has passed or formally rejected legislation extending such authorization.

Section 911. Availability of appropriations on academic or school year basis.—This section would provide that appropriations for any fiscal year to educational agencies or institutions under any of the acts referred to in the new section 907 could, in accordance with regulations of the Secretary, be made available for expenditure by the agency or institution concerned on the basis of an academic or school year differing from such fiscal year.

The section is patterned on section 405 of the Elementary and Secondary Education Amendments of 1967.

TITLE XI—AMENDMENTS TO HIGHER EDUCATION FACILITIES ACT OF 1963

Section 1101. Extension of program

This section would amend the Higher Education Facilities Act of 1963 to extend the programs under which grants and loans are made for construction of undergraduate and graduate academic facilities for 5 years, through the fiscal year ending June 30, 1974, and would authorize the appropriation of such sums as may be necessary therefor.

Section 1102. Adjustment of interest rate on loans

Subsection (a) of section 1001 would amend subsection (b) of section 303 of the Higher Education Facilities Act of 1963 to provide that the interest rate on construction loans shall be not less than (1) a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on comparable outstanding marketable obligations of the United States, (2) reduced by such rate, not in excess of 1 percentage point, as may be determined by the Commissioner. The rate under the existing law is 3 percent or one-quarter of 1 percentage point above the average annual rate on all interest-bearing obligations of the United States, whichever is less.

The purpose would be to follow the current Government-wide policy to make rate of interest on Government loans equal to the rate of interest due on Government obligations.

Subsection (b) of section 1001 provides that this section applies to loans approved, or for which a commitment is made, on or after the date of enactment of this bill.

Section 1103. Extending authorization for higher education facilities construction assistance in major disaster areas

This section would amend section 408 of the Higher Education Facilities Act of 1963 to extend through the fiscal year ending July 1, 1972, the availability of assistance to institutions in areas which have suffered a "major disaster."

TITLE XII—EDUCATION FOR THE PUBLIC SERVICE

Section 1201. Title

This section would provide that title XII of the bill might be cited as the "Education for the Public Service Act."

Section 1202. Purpose

This section would declare the purpose of title XII of the bill to be the establishment of a program of grants and fellowships to improve the education of students attending institutions of higher education in preparation for entrance into the service of State, local, or Federal governments, and the attraction of such students to the public service.

PART A—GRANTS AND CONTRACTS TO STRENGTHEN AND IMPROVE EDUCATION FOR THE PUBLIC SERVICE

Section 1203. Project grants and contracts

This section would authorize the Secretary of HEW to make grants to or contracts with institutions of higher education to assist them

in planning, developing, strengthening, improving, or carrying out programs or projects to prepare graduate or professional students to enter the public service, or for research into, or development or demonstration of, improved methods of education for public service.

The section offers seven examples illustrative of programs or projects that would qualify thereunder. These examples cover planning for graduate or professional programs to prepare students to enter the public service, training of faculty, strengthening the public service aspects of graduate or professional education, the conduct of graduate or professional centers for study, the conduct of public service teacher institutes for advanced study, the carrying out of programs of cooperative education involving full-time or part-time public service, and research into, and development of, teaching methods.

The Secretary would also be authorized to make grants to other public of private nonprofit agencies and organizations, or contracts with public or private agencies or organizations, to carry out the purposes of section 1203, when such grants or contracts would make an especially significant contribution to attaining the section's objectives.

Section 1204. Application for grant or contract; allocation of grants or contracts

This section would provide that grants or contracts under part A of title XII of the bill could be made only upon application to the Secretary that sets forth an authorized purpose for which such grant or contract may be made and relates such purpose to the program described in any application of such applicant submitted pursuant to part B of title XII (public service fellowships). The application would also be required to provide for appropriate fiscal procedures, record keepint, reports, etc,

Grants or contracts would be allocated on an equitable basis throughout the United States among institutions of higher education that show promise of being able to use funds effectively for the purposes of part A, except that the Secretary would be permitted to give preference to programs designed to meet an urgent national need.

Subsection (c) of this section would authorize the use of payments for part of the compensation of students employed in non-Federal public service as part of a program approved for assistance under this section, and would also encourage agencies of the Federal Government to enter into arrangements with institutions of higher education for the employment of students enrolled in approved programs.

PART B—PUBLIC SERVICE FELLOWSHIPS

Section 1211. Award of Public Service Fellowships

This section would authorize the Secretary to award graduate or professional fellowships, not to exceed 3 academic years, to persons who plan to pursue careers in public service.

Section 1212. Allocation of fellowships

This section would direct the Secretary to allocate fellowships under title XII among institutions of higher education with programs approved under the provisions of part B, for the use of persons accepted into such programs, so as most nearly (1) to provide an equitable distribution of such fellowships throughout the United States, except that the Secretary would be permitted to give preference to programs

designed to meet an urgent national need; and (2) to attract recent college graduates to pursue public service careers.

Section 1213. Approval of programs

This section would direct the Secretary to approve a program under part B upon application by the institution and his findings that the program is significantly aimed at educating persons for the public service, or in a field for whose practitioners there is a significant and continuing need in the public service; that the program is or may be expected to be of high quality; that the application describes the relationship of the program to the program described in any application of such institution submitted pursuant to part A of title XII; and that the application contains satisfactory assurances that the institution will recommend fellowship awards only to persons of superior promise who have demonstrated a serious intent to enter the public service, and will make reasonable continuing efforts to encourage fellowship recipients to enter the public service upon completing an approved program.

Section 1214. Stipends

This section would provide for fellowship stipends (including subsistence allowances for dependents), and institutional payments, required to be set in amounts consistent with prevailing practices under comparable federally supported programs.

Section 1215. Fellowship conditions

This section would condition the continuation of fellowship payments upon the student's maintenance of satisfactory proficiency in full-time study or research in the field for which the fellowship was awarded. Outside gainful employment would be permitted only as approved by regulation.

PART C—GENERAL PROVISIONS

These provisions would apply to all of title XII except as otherwise indicated.

Section 1221. Definitions

Paragraph (a) of this section would define the term "State" to include the several States of the Union, Puerto Rico, the District of Columbia, the Canal Zone, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.

Paragraph (b) would define "institutiou of higher education" as one which admits only high school graduates or the equivalent, is legally authorized to provide education beyond the secondary level, provides not less than a 2-year program acceptable for full credit toward a bachelor's degree, is a public or other nonprofit institution, and is accredited by a nationally recognized accrediting agency or association. For purposes of part A only, the term would include any school providing not less than a 1-year program of training to prepare students for gainful employment in a recognized occupation that meets all of the conditions described in the preceding sentence except that relating to the conduct of not less than a 2-year program acceptable toward a bachelor's degree.

Paragraph (c) would define "public service" as service as an officer or employee in any branch of State, local, or Federal Government.

Paragraph (d) would define an "academic year" as an academic year or its equivalent, as determined by the Secretary.

Paragraph (e) would define "nonprofit" as meaning that no part of net earnings inures or may lawfully inure to the benefit of any private shareholder or individual.

Section 1222. Coordination of Federal assistance

The section would require the Secretary, in administering title XII to give primary emphasis to the assistance of programs and activities not otherwise assisted by the Federal Government.

Section 1223. Method of payment

This section would authorize payments under title XII to be made in installments, and in advance or by way of reimbursement, with necessary adjustments on account of overpayments or underpayments.

Section 1224. Limitation

This section would prohibit title XII grants, contracts, or fellowships awarded to, or for study at, schools or departments of divinity.

Section 1225. Utilization of other agencies

This section would authorize the Secretary, in administering title XII, to utilize the services of any agency of the Federal Government and of any other public or nonprofit agency or institution, on a reimbursable basis or otherwise in accordance with agreements between the Secretary and the head thereof.

Section 1226. Federal control of education prohibited

This section would prohibit Federal direction, supervision, or control over any educational institution or aspect of education assisted under title XII.

Section 1227. Authority to establish advisory committee

The Secretary would be authorized, without regard to the civil service and classification laws, to appoint a committee to advise him on matters of general policy arising in the administration of title XII. Committee members not in the regular full-time employ of the United States would be entitled to receive compensation while engaged in the business of the committee in an amount not in excess of the rate specified at the time of such service for grade GS–18, and would also be entitled to travel expenses and per diem.

Section 1228. Report

The Secretary would be required to include a report of the activities of the Department under title XII, including legislative recommendations, in his annual report to the Congress.

Section 1229. Appropriations

Appropriations would be authorized in the amount of $10 million for fiscal 1969, and such sums as may be necessary for each of the 4 succeeding fiscal years, to carry out the purposes of title XII. Funds appropriated for fiscal 1969 would be available for obligation during that year and the succeeding fiscal year.

EXPLANATION OF THE HIGHER EDUCATION AMENDMENTS OF 1968

(S. 3098, 90th Cong.)

BACKGROUND AND NEED

Passage of the Higher Education Act in the closing days of the first session of the 89th Congress marked the culmination of an unprecedented legislative commitment to the goal of educational opportunity for all Americans. As President Johnson noted in signing the act into law on November 8, 1965, no less than two dozen education measures were enacted by Congress during 1965. This act, one of the keystones of the 89th Congress, was characterized by the President as the key which unlocks a new door for the young people of America: "the most important door that will ever open—the door to education."

The past 2 years have proved the truth of this statement. Programs supported by the Higher Education Act have touched students and colleges—and, indeed, citizens and their communities—in every State in the Nation.

Title I.—This title provides funds to institutions of higher education to support extension and continuing education programs designed to solve community problems and to meet the continuing educational needs of citizens whose formal education has been terminated or interrupted. Fifty-four years ago, when most Americans were engaged in rural occupations, Congress responded to the challenge by enacting the Smith-Lever Act of 1914, which made instruction, research, and extension services widely available through land-grant colleges. Today, when 70 percent of our population live in urban areas, title I takes up the challenge of meeting the needs of a growing, shifting population. During fiscal year 1967, $10 million was appropriated for allocation to the States in support of community service programs. Programs supported were concerned with problems of government, problems of poverty, and problems of health, among others. For fiscal year 1968, $10 million was appropriated for university community services programs.

Title II.—This program is designed to strengthen the heart of our Nation's colleges and universities—the library. Part A of title II provided $25 million in fiscal year 1967 to institutions of higher education in every State. This money, in the form of basic grants to institutions of up to $5,000, was used for the purchase of books and periodicals, documents, tapes, recordings, audiovisual, and other library materials. Part B of title II supported doctoral and predoctoral fellowships in library and information science, at a cost of $3.75 million in fiscal year 1967. Part C transferred $3 million to the Librarian of Congress for the acquisition of library materials from all over the world and for their cataloging. For fiscal year 1968, $38.25 million was appropriated for title II programs.

Title III.—This program of strengthening developing institutions assists in raising the academic quality of colleges which have the desire and potential to make substantial contribution to the higher education resources of our Nation but which, for financial and other reasons, are unable to participate fully in the higher education community. In fiscal year 1967, $30 million was appropriated for this program, and applications totaling nearly $56.8 million were received from more than 500 colleges in 47 States, the District of Columbia, Guam, and Puerto Rico. The program awards are supporting a wide variety of projects aiding more than 450 developing institutions—through nearly 500 cooperative arrangements between strong and weaker colleges and more than 1,500 national teaching fellowships. More than 150 colleges received grants to aid them in planning such arrangements. For fiscal year 1968, $30 million was appropriated.

Title IV.—The costs of attending college have risen drastically in the past decade; tuition and fees alone rose 30 percent at public institutions during this period and 73 percent at private ones. Title IV offers the growing number of college-bound students in need of financial aid three ways to help meet this need—grants, insured loans, and opportunities for work. Educational opportunity grants assist students in greatest financial need—some 222,000 of them—to attend more than 1,600 institutions of higher education across the country. The educational talent search program, through 58 contracts with public and nonprofit agencies, seeks out the most needy postsecondary school students, and those who have dropped out of school entirely, and encourages them to enter or reenter educational programs. The guaranteed loan program has insured more than 665,500 loans totaling $582.3 million in all 50 States, the District of Columbia, and Puerto Rico since the passage of the act. The Federal insured loan program was implemented in 16 States during the last 5 months of 1967, during which time an additional 26,000 loan commitments, totaling nearly $30 million, were made. Under the college work-study program, approximately 18,000 institutions received funds to provide work opportunities for their students during calendar year 1967. An estimated 300,000 students received earnings from part-time employment to meet their college expenses, some of them participating in the program during more than one semester. A total of $277.6 million was appropriated for these student assistance programs for fiscal year 1968.

Title V.—This title, as enacted, provided for a variety of teacher training and preparation programs, including the National Teacher Corps, fellowships for experienced and prospective teachers, and institutional assistance grants. This title was extended and expanded by the passage of the Education Professions Development Act of 1967, Public Law 90–35, which includes new authority for the training of both professional and subprofessional educational personnel. For fiscal year 1968, $48.5 million was appropriated for teacher training programs under title V.

Title VI.—Title VI is designed to improve the quality of undergraduate classroom instruction through grants to colleges and universities for: (*a*) the acquisition of laboratory and other special equipment, including audiovisual equipment and materials as well as printed materials and some minor remodeling; and (*b*) the acquisition of closed-circuit television equipment to be used in direct classroom

instruction with the aid of other related materials. In addition, title VI supports, through a program of grants and contracts, workshops and institutes for training those persons engaged in the use of educational media equipment for preparing to be educational media specialists or librarians. Of the $17 million appropriated for fiscal year 1967, $14.5 million was available for laboratory and special equipment as well as for closed-circuit television facilities. A total of 855 institutions were aided under this program during fiscal year 1967; $13 million supported 732 grants for laboratory and other equipment, and $1.5 million supported 144 grants for closed-circuit television. During the same fiscal year, $2.5 million was appropriated and awarded to 51 institutions to conduct institutes and workshops for the training of approximately 2,000 faculty members in the use of educational media equipment. Appropriations for fiscal year 1968 for both parts of this title are the same as those in fiscal year 1967.

PROPOSAL

Title I would be extended 5 years, through fiscal year 1973. Matching at the rate of 75-percent Federal and 25-percent non-Federal share would be continued through fiscal year 1969. Not to exceed 10 percent of sums appropriated would be set aside for support of experimental or pilot projects.

Parts A and B of title II would be extended 5 years, through fiscal year 1973; part C would be extended 1 year, through fiscal year 1969. Part A, library resources, would be amended to liberalize the matching provision for special-purpose grants. Planning and development grants to encourage the opening of new library and information science schools would be authorized under part B.

Title III would be extended 5 years, through fiscal year 1973. A new part B—improvement of graduate programs—would be added, effective in fiscal year 1969.

The educational opportunity grant and work-study programs authorized by title IV would be extended 1 year, through fiscal year 1969. Effective in fiscal year 1970, these two programs would be combined with the NDEA student loan program and the insured loan program into the Educational Opportunity Act of 1968. The federally insured loan program would be extended 2 years, through fiscal year 1970. Repayment of insured loans would be authorized to be deferred under State or nonprofit private student loan insurance programs while a student is attending an institution of higher education or is in military, Peace Corps, or VISTA service. This deferment is already provided under the Federal program. Under either program, the Federal Government would pay all interest during this period of deferment. The maximum annual authorized loan, under both the federally insured program and the State or privately insured programs, would be set at $1,500. The Federal Government would reinsure 80 percent of the State program. An additional authorization of $12.5 million of seed money would be requested to be appropriated to support State-guaranteed loan programs on a matching basis. In order to make the program more attractive to the lending institutions, there would be created a system of application and conversion fees, to be paid by the Federal Government. In addition, technical and conforming amendments would be made, to ease administration of the programs and to correct inconsistencies within the current law.

Title V—the Education Professions Development Act of 1967—would have technical amendments.

Title VI would be extended 5 years, through fiscal year 1973. Subject matter limitations would be eliminated, and the program would be extended to graduate instruction.

The Higher Education Facilities Act of 1963

BACKGROUND AND NEED

College and university enrollment in the United States rose from 2.4 million in 1954 to 5.4 million in 1965, and is expected to exceed 8 million by 1973. The number of colleges and universities has increased 250 percent since World War II, from 866 to approximately 2,300.

To help the Nation's colleges and universities cope with mounting registrations, Congress enacted the Higher Education Facilities Act of 1963, which provides matching grants and loans for the construction, rehabilitation, and improvement of classrooms, laboratories, libraries, and other academic facilities.

Under title I, grants of up to 40 percent of project development cost may be awarded to public community colleges and public technical institutes. Grants of up to one-third of the development cost may be made to all other undergraduate institutions. In fiscal year 1958, 23 percent of the funds appropriated for this title are allotted to the States for the use of public community colleges and technical institutes; the balance is allotted for the use of other institutions. A State commission determines the priority of projects within a State and recommends the Federal share according to standards in the State plan.

Under title II, facilities grants of up to one-third of cost may be awarded for graduate school facilities or for cooperative graduate centers.

Title III authorizes loans for the construction of academic facilities, both undergraduate and graduate. The amount of loan, plus any other Federal funds, may not exceed 75 percent of the eligible development cost of a project.

Since the beginning of the 1964 academic year, 581 grants have been awarded for the construction of public community college and technical institute facilities, and 2,051 such grants for other undergraduate institutions. The number of institutions receiving support under this program has increased from 475 in fiscal year 1965, the first year the program was funded, to nearly 1,000 in the current year.

By the end of the current fiscal year, 275 grants for the construction of graduate facilities will have been awarded since funds first became available. The 1967 awards to about 78 institutions will provide academic facilities for some 30,000 graduate students, bringing the 3-year total to nearly 100,000 students helped by this program.

Since 1965, 440 loans have been made to colleges and universities for the construction of academic facilities. The number of institutions receiving these funds in 1967 is estimated to be 182, an increase of 53 percent over the first year's total.

PROPOSAL

The Higher Education Facilities Act of 1963 would be amended by extending the authorizations, including aid for assistance in case of a

major disaster for 5 years, and by fixing interest rates for loans at the current average marked yield of comparable U.S. obligations less a reduction of not more than 1 percentage point to be set by the Commissioner of Education.

Extension of the National Defense Education Act of 1958

BACKGROUND AND NEED

When the National Defense Education Act was enacted in 1958, President Johnson, then one of its authors in the Senate, commented that "History may well record that we saved liberty and saved freedom when we undertook a crash program in the field of education." In the last decade, programs conducted under the NDEA have gone far to bear out this prophecy.

The National Defense Education Act was signed into law September 2, 1958, during the period of national uneasiness that followed launching of the Soviet sputnik. The legislation had the immediate aim of augmenting the supply of highly trained manpower in fields relating to security—science, mathematics, and foreign languages.

In succeeding years the act has had increasing impact on the quality and availability of American education. It has been amended from time to time—most recently by the Higher Education Amendments of 1966—to extend its coverage to virtually all areas of education. Students at all levels of education benefit from its provision.

Enacted originally for a 4-year period, the NDEA was extended in 1962 for 2 years. In 1964, the Congress provided a further extension, through fiscal year 1968. Since the NDEA's enactment Congress has appropriated nearly $3 billion for NDEA activities; the appropriation for fiscal year 1968 is $440,650,000.

Title II.—This program of loans to college students is probably the best known portion of the act. As originally enacted, loans were to be made to full-time students in institutions of higher education, with preference to those majoring in science, mathematics, and modern foreign languages. Forgiveness of a percentage of the loan amount and interest was afforded to teachers in public elementary and secondary schools. This title has been substantially broadened in the ensuing years. Part-time students are now eligible to borrow; forgiveness has been extended to teachers in nonprofit private elementary and secondary schools and in institutions of higher education and to teachers of handicapped children; preference is now given to students with superior records in any field. It is estimated that more than $1 billion has been advanced to 1.4 million student borrowers at 1,700 institutions with the annual average loan amounting to $560. More than 100,000 borrowers have become teachers, entitled to total or partial forgiveness of their indebtedness. For fiscal year 1968, 18.4 million was appropriated for contributions to student loan funds, $2 million for loans to educational institutions, and $1.4 million for cancellation of student loans.

Title III.—Title III is designed to strengthen instruction in critical subjects: science, mathematics, modern foreign languages, history, civics, geography, economics, English, reading, and industrial arts. More than $500 million has been made available to States and outlying areas on a 50–50 matching basis for the acquisition of needed

equipment and concomitant minor remodeling of public elementary and secondary schools. In addition, more than $5 million has been loaned to private elementary and secondary schools for these purposes. In the years the act has been in effect, the number of language laboratories in public high schools has increased many times over—from 46 in 1958 to at least 10,000 today. More than 479,000 local public school projects have been approved for the acquisition of equipment and materials and for minor remodeling. State education agencies now employ approximately 510 specialists in the 10 eligible subjects, a marked contrast to the 33 specialists employed when the act was passed in the three subject areas originally specified. For fiscal year 1968, $75.24 million was appropriated for grants to States, $1 million for loans to private schools, and $2 million for State administration of the program.

Title IV.—The graduate fellowship program, administered under title IV, has a dual purpose: to increase the number of well-qualified college and university teachers and to develop and expand the capacity of doctoral study facilities throughout the country. The need for college and university teachers is acute. Enrollments in institutions of higher education are expected to expand from 5 million in 1964 to 9 million in 1975. It is estimated that approximately 610,000 new full-time equivalent professional staff members will be needed to meet these demands, but projections indicate that only 230,000 doctorates will be produced by 1975, and no more than half of these can be expected to go into college teaching. During the 1967–68 academic year, more than 90 percent (199) of all institutions authorized to award the doctorate will have active title IV fellowship programs. For fiscal year 1968 $86.6 million was appropriated to cover the cost of 6,000 new graduate fellowships plus some 9,000 awards continuing from previous years.

Title V.—Part A of title V supports programs in guidance, counseling and testing, identification, and encouragement of able students. Since fiscal year 1959, grants to the States of more than $121 million have helped bring the number of secondary school counselors from a full-time equivalent of 12,000 to the equivalent of 37,800 full-time counselors. Each year, in addition to those working in regular public elementary and secondary schools, junior colleges, and technical institutes, there were counselors working in public institutions such as schools for the deaf and the blind, college and university laboratory schools, correctional institutions, and schools operated as part of mental institutions. From 1959 to 1965, 146 million scholastic aptitude and achievement tests were given to public school students, and more than 4.3 million to nonpublic school students. For fiscal year 1968, $24.5 million was appropriated to support guidance, counseling, and testing activities.

Part B of title V authorizes institutes for persons who are working or planning to work in the fields of counseling and guidance. By the end of the 1967–68 academic year, almost 21,000 counselors and teachers preparing to be counselors will have attended 658 institutes to improve their capabilities. During the summer of 1968 and the 1968–69 academic year, more than 1,200 counselors and prospective counselors will attend institute programs at 39 institutions of higher education. For fiscal year 1968, $7.25 million was appropriated for the support of guidance and counseling institutes.

Title VI.—A critical need for specialists in foreign languages and related studies existed in 1959, when the first fellowships were awarded under title VI of NDEA. Since that time, more than 10,000 fellowships have been awarded to graduate and undergraduate students and to college teachers for the study of 90 foreign languages—ranging from Greek to Cambodian and from Norwegian to Afrikaans—and related studies. More than $34.5 million has been obligated for fellowships.

Title VI also supports language and area centers, each focusing on a specific geographic region and offering instruction in its major languages and cultures. Since 1959, more than $25 million in Federal assistance has supported 106 language and area centers at 63 colleges and universities. Special emphasis is placed on those languages and civilizations in which instruction has been most inadequate and on a number of "critical" languages. Title VI language and area centers enroll most of the students of foreign languages and cultures in the United States. It is estimated that 500 doctorates and 1,350 master's degrees were earned at these centers in 1965–66. For fiscal year 1968, approximately $12.7 million was appropriated for title VI fellowships and language and area centers.

Title VI also supports research and studies in modern foreign languages. Since 1959, nearly 500 language research and study contracts have been awarded. In fiscal year 1967, 57 new grants were made, and 15 research projects received continued support, at a total cost of $2.8 million. Of this sum, nearly $300,000 was obligated for research in the methodology of foreign language teaching; more than $900,000 was devoted to the development of teaching materials for uncommon languages; and $35,000 was spent in developing an ERIC clearinghouse for modern foreign language research. For fiscal year 1968, $3 million was appropriated for foreign language research.

Title VII.—The research program authorized by title VII provides the means for adapting such communications media as television, motion pictures, radio, and programed self-instruction to the improvement of education in our schools. Since fiscal year 1959, more than $40 million has been obligated for research and dissemination activites. Approximately 690 research and dissemination projects have been funded under contracts with more than 300 institutions, agencies, and individuals. Projects carried out under this program have included the development of machines to teach vocabulary to deaf children and to improve the arithmetic skills of mentally retarded children, and the use of tape recordings to teach Russian to U.S. Naval Reserve officers. The appropriation for fiscal year 1968 for media research and dissemination activities is $4.4 million.

Title VIII.—This title authorizes area vocational education programs; it was enacted as title III of the George-Barden Act of 1946. The technical education program was made a permanent program by the Vocational Education Act of 1963, with an authorization of $15 million a year. Since fiscal year 1959, the Federal Government has expended nearly $100 million to help pay for salaries, equipment, supplies, and other operating costs of technical education programs. State and local sources have over-matched this amount by approximately 1½ to 1.

Title IX.—Title IX establishes a Science Information Service to coordinate and improve methods of disseminating information in the

sciences. This activity is carried out by the National Science Foundation.

Title X.—Title X provides grants to State educational agencies to improve the adequacy and reliability of educational statistics and the methods for collecting, processing, and disseminating such data. For fiscal year 1968, funds for these purposes were included in the $30 million appropriated for activities under title V of the Elementary and Secondary Education Act of 1965—strengthening State educational agencies.

Title XI.—As enacted in 1958, NDEA authorized institutes in modern foreign languages and English taught as a second language. In 1964, a new title, Training Institutes, was established, and the program was expanded to include a selected range of vital fields—English, reading, history, geography, disadvantaged youth, and educational media specialist. Amendments contained in the Higher Education Act of 1965 added economics, civics, and industrial arts to the areas of specialization. By amendment in the International Education Act of 1966, institutes were authorized in the field of international affairs. By the end of this year, approximately 61,300 teachers and other educational personnel will have attended 1,565 institutes under title XI, at a total cost of more than $92 million. For fiscal year 1968, $30 million was appropriated for institutes for advanced study.

PROPOSAL

Title II would be extended 5 years through fiscal year 1973. The loan cancellation benefits would be extended to teachers in programs of special education or training designed to combat disadvantage, poverty or unemployment. Effective in fiscal year 1970, the authorization for this title would be combined with that of the college work-study program, as part of the Educational Opportunity Act of 1968.

Title III would be extended 5 years through fiscal year 1973. Subject limitations would be eliminated, and section 12 of the National Foundation on the Arts and the Humanities Act would be merged with title III. In instances where States impose requirements for financial participation of project applicants, within-State equalization would be encouraged. State administrative expenses would be paid out of project funds. The loan allotment formula for private schools would be repealed, and loans would be authorized to American-sponsored schools serving American children abroad.

Title IV would be extended 5 years through fiscal year 1973. The maximum length of fellowship would be extended from 3 to 4 years in special circumstances, and stipends would be set in amounts consistent with those awarded for comparable fellowships. The institutional grant accompanying the fellowship would be increased to an amount consistent with prevailing practices under comparable federally supported programs.

Title V–A would be extended 5 years through fiscal year 1973. Title V–B expires at the end of fiscal year 1968. Its extension is not being requested as it was incorporated into the Education Professions Development Act of 1967—Public Law 90–35.

Title VI would be extended 5 years through fiscal year 1973.

Title VII expires at the end of fiscal year 1968. Its extension is not being requested since similar media research activities may be funded under the Cooperative Research Act.

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Title VIII is incorporated into the George-Barden Act of 1946. Amendments to that title are included in the proposed Vocational Education Amendments of 1968.

Title IX is the responsibility of the National Science Foundation. No amendments are proposed.

Title X (Improvement of Statistical Services of State Educational Agencies) expires at the end of fiscal year 1968. Its extension is not being requested, as its function has been superseded by title V of the Elementary and Secondary Education Act of 1965. Provision is made in NDEA for the participation of the Trust Territory of the Pacific Islands, for schools of the Department of the Interior for Indian children, and for overseas dependents schools of the Department of Defense.

Title XI expires at the end of fiscal year 1968. Its extension is not being requested, as it was incorporated into the Education Professions Development Act of 1967—Public Law 90–35.

Educational Opportunity Act of 1968

BACKGROUND AND NEED

At present there are three basic student financial aid programs operated by agreement between the institutions of higher education and the Office of Education: the NDEA student loan program, the college work-study program, and the educational opportunity grant program.

This year, nearly 2,100 colleges and universities participated in these programs, providing financial assistance to an estimated 660,000 students. Appropriations for the three programs, when combined with institutional matching funds and loan repayments under the NDEA loan program, totaled more than $500 million.

It is estimated that next year more than 700,000 students in approximately 2,250 colleges and universities will depend on these same programs for assistance.

The most common administrative pattern found on college campuses is a combined program administered by one director of financial aid. Federal support is added to institutional grants, scholarships, and employment. In many cases, colleges and universities find themselves increasingly handicapped by separate funding patterns for each Federal program, prohibitions against transfer of allocated funds from one function to another, rigid State allotment formulas (different for each program) which result in widely varying support levels among institutions in various States, and similar operational restrictions. For instance, the NDEA student loan program provides for support of institutional administrative overhead not to exceed 1 percent of the outstanding balance-of-loan notes held by the institution; the work-study program provides partial assistance for the off-campus phase only; and the educational opportunity grants program has no overhead allowance. This presents a real problem when all three activities are combined under a single office on a university campus.

PROPOSAL

Beginning in fiscal year 1970, there would be a single authorization for NDEA loans and college work-study grants and separate author-

izations for educational opportunity grants and the insured loan program.

All funds would be authorized to be appropriated a year in advance of the fiscal year in which they are to be expended. This provision will also apply to all programs in the Higher Education Act of 1965, the Higher Education Facilities Act, and the National Defense Education Act.

Present State allotment formulas would be replaced with a national funding pattern, so that each participating college and university would receive the same proportionate share of its annual request as every other participating institution.

Up to 20 percent of the funds allocated to an institution of higher education for use in the educational opportunity grant, college work-study, and national defense student loan programs could be transferred by the institution to the other programs. The amount an undergraduate could borrow annually under the NDEA student loan program would be increased to $1,500. Varying administrative overhead authorities would be replaced with a single allowance for each participating institution of up to 3 percent of program expenditures during any given year or $125,000, whichever is less.

Extension of the National Vocational Student Loan Insurance Act of 1965

BACKGROUND AND NEED

The National Vocational Student Loan Insurance Act of 1965 is designed to make it possible for students to borrow money for education and training in schools of business, trade, technology, and other vocational fields. The act provides the means for students to obtain insured loans from private commercial and other eligible lenders, with the Federal Government paying a part of the interest on behalf of qualified students.

Combined fiscal year 1966 and 1967 appropriations for advances for reserve funds and interest payments totaled $2.75 million, of which only $327,000 had been obligated by the end of fiscal year 1967. Program activity increased substantially during the first half of fiscal year 1968, however, and by December 1967, more than 9,000 loans totaling $4.7 million had been made under guaranteed loan programs for vocational students. An additional 800 loan commitments totaling $737,500 were made in the six States in which the Federal insured loan program was implemented for vocational education students in the last 5 months of 1967.

PROPOSAL

Insurance would be provided for loans made to new borrowers until June 30, 1973, and for additional loans made to borrowers prior to that date to continue their education until June 30, 1977. Under the Federal loan insurance program, the maximum loan amount per academic year would be $1,500 and the aggregate loans to any student would not exceed $3,000. In the case of State and private programs, loans would be insured up to a maximum of $1,500 for any academic year or its equivalent and up to an aggregate of $3,000 of loans outstanding to any student. A borrower under a State or private guarantee

agency program would be required to make the same minimum repayment as in the Federal program. Repayment of insured loans would be authorized to be deferred under State or private loan insurance programs while a student attended an institution of higher education or was in military, Peace Corps, or VISTA service. The Federal Government would pay all of the interest during the period of deferment under both the Federal and the State or private loan insurance programs. This program will be merged with the higher education student loan insurance program but will retain the present separate direct loan authorization for vocational education students.

Grants to Strengthen Graduate Education

BACKGROUND AND NEED

The demands made on our graduate schools have increased substantially during the past two decades, and continued increases are predicted for the future. The "explosion of knowledge," the significant contributions made by graduate institutions in this Nation's research efforts, and the great need in our complex society for highly trained personnel are all factors in the indispensable role played by graduate education. In order to meet these demands, the number of institutions granting doctorates has increased by approximately 48 percent from 1950 to 1966, while the number of doctorate degrees granted per year increased by approximately 60 percent during the same time period.

The pressures for expansion and growth, and the simultaneous need to maintain quality are placing a heavy burden on the institutions' financial resources. At the same time, there are many indications that State and private support for graduate education is not increasing at a rate sufficient to meet these needs.

Although all graduate schools in the Nation are concerned with the problem of maintaining and improving the quality of their programs, this problem is particularly acute among the approximately 100 middle-ranking graduate schools. A recent study assessing quality in graduate education found that "the range of quality from the best to the poorest graduate school is widening and that the gap is likely to become greater with each passing year."

If the Nation's graduate schools are to absorb rising enrollments, to make quality education accessible to students throughout the Nation, and to meet the increasing demands for trained manpower, this trend must be reversed.

The institutions which have the greatest need for assistance, and the greatest potential for improvement, are the middle-ranking graduate schools. These institutions already have some established doctoral programs. Although their advanced doctoral enrollment is small, it can easily be expanded. Federal assistance to such institutions will strengthen the base for future graduate training in the Nation at large, and will contribute further to the wider geographical distribution of graduate centers of excellence.

PROPOSAL

Beginning in fiscal year 1969, grants could be provided to institutions of higher education for planning and operation of projects to

strengthen and improve the quality of doctoral programs of graduate schools and to increase the number of graduate centers of excellence. In awarding grants, the Commissioner would be directed to give due weight to the objective of improving accessibility to such centers of excellence by having an adequate number of such centers in each appropriate region.

The program would be authorized for 5 years, through fiscal year 1973, with an authorization of such sums as may be necessary to attain the objectives of this program.

Special Services for Disadvantaged Students

BACKGROUND AND NEED

Disadvantaged students are attending institutions of higher education in ever-increasing numbers, and their enrollments are expected to rise in future years. One of the greatest challenges facing our colleges and universities today is to insure that their academic careers will be rewarding and successful. These students, coming from depressed economic, social, and cultural backgrounds, have acquired attitudes, motivations, and values different from those which are dominant in the larger community in which they live. As a result, in college these students often show disproportionately higher rates of social maladjustment, behavorial disturbance, physical disability, and academic difficulty than their more financially able fellow students.

However, this apparent academic and social marginality of the disadvantaged student has nothing to do with intellect or potential. Many of the characteristics of the disadvantaged student can be overcome through imaginative programs which often make the difference between a college graduate and a college dropout.

Within the last 3 or 4 years, increasing attention has been focused on the plight of the disadvantaged student. Several existing Federal programs provide an opportunity for needy and disadvantaged students to enter college. For example, the educational opportunity grant program provides financial assistance to academically qualified high school graduates of exceptional financial need to enable them to attend college. The college work-study program provides for part-time employment of college students who are in need of earnings to pursue their course of study. The talent search program seeks to identify talented students from disadvantaged backgrounds and encourages them to enter or reenter higher education.

However, the primary objectives of all these efforts has been to recruit disadvantaged students and to encourage them to enter college. Relatively little emphasis has been placed on providing needed academic and other assistance necessary to help them stay and succeed in their college career. It is the purpose of this proposal to meet the need for special services to the disadvantaged student so that he can readily adjust to his new environment and academic life, and at the same time to encourage the college to attempt new solutions and to search for new educational techniques which are especially suited to the needs of the disadvantaged student.

PROPOSAL

Beginning in fiscal year 1969, the special services for disadvantaged students program would provide assistance to institutions of higher education and other public and private nonprofit organizations and agencies for the development and maintenance of remedial and other special services needed to assist disadvantaged students in initiating, resuming, or completing their undergraduate education and to encourage able students to undertake graduate studies.

Funds would be available for the development and operation of comprehensive guidance, counseling, placement, and other student services, including tutoring programs to remedy academic deficiencies and to enable persons to enter, remain in, or reenter higher education programs.

The program would be authorized for 5 years, through fiscal year 1973. For fiscal year 1969, $15 million is being requested to be appropriated.

Networks for Knowledge

BACKGROUND AND NEED

As the costs of higher education continue to rise, our Nation's colleges and universities are increasingly developing cooperative arrangements among institutions, as a means of providing high quality education to the greatest number of students. The "knowledge explosion" of the past few years, coupled with the vast increase in the number of materials available, has made it almost impossible for even the wealthiest university to afford extensive specialized library collections in all the areas its faculty and students might wish to investigate. It has also become extremely difficult to maintain a faculty fully competent in all the major areas of concentration. Less affluent institutions may even experience difficulty in maintaining an adequate collection of basic library resources and minimum levels of faculty coverage of subject areas.

In an age of growing student enrollments, hand processing of college fiscal and student records is costly and inefficient. Yet, many colleges cannot afford—and do not need—a computer on a full-time lease or purchase basis. Again, cooperative arrangements among a group of institutions, each utilizing a central computer for the processing of student and fiscal records, might prove efficient and economical.

A recent study made by the Office of Education showed the existence of nearly 1,300 consortiums between institutions of higher education across the country. These cooperative arrangements involved as few as two colleges and as many as 80 or more. They covered everything from faculty and student interchanges to curriculum planning and centralized data processing. Such interinstitutional cooperation must be encouraged if we are to insure that college students receive the best possible education.

PROPOSAL

The Higher Education Act of 1965 would be amended by adding a new title VIII—Networks for Knowledge—designed to stimulate institutions of higher education to share facilities and resources

through cooperative arrangements. The Commissioner would be authorized to make grants for the planning, developing, or carrying out of arrangements such as sharing of curricular materials and curriculum information; development of systems of processing financial and student records; joint use of facilities; joint operation of closed-circuit television facilities; faculty exchanges; and creation of electronic computer networks. Such grants could not be used to pay the costs of electronic transmission terminals, or a university's pro rata share of the cost of using central computer facilities (other than administrative and program support costs of the central facilities and developmental and programing and transmission costs necessary to make the network operational, as well as line-access costs of participating institutions). For fiscal year 1969, there would be authorized to be appropriated $8 million, and such sums as may be necessary for the next 4 fiscal years.

Education for Public Service

BACKGROUND AND NEED

Technological, social, and economic changes in our society have made imperative changes in the qualifications needed by public service personnel in Federal, State, and local governments. The expansion of governmental services, both in number and type, is reflected in the growing demands for professional, technical, and administrative personnel.

In the years between 1946 and 1966, the total number of government employees in the United States rose from 5,595,000 to 10,871,000. In 1946, the Federal Government employed 2,254,000 employees while 3,341,000 were employed by State and local governments. In 1966, the statistical breakdown consisted of 2,564,000 Federal employees with 8,307,000 individuals working for State and local governments.

In its projections of Federal employment, the Civil Service Commission finds that the composition of the work force is changing, with rapid growth in the professional, administrative, and technical occupations and little or no change in the clerical. For the years 1966–69, the Commission expects large gains in the higher graded occupations, the largest in education (45.8 percent), mathematics (26.1 percent), physical science (17.3 percent), and engineering (16.4 percent). In the major administrative-technical occupations, the Commission expects gains in physical science support (25.3 percent), computer and management services (23.2 percent), engineering support (21.1 percent), and business and industry (15.8 percent).

A report of the Municipal Manpower Commission estimates that between 1960 and 1988 the local governments in the United States will need to increase their administrative, professional, and technical personnel by 400,000 (excluding school employees) from the estimated 230,000 employed in 1960. Since 1946, the State and local government labor force has grown from 3.3 million to over 8 million. The manpower demands of these governments are expected to reach 12 million by 1975.

This growth in the number of public service personnel is impressive. Unfortunately, improvement in the qualifications of this personnel has not kept pace with the growth in demand for the services they provide.

Only 24 universities sponsor programs for executive development for mid-career public officials. While many government agencies conducted inservice and advanced training programs, the Federal Government had 1,042 employees in training programs of more than 4 months duration. Colleges and universities do not come close to meeting the need for educational opportunities for persons intersted in public service careers, or persons desiring to update their professional competence.

If nothing is done to meet current and future personnel demands, the existing shortage of well-trained, qualified, administrative, technical, and professional personnel at all levels of government will continue to grow. Provision must be made to enable our colleges and universities to provide educational and training programs for public service careers—programs which will insure that students have the opportunity to develop a high capacity for adjustment to the changing technological and social complexities with which our governments are faced.

PROPOSAL

The education for public service proposal would help assure that the expanding and changing manpower demands of our government for high quality personnel will be met by providing the stimulus and financial assistance for a variety of approaches and programs aimed at developing the well-trained public service corps required now and in the future.

Grants will be made to colleges and universities to enable them to develop, improve, or carry out graduate and professional programs in public service education. These grants could be used to establish new professional programs and education centers, public service institutes, cooperative training programs between government and institutions of higher education, education research and curriculum development, and information dissemination programs on career opportunities in public service. In addition, grants could be used for research into, or development or demonstration of, improved methods of educating students for the public service.

Public affairs graduate fellowships, up to 3 years in duration, will be awarded to students preparing for careers in public service, to encourage more persons to pursue public service careers.

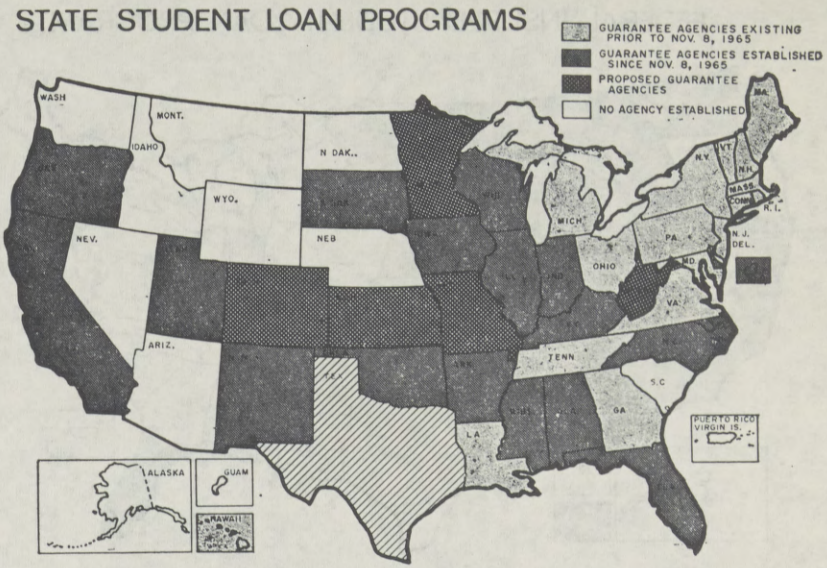
Students in public service curriculums and government agencies would both benefit from the proposed government internship and cooperative education program. The student, on a part- or full-time employment basis, could gain practical work experience in a Federal, State, or local government agency, and that agency—especially at the State and local levels where manpower shortages are most acute—would benefit from the talents of the student.

Major Features of Proposed Changes in Guaranteed Student Loan Program

PRESENT PROGRAM	PROPOSED AMENDMENTS
1. Provided 17.5 million in seed money for allocation to each of the States—no matching requirement.	Proposes $12.5 million in additional seed funds to be matched by an equal amount from nonfederal sources.
2. Maximum loan limit under federal program for undergraduate of $1,000 per academic year with an aggregate maximum limit of $5,000. No aggregate maximum for guarantee agencies.	Purposes under Federal Insured program an increase of maximum undergraduate loan limit to $1,500 and aggregate maximum to $7,500 for both federal and guarantee agency programs.
3. Defers repayment of loans under federal program during periods of borrower's service in the military, Peace Corps, VISTA, or return to full time enrollment. Act does not provide for deferment under guarantee agency programs. Student borrower liable for payment of three percent interest during deferred period.	Encourages guarantee agencies to defer repayment during such periods and would enable payment of 6 percent Federal interest benefits during such periods of deferment.
4. Currently, lenders may bill Commissioner quarterly, semiannually, or annually for Federal interest benefits due.	Permits, at the option of the lender, derferment of payment of Federal interest benefits until loan is paid in full, at which time lender may be paid a lump-sum with interest.
5. 6 percent maximum rate of interest.	Application and conversion fees, each not to exceed $35, to be paid by the Federal Government to the lender in addition to permissible 6 percent interest charge.
6. Currently, two separate Acts exist for higher education and vocational loan programs.	Provides for repeal of Vocational Act, and amends definitions to include vocational loans in the Higher Education Act.
7. Currently, significant differences in repayment requirements exist between nonfederal and Federal insurance programs.	Establishes uniformity between nonfederal and Federal insurance programs with respect to repayment of loans.
8. Maximum insurance premium charged by Federal Government set at ¼ of one percent per annum.	Maximum premium that may be charged by Federal Government raised from ¼ to ½ of one percent per annum.
9. Guarantee Agency responsible for payment of claims when loan goes into default. Most agencies guarantee $10 in loans for each dollar held in reserve.	Provides for "reinsurance" proposal which enable the Federal Government to reimburse 80 percent of the amount of money spent by an agency in payment of claims. This would permit guarantee agencies to guarantee

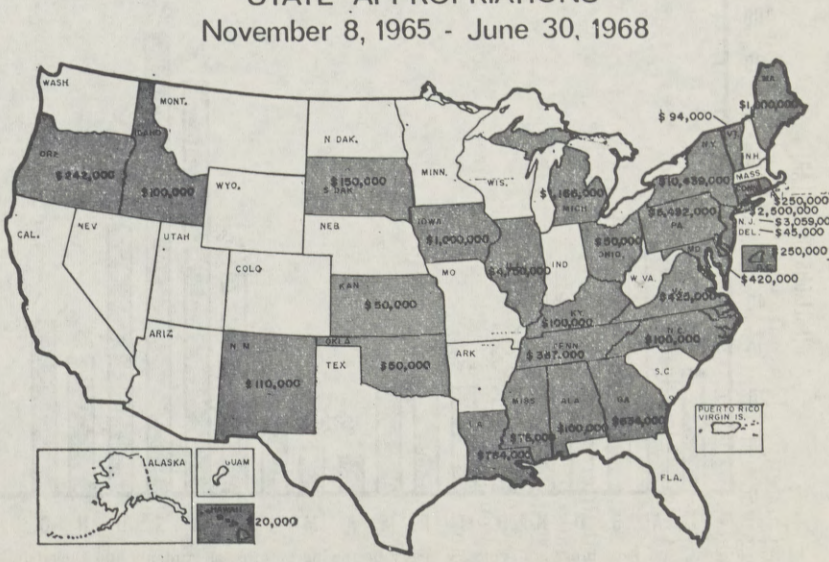
10. Currently, legislation does not permit delegation of issuing Federal insurance commitments by a nonfederal official.	four times the amount of loans their present capacity permits. Enables Commissioner to delegate administration of Federal Insured Program (plus issuing of insurance commitment) to any public or nonprofit private agency or institution.
11. Original legislation calls for Federal Insurance Program to lapse on June 30, 1968.	Permits authorization of new loans under the Federal program through June 30, 1970.
12. After June 30, 1968, would permit payment of Federal interest benefits only for loans made to students who had obtained prior loans.	Extends provision for payment of Federal interest benefits through June 30, 1973.
13. Federal Savings and Loan Associations permitted to make loans only to college students.	Allows Federal Savings and Loan Associations to make vocational loans.
14. Pension funds not now eligible lenders under program.	Permits Commissioner to approve certain pension funds as eligible lenders.

CHART I.—Development of State student loan guarantee agencies.[1]



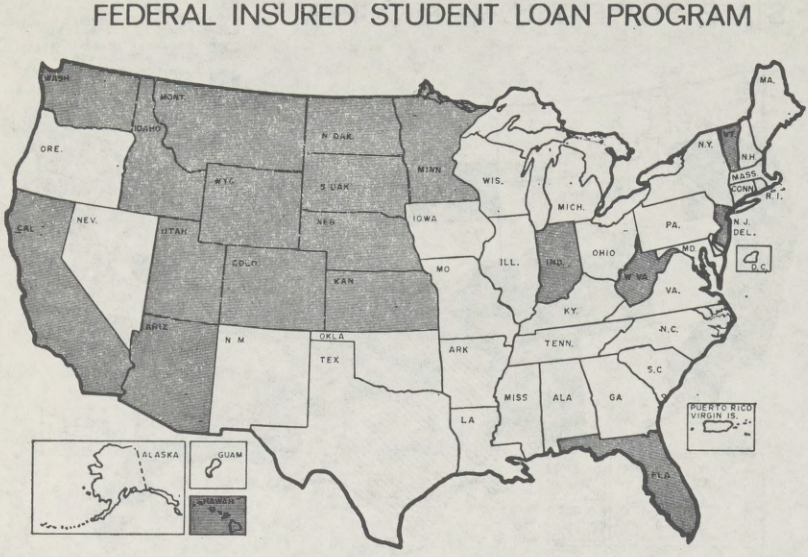
[1] Prior to the passage of the Higher Education Act of 1965, State guaranteed student loan program development was centered primarily in eastern and northeastern sections of the United States. Since November 1965, State agencies in the South, Midwest, and Far West have been created, or are in the process of creation, to a new total of 35. Texas is shown in a single classification since the Texas Opportunity Plan utilizes income from revenue bonds for direct loans to Texas students.

CHART II.—State guarantee fund appropriations.[2]



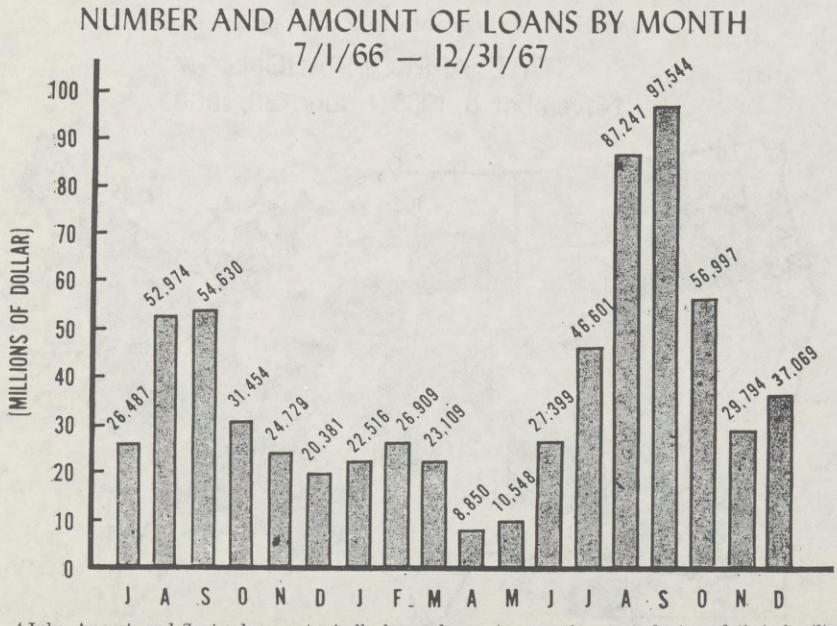
[2] The States noted have provided approximately $33 million in guarantee fund deposits in the past 2½ years. Texas, while not shown as providing direct appropriations, did establish authority for insurance and sale of $80 million in bonds to provide loan capability.

CHART III.—Present status of direct Federal loan insurance.[3]



[3] In the shaded States, loan guarantee capability, whether provided through advances of Federal "seed money" alone, or in combination with State appropriations, has been exhausted. An interim program of Federal loan insurance has therefore been provided, beginning in North Dakota and Colorado in July and August of 1967. The Florida and Idaho programs were established in February 1968.

CHART IV.—Monthly loan volume—July 1966 to December 1967.[4]



[4] July, August, and September are typically heavy borrowing months, as students and their families make plans for the college year beginning in September. The total volume of loans insured in fiscal year 1967 reached $248 million. The volume for the first half of the current fiscal year has already amounted to $310 million, and is estimated at $465 million for the entire 1968 fiscal year. The volume from November 1965 to July 1, 1966, was $77 million. Thus, a total of $790 million will have been loaned from November 1965 to June 1968.

90TH CONGRESS
1ST SESSION

S. 59

IN THE SENATE OF THE UNITED STATES

JANUARY 11, 1967

Mr. JAVITS introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend title V of the National Defense Education Act of 1958 in order to authorize, as part of a State program pursuant to such title, short-term training sessions for persons engaged in certain guidance and counseling in such State.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 503 (a) (2) of the National Defense Education Act of 1958 is amended by inserting before the period at the end thereof a comma and the following: "and such programs may include, at the discretion of such State agency, short-term training sessions for persons engaged in guidance and counseling in elementary and secondary schools, junior colleges, and technical institutes in such State".

90TH CONGRESS
1ST SESSION

S. 2099

IN THE SENATE OF THE UNITED STATES

JULY 13, 1967

Mr. DOMINICK introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend title IV–B of the Higher Education Act of 1965, relating to insured loans for students in institutions of higher education, in order to authorize additional funds for reserves for the purposes of such title.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 421 (b) (3) of the Higher Education Act of 1965 is amended by striking out "$17,500,000" and inserting in lieu thereof "$35,000,000".

90TH CONGRESS
1ST SESSION

S. RES. 169

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 13, 1967

Mr. PROUTY submitted the following resolution; which was referred to the Committees on Finance and Labor and Public Welfare jointly

RESOLUTION

Resolved, That the Committee on Finance and the Committee on Labor and Public Welfare, acting jointly, shall conduct a thorough study of the most expeditious means of financing higher education in the United States. Such study shall particularly include a thorough exploration of the following:

(1) various means by which a loan fund may be established to assist students to defray the expenses of higher education;

(2) the feasibility of repayment by students of such funds through the device of an increase in Federal income tax rates during their more productive years.

SEC. 2. (a) In making the study under this resolution, the committees shall hold such public hearings as they deem necessary.

(b) Each meeting of the committees under this resolution, whether for the purpose of holding public hearings or otherwise, shall be held alternately under the chairmanship of the chairman of the Committee on Finance and the chairman of the Committee on Labor and Public Welfare or their designee.

SEC. 3. The committees shall report the results of the study under this resolution, together with their recommendations, to the Senate at the earliest practicable date.

90TH CONGRESS
1ST SESSION

S. 1805

IN THE SENATE OF THE UNITED STATES

MAY 17, 1967

Mr. BREWSTER (for himself and Mr. MORSE) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend the Higher Education Act of 1965 to authorize assistance to law schools for training programs in the conduct of criminal cases involving indigent persons.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title VI of the Higher Education Act of 1965 is amended by inserting at the end thereof a new part as follows:

II

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"PART C—TRAINING PROGRAMS IN THE CONDUCT OF CRIMINAL CASES INVOLVING INDIGENT PERSONS

"AUTHORIZATION

"SEC. 631. (a) There are authorized to be appropriated $800,000 for the fiscal year ending June 30, 1968, and for the succeeding fiscal year, to enable the Commissioner to arrange, through grants or contracts with public or private nonprofit law schools, for the development and operation of organized programs of instruction to train students in the conduct of criminal cases involving indigent persons. Emphasis shall be given to both the prosecution and the defense of such cases. Such programs shall include instruction in the methods and problems involved, training in the practical aspects of the conduct of a trial, and actual experience by students to the extent possible under proper supervision.

"(b) For the fiscal year ending June 30, 1970, and for the succeeding fiscal year, there may be appropriated for the purpose of this part only such sums as the Congress may hereafter authorize by law."

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE.

Hon. LISTER HILL
Chairman, Committee on Labor and Public Welfare,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request of March 6, 1968, for a report on S. 3098, a bill "To amend the Higher Education Act of 1965, the National Defense Education Act of 1958, the National Vocational Student Loan Insurance Act of 1965, the Higher Education Facilities Act of 1963, and related Acts." The bill would be known under the short title "Higher Education Amendments of 1968".

This bill, which embodies the provisions of a draft bill submitted by this Department on February 5, is designed to carry out new legislative proposals in the above-mentioned fields contained in the President's recent message on education, as well as to update and revise those proposals in last year's Administration bill on higher education (S. 1126) which have not yet been enacted plus certain important amendments to the student loan insurance part of that bill submitted to the Congress last year to carry out certain recommendations of the Administration. It further includes in updated form the proposed "Education for the Public Service Act" which we had submitted to Congress last year to carry out recommendations in the President's message on the Quality of American Government.

The details of the bill are summarized in an explanation and section-by-section analysis of the bill and a comparison of the bill with existing law previously furnished to the Committee at staff level and since included in a Committee Print.

The need for this bill has been explained at hearings thereon on behalf of this Department. We urge enactment of the bill, including a proposed amendment submitted by us on March 21 to the "Networks for Knowledge" provisions of the bill.

Sincerely,

WILBUR J. COHEN, *Secretary.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., March 13, 1968.

Hon. LISTER HILL,
Chairman, Committee on Labor and Public Welfare, U.S. Senate, New Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request of March 6, 1968, for our views on S. 3098, the "Higher Education Amendments of 1968."

S. 3098 would broaden the Federal Government's education program and would provide the authorization for funds to sustain our efforts in this vital sector.

The Bureau of the Budget recommends enactment of S. 3098 which is in accord with the President's program.

Sincerely yours,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., May 7, 1968.

Hon. WAYNE MORSE,
Chairman, Education Subcommittee,
Committee on Labor and Public Welfare,
U.S. Senate.

DEAR MR. CHAIRMAN: We have reviewed S. 3098, 90th Congress, 2d Session, a bill which proposes amendments to various acts relating to higher education.

We make no comment concerning the overall objectives of the bill. However, we offer the following suggestions for your consideration.

Under the provisions of section 409 as added by section 402(a) of the bill, page 48, administrative expenses covered by the 3-percent allowance in subsection 409(a) might very well be related also to the special programs covered in subsection 409(b). It is not clear that such expenses could not properly be included as costs for subsection (b) purposes thereby, in effect, resulting in duplication of allowances to the institution.

We, therefore, suggest that the following sentence be added to subsection 409(b) on page 45:

"No item of expense associated with carrying out a program under this subsection shall be charged to the sums allocated for work study programs if such item would necessarily have been otherwise incurred as an expense in administering programs assisted under this part."

Various sections of the bill and the basic acts it amends provide for the maintenance of records by recipients of the Federal assistance provided and for access thereto by the Commissioner of Education in some cases and the Secretary of Health, Education, and Welfare in others. None of them contains provision for access to such records by the Comptroller General of the United States. We suggest that language be included as appropriate to provide uniformly for access to such records by the Secretary and the Comptroller General.

Sincerely yours,

FRANK H. WEITZEL,
Assistant Comptroller General of the United States.

MESSAGE OF THE PRESIDENT OF THE UNITED STATES TO CONGRESS, FEBRUARY 5, 1968

[For release on delivery to the Senate or the House of Representatives]

Notice.—There should be *no* premature release of this Message to the Congress, nor should its contents be paraphrased, alluded to or hinted at in earlier stories. There is a total embargo on this message until it has been delivered to the United States Senate or the House of Representatives, which includes any and all references to any material in this message.

GEORGE CHRISTIAN.

THE WHITE HOUSE

THE FIFTH FREEDOM

To the Congress of the United States:

In two centuries, America has achieved—through great effort and struggle—one major educational advance after another: free public schooling; the Land Grant Colleges; the extension of the universities into the Nation's farms and homes; the unique venture that has placed a high school education within the reach of every young person.

I believe that our time—the mid-1960's—will be remembered as a time of unprecedented achievement in American education.

The past four years have been a time of unparalleled action:

The Congress has approved more than 40 laws to support education from the preschool project to the postgraduate laboratory;

The Federal Government has raised its investment in education to nearly $12 billion annually, almost triple the level four years ago.

The real significance of what we have done is reflected, not in statistics, but in the experiences of individual Americans, young and old, whose lives are being shaped by new educational programs.

Through Head Start, a four-year-old encounters a new world of learning.

Through Title I of the Elementary and Secondary Education Act, a disadvantaged youngster finds essential extra help—and school becomes a more rewarding place.

Through the Teacher Corps, a bright and eager college graduate is attracted to teaching and his talents are focused where the need is greatest.

These programs—all of them new—are enriching life for millions of young Americans.

In our high schools, students find that once-empty library shelves are filled; the most up-to-date laboratory equipment is available; new courses, new methods of teaching and learning are being tested in the classroom.

A student who sets his sights on college is more likely than ever before to find help through Federal loans, scholarships and work-study grants.

Today's college student is more likely than ever to live and learn in new dormitories, new classrooms, new libraries and laboratories.

Today, thousands of parents who in their youth had no chance for higher education can say with certainty, "My child can go to college."

Above all, we can see a new spirit stirring in America, moving us to stress anew the central importance of education; to seek ways to make education more vital and more widely available.

That new spirit cannot be fully measured in dollars or enrollment figures. But it is there nonetheless. The achievements of the past four years have sustained and nourished it.

Yet for all our progress, we still face enormous problems in education: stubborn, lingering, unyielding problems.

The phrase, "equal educational opportunity," to the poor family in Appalachia and to the Negro family in the city, is a promise—not a reality.

Our schools are turning out too many young men and women whose years in the classroom have not equipped them for useful work.

Growing enrollments and rising expenses are straining the resources of our colleges—and the strain is being felt by families across America.

Each of these problems will be difficult to solve. Their solution may take years—and almost certainly will bring new problems. But the challenge of our generation is to lead the way.

And in leading the way, we must carefully set our priorities. To meet our urgent needs within a stringent overall budget, several programs must be reduced or deferred. We can reduce expenditures on construction of facilities and the purchase of equipment. But, many of our urgent educational programs which directly affect the young people of America cannot be deferred. For the cost—the human cost—of delay is intolerable.

These principles underlie my 1969 budgetary recommendations and the proposals in this message. My recommendations are tailored to enable us to meet our most urgent needs, while deferring less important programs and expenditures.

ELEMENTARY AND SECONDARY EDUCATION

It took almost a century of effort and controversy and debate to pass the Elementary and Secondary Education Act.

The great question was this: Can there be a system of large-scale aid to education which does not diminish the independence of our local schools and which safeguards the rich diversity of American education?

In 1965 such a law was passed. Today it is at work in nearly 20,000 school districts: strengthening State and local school boards, local school officials and classroom teachers, and improving the quality of education for millions of children.

It may take a decade or more to measure the full benefits of the Elementary and Secondary Education Act. But already evidence is mounting to support my belief that this is the most significant education measure in our history.

Last year, Congress extended this law, the bedrock of all our efforts to help America's schools.

This year we have an opportunity to make that law a more efficient instrument of aid to education; to make it more responsive to the needs of the States and communities throughout the country.

I urge the Congress to fund Title I of the Elementary and Secondary Education Act well in advance of the school year, so that State and local school officials can make their plans with a clear idea of the resources that will be available.

Our resources are not unlimited—and never will be. So it is all the more important that in assigning priorities, we focus our aid where the need is greatest.

That firm principle underlies a six-point program which I am proposing to Congress under the Elementary and Secondary Education Act and other authorities:

1. Two innovative programs to help America's youngest and poorest children have been proven in practice. *I propose that funding for the Head Start and Head Start Follow Through programs be stepped-up from $340 million to $380 million.*

2. Last year, Congress authorized a special program to help Mexican-American, Puerto Rican and other children who are separated by a language barrier from good education. *I propose that we launch this bilingual education program with a $5 million appropriation.*

3. We are still doing less than we should do to prepare mentally retarded and physically handicapped children for useful lives. *I propose that our special programs for the handicapped be increased from $53 million to $85 million.*

4. We must rescue troubled boys and girls before they drop out of school. *I propose full funding—$30 million—for a new Stay in School program, which will*

help schools tailor their own programs, for new and exciting methods of instruction to family counseling and special tutoring, to turn potential drop-outs into high school graduates.

5. Upward Bound, a program for poor but talented students, has directed thousands of young Americans into college who might otherwise never have had a chance. *I propose that Congress increase funds for Upward Bound to serve 30,000 young Americans this year.*

6. Adult basic education classes last year gave about 300,000 men and women an opportunity to gain new earning power, new self-respect, a new sense of achievement. *I propose that Congress provide $50 million for this vital program.*

If we can invest vast sums for education, we must also be able to plan and evaluate our education programs; to undertake basic research in teaching and learning, and to apply that research to the classroom. For these efforts, *I propose appropriations of $177 million next year.*

NEW STRENGTH FOR VOCATIONAL EDUCATION

Whatever else we expect of the local school, we demand that it prepare each student for a productive life. The high school graduate who does not enter college needs not only knowledge enough to be a responsible citizen, but skills enough to get and keep a good job.

One and a half million young men and women will leave high school and enter the labor force this year—in a time of high employment, when skills are at a premium.

Too many of them will find that they have no job skills—or only marginal skills, or swills which are not really needed in their communities.

A high school diploma should not be a ticket to frustration.

We must do more to improve vocational education programs. We must help high schools, vocational schools, technical schools, and community colleges to modernize their programs, to experiment with new approaches to job training. Above all, we must build stronger links between the schools and their students, and local industries and employment services, so that education will have a direct relationship to the world the graduating student enters.

I recommend that Congress enact the Partnership for Learning and Earning Act of 1968.

This new program—streamlining and strengthening our vocational educational laws—will—

Give new flexibility to our system of matching grants, so the States can concentrate their funds where the need is greatest;

Provide $15 million for special experimental programs to bridge the gap between education and work for alliances between schools, employment services and private employers; for new summer training programs combining work and education;

Totally revise and consolidate our existing vocational education laws, reducing paperwork for the States, the schools and other training centers;

Encourage the States to plan a long-range strategy in vocational education.

TRAINED PROFESSIONALS FOR OUR SCHOOLS

The value of all these measures—and indeed, the effectiveness of our entire school system—depends on educators: teachers, teacher aides, administrators and many others.

It would profit us little to enact the most enlightened laws, to authorize great sums of money—unless we guarantee a continuing supply of trained, dedicated, enthusiastic men and women for the education professions.

To advance this essential purpose, I propose—

This Congress provide the funds needed to train nearly 45,000 teachers, administrators and other professionals under the Education Professions Development Act of 1967.

That Congress authorize and appropriate the necessary funds so that 4,000 of our best and most dedicated young men and women can serve our neediest children in the Teacher Corps.

HIGHER EDUCATION

The prosperity and well-being of the United States—and thus our national interest—are vitally affected by America's colleges and universities, junior colleges and technical institutes.

Their problems are not theirs alone, but the Nation's.

This is true today more than ever. For now we call upon higher education to play a new and more ambitious role in our social progress, our economic development, our efforts to help other countries.

We depend upon the universities—their training, research and extension services—for the knowledge which undergirds agricultural and industrial production.

Increasingly, we look to higher education to provide the key to better employment opportunities and a more rewarding life for our citizens.

As never before, we look to the colleges and universities—to their faculties, laboratories, research institutes and study centers—for help with every problem in our society and with the efforts we are making toward peace in the world.

STUDENT AID

It is one of the triumphs of American democracy that college is no longer a privilege for the few. Last fall, more than 50 percent of our high school graduates went on to college. It is our goal by 1976 to incerase that number to two-thirds.

In the past four years, we have significantly eased the financial burden which college imposes on so many families. Last year, more than one student in five attended college with the help of Federal loans, scholarships, grants and work-study programs.

But for millions of capable American students and their families, college is still out of reach. In a nation that honors individual achievement, financial obstacles to full educational opportunity must be overcome.

I propose the Educational Opportunity Act of 1968—

To set a new and sweeping national goal: that in America there must be no economic or racial barrier to higher education; that every qualified young person must have all the education he wants and can absorb.

To help a million and a half students attend college next year through the full range of our student aid programs, including guaranteed loans.

To strengthen the Guaranteed Loan Program by meeting the administrative costs of the banks who make these loans. With a service fee of up to $35 for each loan, this program can aid an additional 200,000 students next year, bringing the total to 750,000.

To provide $15 million for new programs of tutoring, counseling and special services so that the neediest students can succeed in college.

To unify and simplify several student aid programs—College Work-Study, Educational Opportunity Grants and National Defense Education Act Loans—so that each college can devise a flexible plan of aid tailored to the needs of each student.

AID TO INSTITUTIONS OF HIGHER LEARNING

Today, higher education needs help.

American colleges and universities face growing enrollments, rising costs, and increasing demands for services of all kinds.

In 10 years, the number of young people attending college will increase more than 50 percent; graduate enrollments will probably double.

Our first order of business must be to continue existing Federal support for higher education.

I urge the Congress to extend and strengthen three vital laws which have served this nation well:

The National Defense Education Act of 1958, which has helped nearly two million students go to college and graduate school.

The Higher Education Facilities Act of 1963, which has helped nearly 1,400 colleges and universities meet growing enrollments with new classrooms, laboratories and dormitories.

The Higher Education Act of 1965, which, in addition to its student aid programs, has strengthened college libraries, involved our universities in community service, and given new vitality to 450 developing colleges.

I also urge the Congress to fulfill the commitment it made two years ago, and appropriate funds needed for the International Education Act. This Act will strengthen our universities in their international programs—and ultimately strengthen the quality of the men and women who serve this country abroad.

We must apply more effectively the educational resources we have. We must encourage better cooperation between the Nation's colleges and universities; and we should move to increase each institution's efficiency by exploiting the most advanced technology.

To serve these purposes, *I recommend the Networks for Knowledge Act of 1968.*

This pilot program will provide new financial incentives to encourage colleges and universities to pool their resources by sharing faculties, facilities, equipment, library and educational television services. It will supplement the effort launched last year by the National Science Foundation to explore the potential of computers in education.

I also recommend three new measures to strengthen graduate education in America.

First, we should increase the Federal payment available to help graduate schools meet the cost of educating a student who has earned a Federal Fellowship. At present, Federal Fellowship programs are actually deepening the debt of the graduate schools because this payment is too low.

Second, we should launch a new program to strengthen those graduate schools with clear potential for higher quality. With enrollments growing, we must begin to enlarge the capacity of graduate schools. This program will underwrite efforts to strengthen faculties, improve courses and foster excellence in a wide range of fields.

Third, I urge the Congress to increase government sponsored research in our universities. The knowledge gained through this research truly is power—power to heal the sick, educate the young, defend the nation, and improve the quality of life for our citizens.

A STRATEGY FOR HIGHER EDUCATION

The programs I am presenting to the Congress today are aimed at solving some of the problems faced by our colleges and universities and their students in the years ahead. But accomplishing all these things will by no means solve the problems of higher education in America.

To do that, we must shape a long-term strategy of Federal aid to higher education: a comprehensive set of goals and a precise plan of action.

I am directing the Secretary of Health, Education, and Welfare to begin preparing a long-range plan for the support of higher education in America.

Our strategy must—

Eliminate race and income as bars to higher learning.

Guard the independence of private and public institutions.

Ensure that State and private contributors will bear their fair share of support for higher education.

Encourage the efficient and effective use of educational resources by our colleges and universities.

Promote continuing improvement in the quality of American education.

Effectively blend support to students with support for institutions.

Such a strategy will not be easy to devise. But we must begin now. For at stake is a decision of vital importance to all Americans.

EDUCATION AND THE QUALITY OF LIFE

Every educational program contributes vitally to the enrichment of life in America. But some have that enrichment as their first goal. They are designed not to serve special groups or institutions, but to serve all the American people.

We have tested in the past three years a new idea in government: The National Foundation on the Arts and Humanities.

That experiment has been an impressive success. It has proved that government can indeed enhance the Nation's cultural life and deepen the understanding of our people.

With modest amounts of money, The Humanities Endowment has promoted scholarship in a wide range of fields and quickened public interest in the humanities.

The Arts Endowment has brought new energy and life to music, drama, and the arts in communities all over America.

I believe the Foundation has earned a vote of confidence. *I urge that the National Foundation on the Arts and Humanities authorization be extended.*

We have acted also to launch an historic educational force in American life: public broadcasting—non-commercial radio and television service devoted first and foremost to excellence.

Last year the Congress authorized the Corporation for Public Broadcasting. This year we must give it life.

I recommend that the Congress appropriate the funds needed in fiscal 1968 and fiscal 1969 to support the initial activities of the Corporation for Public Broadcasting.

Last year I stressed the importance of a long-range financing plan which would ensure that public broadcasting would be vigorous, independent and free from political interference or control. The problem involved is complex. It concerns the use of the most powerful communications medium in the world today. It should not be resolved without the most thorough study and consultation.

I am asking the Secretary of Health, Education, and Welfare, the Secretary of the Treasury and the Director of the Bureau of the Budget—who have been studying this problem since the law was enacted—to work with the Board of Directors of the Corporation for Public Broadcasting and the appropriate Committees of the Congress to formulate a long-range financing plan that will promote and protect this vital new force in American life.

THE FIFTH FREEDOM

On January 6, 1941, President Franklin D. Roosevelt set forth to Congress and the people "four essential human freedoms" for which America stands.

In the years since then, those four freedoms—freedom of speech, freedom of worship, freedom from want, and freedom from fear—have stood as a summary of our aspirations for the American Republic and for the world.

And Americans have always stood ready to pay the cost in energy and treasure which are needed to make those great goals a reality.

Today—wealthier, more powerful and more able than ever before in our history—our Nation can declare another essential human freedom.

The fifth freedom is freedom from ignorance.

It means that every man, everywhere, should be free to develop his talents to their full potential—unhampered by arbitrary barriers of race or birth or income.

We have already begun the work of guaranteeing that fifth freedom.

The job, of course, will never be finished. For a nation, as for an individual, education is a perpetually unfinished journey, a continuing process of discovery.

But the work we started when this Nation began, which has flourished for nearly two centuries, and which gained new momentum in the past two Congresses—is ours to continue—yours and mine.

LYNDON B. JOHNSON.

THE WHITE HOUSE, *February 5, 1968.*

Senator YARBOROUGH. Today's hearings will consist of formal presentations by the witnesses called. Tomorrow we plan to have a free-flowing discussions among the witnesses, the purpose being to pinpoint the differences among them for the benefit of the subcommittee.

The subcommittee will take action on student financial assistance. And even if our decision is to do nothing more than extend existing legislation as it now stands, that will be the exercise of a major policy decision on our part.

UNIVERSAL POST-SECONDARY EDUCATIONAL OPPORTUNITY BILL

Let me note, gentlemen, that I have introduced in this Congress a universal post-secondary educational opportunity bill. I hope that the passage of such legislation is closer than we think. I hope that universal post-secondary education will be available to the students of America tuition-free. That is one of the great needs of education in a democracy. Any society that seeks to have democracy cannot afford to maintain a system of plutocracy of opportunity.

As a guideline for these hearings, let me read into the record the statement of purpose in the administration bill. Immediately after reading it, we will begin with what I see from this list is a very, very impressive group of witnesses.

Title IV—Student Assistance Statement of Purpose:

SHORT TITLE

Sec. 400. (a) The Congress hereby finds and declares that it is in the national interest to provide educational opportunities beyond secondary school to all our youth that desire such opportunities and can benefit from them. The strength and vigor of our economy and indeed the future of our society of free people demand that our youth, who represent the best of all our hopes, be given a chance to do their best. It is therefore the purpose of this title to provide substantial assistance to students in order that no student of ability will be denied an opportunity to develop his talents because of financial inability to meet basic higher education costs.

The first witness here—we have a panel headed by the Honorable Ralph K. Huitt, who is Assistant Secretary for Education, Department of Health, Education, and Welfare.

Secretary Huitt, you have with you a notable panel of people who are devoting their time to this problem. I wish you would identify all of the people with you on the panel and then you can proceed with the panel in the manner which you think might be useful.

STATEMENT OF HON. RALPH K. HUITT, ASSISTANT SECRETARY FOR EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY HON. PETER MUIRHEAD, ASSOCIATE COMMISSIONER FOR HIGHER EDUCATION; JAMES MOORE, DIRECTOR, DIVISION OF STUDENT FINANCIAL AID, BUREAU OF HIGHER EDUCATION; ALBERT L. ALFORD, ASSISTANT COMMISSIONER FOR LEGISLATION, OFFICE OF HIGHER EDUCATION; EDWARD P. SNYDER, DIRECTOR, OFFICE OF DEBT ANALYSIS, DEPARTMENT OF THE TREASURY; AND MARK A. WEISS, SPECIAL ASSISTANT TO THE UNDER SECRETARY OF THE TREASURY

Mr. HUITT. Mr. Chairman, I would like to thank you for that splendid opening statement you made, which I think is as fine a speech on the problems of getting our young people into college as I have heard. I would like, if I might, sometime to read that 139-year-old letter to my daughter, who is going to the University of Maryland, and not tell her when it was written. It might scale down some of her expectations.

I am accompanied this morning, Mr. Chairman, by Mr. Peter Muirhead, who is the Associate Commissioner for Higher Education in the Office of Education; by Mr. James Moore, who is the Director of the Division of Student Financial Aid in the Bureau of Higher Education; and Mr. Albert L. Alford, who is the Assistant Commissioner for Legislation in the Office of Education.

From the Department of the Treasury, we have Mr. Edward P. Snyder, who is Director of the Office of Debt Analysis, and Mr. Mark Weiss, who is special assistant to the Under Secretary.

If we may, I would like first to ask Mr. Muirhead to present a prepared statement. Then Mr. Moore will use some visual aids to show what the problem of the student is. In addition, Mr. Weiss would like to make a brief statement.

Senator YARBOROUGH. Mr. Muirhead, we welcome you here. You have appeared before this committee a number of times and we have had the privilege of seeing you in a number of places where you are

waging the good fight for better education for the young people of America in the field of higher education. We are glad to see you.

You may proceed.

Mr. MUIRHEAD. Thank you, Mr. Chairman.

I am here this morning to discuss a program which has helped thousands of American families in all walks of life to cope with the steadily rising costs of higher education. To reach the educational opportunity goal which you have so consistently advocated and so eloquently supported in your ringing opening statement this morning. In little more than 2 years of operation, the guaranteed student loan program has earned its place as an essential component of the comprehensive student aid "package" constructed by the Higher Education Act of 1965 to improve opportunity for all of our college-bound youth. The unique success of this program has come in the hope it has provided to students from hard-pressed middle-income families who cannot qualify for a national defense loan, work-study opportunity, or educational opportunity grant under the statutory standards for eligibility.

PROGRAM GROWTH

The program has grown at a rapid and steady pace. Despite the rising cost of money, about 765,000 students will have received loans at the 6 percent simple interest rate by the end of the current fiscal year. The number of State guarantee agencies has increased from 17 in 1965 to 35 in 1967. Additionally, in five other States, work is now underway in both executive and legislative departments on the creation of State loan authorities, leaving only 10 States in which action is yet to be taken.

The basic objectives for the guaranteed student loan program are:

To provide a program of long-term loan assistance which, together with other student aid programs, will help all post-secondary youth to obtain a higher education.

To provide a program that can be operated by State agencies, with the Federal Government assisting through payment of a portion of the interest on behalf of eligible students and through the use of Federal credit to help provide the necessary backing for the loans.

To provide the lenders with an adequate return so as to encourage their active participation.

To provide the lenders with maximum assistance—from the colleges, the States, and the Federal Government—through interchange of information, a minimum of paperwork, and the establishment of common procedures.

To see that colleges are involved to the extent of providing adequate information to the lenders.

Prior to the passage of the Higher Education Act, guaranteed loan programs were in operation in 17 States. Recognizing that legislation would likely be needed at the State level, the Congress provided a 2-year interim period and encouraged the development of adequate State programs by authorizing Federal advances of "seed money" to establish or help strengthen the reserve fund of the agencies. The act further provided that if a State would not be able to establish such a program during any year, the Office of Education could contract with a nonprofit private agency to do the job. In the event that neither approach

would provide students reasonable access to loans, the Congress authorized a standby program of Federal insurance.

Since November of 1965, guarantee agencies have been created in 18 additional States, bringing the total of State-based programs, as I have stated, to 35. In the remainder of the country and in those States that did not provide for students attending college out of State, the Office of Education contracted with United Student Aid Funds, Inc., to administer the program. In addition, 12 of the State agencies further contracted with USAF to operate their programs.

FEDERAL INSURANCE

However, the reserve funds of 19 States were not sufficient to enable continuation of their operation, and the Federal insured student loan program has been established on an interim basis in order to continue the loan guarantee function until such time as the States' reserves can be increased.

REINSURANCE

In order to promote the continuation of existing State guarantee agencies and to encourage the development of adequate State programs where none now exist, we are proposing that the act be amended to provide what has come to be called Federal "reinsurance" of loans guaranteed by State agencies. Under this proposal, the Commissioner would be authorized to reimburse an agency for 80 percent of claims paid by that agency to the lender when a loan went into default. As the agency would be responsible only for payment of 20 cents on the dollar, this would have the effect of multiplying the guarantee capacity in the State's reserve fund fivefold. This would be consistent with the current Federal fiscal policy of using Federal credit rather than dollars when that can be done.

ADDITIONAL RESERVE FUNDS

However, in order to involve the States further in sharing the funding requirements of such a program and in order to strengthen further the reserve funds of these agencies, we are proposing an additional $12.5 million in seed money, to be matched on an equal basis by State appropriations. Actually, the provision of this additional seed money would provide a capacity for providing a guarantee base that would support up to $1 billion in loans.

To make the program more attractive to the lenders and the guarantee agencies, especially with a view to increasing the return to the lenders and reducing the paperwork and complexity of the program to all concerned, we are recommending the following amendments:

APPLICATION FEES

1. A system of application fees, each fee not to exceed $35 per year, to be paid to the lender for each loan made, and a single conversion fee when all loans for a given student are converted to an installment or repayment basis. Lenders assure us that at the present rate of 6 percent simple interest, these loans are a losing proposition and that they cannot continue on this basis.

MERGER OF GUARANTEED LOAN PROGRAMS

2. Merger of the National Vocational Student Loan Insurance Act into the Higher Education Act. The present two acts have resulted in parallel paperwork and duplicate effort for all parties concerned. Merging the two acts will do much to streamline the program and provide readier access to students in vocational education.

DEFERRAL OF PAYMENTS OF INTEREST

3. At the option of the lender, the Commissioner may defer payment of Federal interest benefits until the loan is paid in full, at which time they will be paid in a lump sum with interest. This would further reduce the paperwork of the lender's billing the Office of Education throughout the life of the loan, as well as solve his problems of separating the 3 percent paid by the student from the 3 percent paid by the Government.

Additional proposals include:

DEFERRAL OF REPAYMENTS IN STATE PROGRAMS

1. Encouraging the State agencies to defer repayment by students for periods of service in the military, Peace Corps, and VISTA or for students who have left school but return as full-time students. For such periods of deferment, the Government would pay the lenders the full 6-percent interest rate on behalf of the student.

ADDITIONAL SOURCES OF LOAN FUNDS

2. Adding authority so that certain persion funds can be made eligible lenders under the program, and so that savings and loan associations can be permitted to make vocational loans, in the same way they can make guaranteed loans.

CONSISTENT LOAN PROVISIONS

3. Making the program consistent whether the loans be State or privately guaranteed or federally insured. There are now differences with respect to maximum amounts of individual loans, assurances of installment obligations, and minimum amounts of installment repayment.

EXTENSION OF INTEREST SUBSIDY

4. Extending provision for Federal interest benefits for 5 years, through fiscal year 1973.

EXTENSION OF FEDERAL INSURANCE AUTHORITY

Finally, we propose that authorizations for the federally insured program be extended 2 years, through fiscal year 1970. Although there are now 35 State agencies and although several new agencies are under consideration in the remaining States, it is reasonably certain that a State program will not be established in every State by June 30, 1968. Additional action needs to be taken by the legislatures in a number of States, some of which have no scheduled session until next year. Addi-

tional changes will probably be required in some existing State programs before the reinsurance system can be adopted or appropriations made for the matching requirement of additional seed money.

If the Federal program is permitted to lapse on June 30, as it would without the extension we propose, it is highly likely that loans will not be available for the next academic year for students in a number of States, some of which already have access to the Federal program. Although the reinsurance proposal should make it unnecessary to continue the Federal insurance beyond 2 years, it will take a period of time before regulations and procedures can be established and the program made operative.

AUTHORITY TO CONTRACT FOR FEDERAL INSURANCE

In order that the administration of the program may continue through existing State agencies, even when it is the federally sponsored program, we propose a final change that would authorize the Federal Government to contract for the issuance of Federal insurance to an existing State agency. In four of the 17 States (New Jersey, Hawaii, Indiana, and Vermont) where the Federal insurance is now operative, the majority of the paperwork and contact with lenders is being administered through the State agency, but with the final issuance of the insurance commitment being made by one of the nine Office of Education regional offices. The change we are requesting would enable a State official to perform this task. It has been and continues to be, Mr. Chairman, our objective to look toward the time when this program will be administered through 50 strong, operating State agencies and all of the amendments which we are proposing to you are addressed to that objective.

Thank you, Mr. Chairman.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
May 20, 1968.

Senator WAYNE MORSE,
Chairman, Education Subcommittee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your letter of April 29, relating to the House bill on student aid (H.R. 16729), which subsequent to the date of your letter passed the House and is now pending before your Committee.

1. Your letter asks for a "legal memorandum from the Office of General Counsel setting forth (a) the States in which usury statutes currently operate against an interest rate of seven percent, and (b) a list of States in which the basic enabling statute for student insured loan aid carries an interest rate figure lower than the seven per cent."

Inasmuch as the Office of Education already has this information, which we believe to be reliable, we are in the interest of expedition submitting a list supplied by that Office. (The letter "U" denotes States in which unury statutes stand in the way of a 7% interest rate; the letter "A" denotes States in which the basic enabling statute for student insured loan aid provides for a maximum interest rate lower than 7%. It will be noted that some States fall into both categories.)

Delaware (U), Louisiana (A), Maryland (A), New Jersey (A & U), New York, (A & U), North Carolina (U), Pennsylvania (U), Tennessee (U), Vermont (A & U), West Virginia (U).

We understand, however, that in some of these States legislation that would permit a 7% interest rate is in progress or proposed.

2. The second part of your letter, which we understand had been prepared before the actual text of the House bill became available, asks for our "comments as a matter of public policy, on the impact and precedent that would be set if the Federal Government were to preempt in this field, through Federal legis-

lation, the State role to set for its own instrumentalities policy requirements differing from that proposed by the seven per cent figure in the [House] version of the student financial aid measure now under consideration."

The language of the bill in its present form does not present this issue. Section 8(c) of the bill would amend § 428 of the Higher Education Act of 1965 by adding thereto the following new subsection:

"(d) No provision of any law of the United States (other than this part) or of any State (*other than a statute establishing a State student loan insurance program*), which limits the rate or amount of interest payable on loans shall apply to a loan—

"(1) which bears interest (exclusive of any premium for insurance) on the unpaid principal balance at a rate not in excess of 7 per centum per annum, and

"(2) which is insured (A) by the United States under this part, or (B) by a State or nonprofit private institution or organization under a program covered by an agreement made pursuant to subsection (b) of this section." (Italic ours.)

Thus, if a State statute establishing a State student loan insurance program provides for a maximum interest rate beyond which no insurance may be granted by the State insurance agency, such a limitation, even though below 7%, is not proposed to be affected by the so-called "preemption provision" in the bill.

Sincerely,

WILBUR J. COHEN, *Secretary.*

Senator YARBOROUGH. You think when that objective is obtained it will relieve your nine regional offices from the burden of having to approve each loan; is that right?

Mr. MUIRHEAD. It certainly would, Mr. Chairman.

If you will permit us, Mr. Chairman, at this time, I would like to have Mr. James Moore, the Director, Division of Student Financial Aid, give a brief visual presentation to clarify the different types of Federal guarantee programs in the United States.

Senator YARBOROUGH. Fine. Proceed, Mr. Moore, please.

GROWTH OF PROGRAM

Mr. MOORE. This first chart of the United States illustrates the growth and progress of this program according to the State agency. Here in the Northeastern United States and in those States that are colored in a kind of dark brown are those agencies which were in existence at the time the Higher Education Act of 1965 was passed. The two oldest in the point of time are Massachusetts and New York, going back to 1956 and 1957.

Now, moving on from November 8, 1965, all the States with the pink colors in here, if you will, or rose, represent those in which agencies have been created since the passage of the Higher Education Act.

The five with the goldenrod colors—West Virginia, Missouri, Kansas, Colorado, and Minnesota—are those in which action is going on now headed toward creation of a State guarantee agency. We hope we will see action in them next year.

Might I add, Mr. Yarborough, Texas is its own color because Texas has a special program, as you know, called the Texas opportunity program that functions on a direct loan basis and is not, as is the case with the other 49 or what will be the case with the other 49 States, a State guarantee program.

Senator YARBOROUGH. I noticed that Texas is the only State colored blue. Does that represent the way the students feel about that program?

Mr. MOORE. No, I guess the artist felt this blue color lent something to the overall balance of colors in the whole chart.

The States that are not colored at all—ten of them, beginning with Washington, Montana, Idaho, and so on—are those in which so far as we know today, no action is moving toward the creation of a State agency. We hope, however, this will not be the case in the next year or two.

STATE APPROPRIATIONS

Moving on from the creation of agencies, this next chart indicates what has been done by way of State appropriations for deposit in guarantee funds between the time of the passage of the Higher Education Act in 1965 and next June. These amounts total to about $33 million which has actually been appropriated in those States and deposited. As nearly as we can tell, there are about $30 million now before State legislatures which, if enacted, will bring the total State contribution to the program in excess of $50 million in this two and a half year period.

Again, you will notice the pattern of concentration of State activities in the East, down here, and spreading out to the West.

INTERIM FEDERAL INSURANCE

The third chart illustrates the situation as of today with respect to the interim program of direct Federal insurance. Beginning last summer, as reserve funds were exhausted in Colorado, in North Dakota, Minnesota, and so on, it has been necessary to establish this program in the States which are colored, again, in the goldenrod shade. Again notice the balance between the western part of the United States and the east coast, where those States are still functioning under their own guaranty funds. The final chart illustrates, over an 18-month period, the volume by month of these loans, just in terms of dollars. The chart begins with July of 1966 and ends over here with December of 1967. You will notice in comparing the summer periods here that there has been a considerable expansion in volume in those months immediately prior to the beginning of school in September.

I should add that in this time period, the program was just coming into full swing and was not actually completely operative in all States until the middle part of August of 1966. But it does indicate, again on this monthly comparative basis, where the lending institutions across the country have taken the program in this period of time.

Senator YARBOROUGH. Mr. Moore, those figures you have on each column, that is in millions of dollars?

Mr. MOORE. Yes, sir, it is in millions. The highest one is September of 1967, where the figure went above $97 million for that month.

This concludes our brief session on visual aids.

Senator YARBOROUGH. Thank you.

Mr. MUIRHEAD. Mr. Chairman, if we could ask Mr. Weiss to make a brief statement in behalf of the Treasury, we can continue.

Senator YARBOROUGH. I believe at this point, I will ask that the record include this table on the guaranteed student loan program which represents the figures on the first slide.

(The table referred to follows:)

GUARANTEED STUDENT LOAN PROGRAM

State	Date program established	Type of program	Federal insured student loan program—date implemented
Alabama	October 1966	State agency contract—USAF	
Alaska	Aug. 25, 1966	OE contract—USAF	
Arizona	Sept. 9, 1966	do	Dec. 11, 1967.
Arkansas	Aug. 25, 1966	State agency	
California	Sept. 12, 1966	do	Dec. 12, 1967.
Colorado	Aug. 25, 1966	OE contract—USAF	Aug. 28, 1967.
Connecticut	January 1962	State agency	
Delaware	October 1966	State agency contract—USAF	
District of Columbia	Aug. 25, 1966	State agency	
Florida	September 1966	State agency contract—USAF	February 1968.
Georgia	March 1965	State agency	
Hawaii	Apr. 25, 1966	State agency contract—USAF	Aug. 23, 1967.
Idaho	Aug. 25, 1966	OE contract—USAF	February 1968.
Illinois	Mar. 31, 1966	State agency	
Indiana	Aug. 8, 1966	do	Sept. 11, 1967.
Iowa	July 22, 1966	State agency contract—USAF	
Kansas	Aug. 25, 1966	OE contract—USAF	Sept. 12, 1967.
Kentucky	March 1966	State agency contract—USAF	
Louisiana	July 19, 1964	State agency limited and OC contract—USAF	
Maine	April 1957	State agency contract—USAF	
Maryland	August 1965	do	
Massachusetts	March 1957	State agency	
Michigan	Nov. 19, 1962	do	
Minnesota	Aug. 25, 1966	OE contract—USAF	Sept. 7, 1967.
Mississippi	August 1966	State agency—USAF	
Missouri	Aug. 25, 1966	OE contract—USAF	
Montana	do	do	Oct. 16, 1967.
Nebraska	do	do	Oct. 5, 1967.
Nevada	do	do	
New Hampshire	August 1962	State agency	
New Jersey	September 1960	do	Oct. 10, 1967.
New Mexico	Aug. 11, 1966	State agency—USAF	
New York	June 1958	State agency	
North Carolina	July 1966	do	
North Dakota	Aug. 25, 1966	OE contract—USAF	Aug. 8, 1967.
Ohio	July 25, 1962	State agency	
Oklahoma	Aug 26, 1966	do	
Oregon	Aug. 25, 1966	do	
Pennsylvania	August 1963	do	
Rhode Island	August 1960	do	
South Carolina	Aug. 25, 1966	OE contract—USAF	
South Dakota	May 25, 1966	State agency contract—USAF	
Tennessee	March 1963	State agency limited and OE contract—USAF	
Texas	Sept. 15, 1966	OE contract—USAF and State direct loan	
Utah	August 1966	State agency contract—USAF	Sept. 7, 1967.
Vermont	June 1965	State agency	Sept. 11, 1967.
Virginia	July 1961	State agency limited and OE contract—USAF	
Washington	Aug. 25, 1966	OE contract—USAF	Nov. 20, 1967.
West Virginia	do	do	Oct. 11, 1967.
Wisconsin	Aug. 25, 1967	State agency and direct loan	
Wyoming	do	OE contract—USAF	Nov. 9, 1967.
Puerto Rico	Oct. 21, 1966	do	
Virgin Islands	Aug. 24, 1967	do	

Senator YARBOROUGH. Mr. Moore, would you give us those slides reproduced on paper with some kind of dots or dash marks or something?

Mr. MOORE. Yes.

Mr. WEISS. Mr. Chairman, Under Secretary Barr has asked me to thank the subcommittee for its invitation to the Treasury to testify on this program. Mr. Barr regrets that due to a commitment to appear at another Senate committee hearing, he is unable to be here this morning.

Senator YARBOROUGH. Go right ahead.

Mr. WEISS. We obviously are not qualified to speak as experts on many of the policy issues surrounding this program which are the province of the experts on education in the executive branch and in this committee and in the private community. We do have just a couple of limited points we would like to offer on this subject.

Senator YARBOROUGH. Fine.

Mr. WEISS. First, after our examination of this program and the problems surrounding it, we believe that there is much to be said for the idea of having a program of this nature—that is, a program of loans through the private financial community—if the Congress believes, as it apparently believed in enacting the Higher Education Act of 1965, that it was and is desirable to provide some form of assistance to middle-income and lower middle-income families. We think the constraints of the budget now and in the foreseeable future indicate a need to handle that kind of assistance through the private sector.

In that context, it appears to us from reviewing the statistics and the figures that are available on the operation of the program to date, that the program is quite adequately attractive to the students that it is supposed to serve, and that the problems lie principally in two other areas.

The first is the question of guaranty capacity; the second is the question of the volume of available lending funds.

STATE GUARANTY CAPACITY

On the question of reinforcing guaranty capacity, we have worked with the Office of Education in attempting to develop the best proposal that could be found to reinforce the guaranty capacity of the State agencies. We believe that the reinsurance proposal that Dr. Muirhead has referred to would accomplish that end and accomplish it in an efficient and effective manner.

INCREASED AVAILABILITY OF LOAN FUNDS—SERVICE FEES

On the question of making more adequate loan funds available, the basic observation I would offer is this: The simple fact is that if we are operating a program through the private lending community, we cannot simply order funds to be made available. We have to attract lenders to this program and encourage them to invest their available funds in this program. We believe that as long as the return to the lenders is unsatisfactory, either in absolute terms or relative to the other uses to which they can put their funds, the problem of the adequacy of available loan funds will plague us. For that reason, and in light of the general increase in rates in the money markets since this program originally was enacted in 1965, we believe that some method—preferably a flexible method—of adjusting lender returns is needed in this program if an adequate supply of lending funds is going to be brought forth.

The fee proposal that Dr. Muirhead referred to is the arrangement that we would suggest for accomplishing that end. But the basic principle in any event, we believe, is that some method has to be found for keeping the lender's return at a level that will encourage lenders to make funds available in this program regardless of changes in money market conditions.

Thank you, Mr. Chairman.

Senator YARBOROUGH. Thank you.

Who is your next panelist?

Mr. HUITT. That completes our formal presentation, Mr. Chairman. We are now available for questions or to move aside for the next witnesses, however you wish to handle it.

Senator YARBOROUGH. I have one or two only and we have been joined by Senator Javits, who has been very active in these educational programs and doubtless has questions.

He may want to ask witnesses, Mr. Huitt, both of education and from the institutions of higher education themselves to testify.

I have a question here.

What amount of money do you plan to lend, have you already advanced and will advance up to the 30th day of June, under the Government loan program of the National Defense Education Act of 1958?

Mr. HUITT. I would like to ask Mr. Muirhead to answer that.

NATIONAL DEFENSE STUDENT LOAN PROGRAM

Mr. MUIRHEAD. The national defense student loan program is continuing and it is a very popular program, as of course you know, Senator Yarborough. It is being supported this year with an appropriation of $190 million. The loan level of the program is considerably higher than that, because added to the appropriation of the $190 million is the institutional contribution of 10 percent, plus the repayments which are now starting to come in in significant amounts. The total loan level that we expect to have in this college year approaches $250 million.

Senator YARBOROUGH. I wanted to be certain the Bureau of the Budget did not cut back the $190 million we appropriated. That is the purpose of my question. I think with increased enrollments, we should have been increasing the Federal appropriation at a higher rate than that. But those of us serving on the Appropriations Committee, as Senator Javits and I do, know that it is very, very difficult to get appropriations for domestic programs at this time.

Mr. MUIRHEAD. The national defense student loan program is continuing to grow and to reflect the increasing enrollment in the colleges. Despite the fact that the appropriation level this year is the same as last year, the amount of money available for loans in the colleges and universities this year will be considerably higher than last year.

Senator YARBOROUGH. All the hue and cry we hear about appropriations and the mail I get and the tone of the statements through the public media is for cutting back on all these domestic programs; that they are unnecessary when the war is costing so much. I do not subscribe to that theory. I happen to believe it is more important to build America than it is to destroy some other countries and I do not want to see these educational programs cut back. I think it is vital to the safety and strength of this Nation that we educate our youth.

Senator Javits?

Senator JAVITS. Yes.

ENCOURAGING HIGHER EDUCATION

Mr. Chairman, first, may I identify myself with the views of the Chair with respect to this matter and say that I do not think we are doing everything we should in the higher education field. This is the

most critical approach, equipping the student with money to pay his way in return for an obligation to repay when he can repay. This is very strong character-building and very much in the tradition of the country. I believe this can have a more extensive impact than grants, scholarships, and fellowships. It is a very sound way to proceed.

I am very proud that when a Senator, the now President, Lyndon Johnson, and I put in the first bill on this in the Senate.

Also, I would like to identify myself with the very fine statement of my colleague and friend, Senator Yarborough, on the tradition of our country. My own staff people have dug up a rather interesting statement from a President who can stand building up in American history and that is Herbert Hoover. In his inaugural address 40 years ago this week, he spoke about education.

He himself was a poor boy, we must all remember, who came to be a great engineer and humanitarian. He said, "If we would prevent the growth of class distinctions and constantly refresh our leadership with the ideas of our people, we must draw constantly from the general mass. The full opportunity for every boy and girl to rise through the selective processes of education can alone secure to us this leadership."

So I hope, Mr. Chairman, that Mr. Hoover's stature may rise a bit in all eyes considering the holocaust that he encountered economically.

Senator JAVITS. But we do have to do this in an expert way or it will not work. So I would like to ask you these questions.

You have mentioned that about $250 million will be available in direct NDEA loans.

What do you estimate for the comparable period to be the volume of guaranteed loans which we are discussing here today?

Mr. MUIRHEAD. For the comparable period, we expect that the level of guaranteed loans will go somewhere in the neighborhood of about $475 or $480 million.

Senator JAVITS. When did that overcross? In other words, when did the guaranteed loans begin to exceed the direct loans?

NUMBER OF GUARANTEED LOANS COMPARED WITH NDEA LOANS

Mr. MUIRHEAD. Senator Javits, that occurred during the first year of the operation of the guaranteed loan program. Despite the fact that it started at a most difficult time, the number of loans supported in the first year of the guaranteed loan program exceeded the number of NDEA loans.

I think an explanation of that, Senator Javits, is to be found in the fact that the guaranteed loan program extends to a much larger group of students than does the NDEA loan program, which has a much stricter financial means test.

Senator JAVITS. Now, considering our budgetary problems here, could you give us some comment regarding suggestions that it would be possible to phase out the direct appropriation and just rely on the guaranteed loans?

Mr. MUIRHEAD. Undoubtedly, we could make such suggestions to you, Senator Javits, but we would be reluctant to do so because the NDEA loan program has a very special mission, a mission that is

intended to encourage, assist, and induce young people from low-income families to obtain higher education. The purpose of the guaranteed loan program is not precisely that. The purpose of the guaranteed loan program is to assist young people from middle-income families, who are finding it difficult but not intolerable to pay the cost of higher education.

Consequently, there is and will continue to be a need, in my judgment, for the NDEA loan program along with the guaranteed loan program.

Senator JAVITS. Aside from the understandable timidity of the low-income family to borrow money, is there any reason to believe that the children of a low-income family is going to do less well in the years ahead than children of the middle-income family?

Mr. MUIRHEAD. I don't think so. I do think, however, Senator Javits, that the child from the low-income family, with a large burden of debt facing him when he finishes higher education, is placed at a disadvantage in comparison with the child from a middle- or high middle-income family. In most instances, I think the middle-income family or the high middle-income family will contribute to paying off the loan of the student, whereas the children of the low-income family will not have that opportunity.

Senator JAVITS. As you may know I have some personal background in the matter. I am the child of a family in the poverty classification and I paid my way through law school, partially by working and partially by borrowing.

Now, assuming that you made an allowance, as I say, for supporting a family and were more liberal in your terms and more liberal in waiting periods due to unemployment, et cetera, does it really make any difference to the lending institution, so long as it is getting its interest and has the U.S. guarantee?

In other words, what difference does it make to a lending institution if a loan takes 10 years to pay or 8 or 7 or 6; isn't that true?

Mr. MUIRHEAD. I do not think it makes any difference to the lending institutions if we can devise a way to assure them of a profit that is reasonable. I respond to you quite comfortably, Senator Javits, since I am the son of a poverty-stricken coal miner.

Senator JAVITS. We are both "experts."

Mr. MUIRHEAD. Yes.

I think the point at issue as to whether or not the guaranteed loan program would serve the purpose of the low-income student has to be placed in the context of what you and your associates in this committee have already decided is an effective way to help low-income youngsters. You have, through a brilliant series of legislation, constructed a student financial aid package consisting of loans, work-study opportunities, and opportunity grants. And you have said in effect that the college student financial aid officer should counsel with each youngster who comes from a low-income family and try to fashion with him the best method of financing his higher education. Should he take a job, should he get a grant, should he borrow money, and it will vary from youngster to youngster. If we were to remove the NDEA student loan program from that package, I think we would do damage to the concept that you have so long expounded.

RATIO OF NDEA TO INSURED LOAN

Senator JAVITS. Well, now, let us assume that you have a dollar in the NDEA loan. That same dollar in the guaranteed program will get you how much in lendable funds?

Mr. MUIRHEAD. At the present rate, it runs about 10 to 1.

Senator JAVITS. So if we contributed $250 million to the guarantee program, we could get $2.5 billion in loans, five times the present program; isn't that true?

Mr. MUIRHEAD. You are quite right.

Senator JAVITS. For the same expenditure. That is worth using your head on; is it not?

Mr. MUIRHEAD. For the same expenditure, with some possible exception. We, of course, are going to have to pay for the use of private credit, as we should. The comparable element of expense under the NDEA loan program is the cost of money to the Government. That cost is, of course, somewhat less than the interest subsidy paid to the private institution under the guaranteed loan program.

Senator JAVITS. Quite frankly, I think it is our bookkeeping which is ruining us. I could not agree with you any more, whether it is a guaranteed loan or a direct loan. But I have a lot of colleagues with very careful spectacles also and they look at the appropriations. They don't care about the fact that it is a loan that is going to be paid back. That is what we are up against. We would like to give this program wings. I believe all feel as I do in this particular regard almost without exception.

But we are in a bind due to budgetary restrictions and I am trying to get you fellows to untrap us by untrapping your own minds.

In order not to extend the questioning, may I ask the panel to be good enough to submit its ideas on how we can meet the problems of the NDEA regarding what has been termed "phase out" by some and how we can achieve a maximization of the guaranteed program, bearing in mind that our ultimate objectives of aiding students—certainly mine, and as I say, I am sure Senator Yarborough—are the same as yours. Let's get the maximum for what we appropriate.

But right now, it seems to me with the appropriation bind we are in—we are both on the Appropriations Committee—we ought to really make an effort in this and as Lincoln said, disenthrall ourselves.

I agree with you, it is nice to make out a nice package as the individual student needs it, but we are in trouble here and this program ought to be bigger. It is a hard thing to do right now. We need a little help from you fellows who are experts to help us how to do it.

The next thing I hope, too, is that you bear in mind for an objective as desirable as this why the President of the United States couldn't rattle the banking community and get commitments from them as to how much of this they will lend to students at 6 percent. Sure, they do not make as much money on this as they make on some loans, and today they are making in excess of 6 percent in some places. But this is marvelous public relations for banks. They all admit it, because it gets new customers, boys and girls who are going to be important people in the days ahead.

So please be kind enough. I am not trying to be an adversary, but we have to get ourselves geared up to thinking in other terms due to the problems we face here; it is desirable to have this information and

I would greatly appreciate it. I hope the chairman will bear with me in making that request. I ask unanimous consent that the information be forwarded to us.

Senator YARBOROUGH. Well, is the Senator asking that HEW give him a plan of proposed phase out of the National Defense Education Act?

Senator JAVITS. No.

Senator YARBOROUGH. I don't think that administratively, they ought to. I am opposed to it.

Senator JAVITS. All I am asking is that we get such ideas as they have, even going beyond the ideas which are contained in the proposed amendments, which would buttress and make it possible to get even more out of the loan guarantee program. Then it is up to people like me, if I think it proves it, to argue that the additional money may be better spent on the guarantee program.

But that is not for them to do. I am not trying to change anything.

Senator YARBOROUGH. On any information you want, Senator, I will be glad to cooperate with you in furnishing it, but I will not ask that they be directed as a matter of policy to make any suggestion for phasing out of the program.

Senator JAVITS. That is not what I am asking.

Senator YARBOROUGH. I hope I never see the Federal Government withdrawing from any commitment in this field.

I will not labor the point further. I am supporting this guaranteed loan program because we were assured when it was first proposed here by the administration that they would never use this as a lever to try to do away with the NDEA student loan funds. There is a difference, a vast difference in the way they handle it because of the Government being a service institution to help the people and the private lenders being created for the purpose of making a profit for their stockholders, and never the twain shall meet.

Senator JAVITS. Mr. Chairman, to make it crystal clear for the record I am not advocating any particular thesis here this morning. I hope I am never a politician who is afraid to ask a question because the implication may be that I am going to take some position based on the question I have asked. I want to know everything and if there is a better way to do it, Mr. Chairman, I want to find out what it is. I am just asking these gentlemen to get me the benefit of their expertise. I want to examine the facts. Right now, I am for this program as I have been consistently in the past. But if I am persuaded that there is a better way to produce more for the student, I will be for it. I am not a bit afraid of asking the question because of any implication that might be read into it.

So gentlemen, I ask you to give me the benefit of your thinking on this subject. Then I will advocate what I think is right. If I advocate it, I will stand up for it. But that does not mean I will because I asked the question. But I certainly am not inhibited in asking the question.

Senator YARBOROUGH. Well, gentlemen, any ideas that you have, I think you should comply with the request of the distinguished Senator from New York.

Senator Javits, I understand you to say that you wanted to phase this out and it was my understanding that you felt that would represent the sentiments of the other members, also. I just wanted to make

clear that I did not agree with that summary and that we had a sharp difference of opinion there.

I ask the panel to furnish Senator Javits all the information you are able to furnish him along the lines of his request.

UNUSED RESERVE CAPACITY AT SCHOOLS

Senator JAVITS. Mr. Chairman, I believe a reading of the record will show that I made no suggestion involving any conflict or adopting any policies.

Now, gentlemen, on August 8, 1967, Assistant OE Commissioner Albert Alford wrote me saying, "The Office has received numerous complaints from students and parents that the college in which their child is enrolled has exhausted its reserve capacity and they are unable to get a loan guaranteed even though a lender is willing to make the loan. At the same time, reserve loan funds are lying idle in other colleges within the State."

How do you suggest this situation might be dealt with? That is, where you have some colleges having exhausted their reserve capacity while there are other colleges within a particular State where the reserve loan funds are lying idle?

Mr. MUIRHEAD. We would hope to resolve that situation, Senator Javits, by the passage of the proposed Federal reinsurance proposal. Under this proposal, the guaranty funds of the State agencies would be increased by fivefold as a result of the use of the Federal credit. For example, if a State now has $100,000 in guaranty funds which is not incumbered, the Federal reinsurance would permit that to grow to $500,000. Using the 10-to-1 ratio of loans that that supports, that State could then provide and support guaranteed loans at the level of $5 million.

It is to the very point that you have underscored in your inquiry that this proposal is directed. We have found that the guaranteed loan program has a tremendous potential. The number of young people eligible for the program may very well extend to 85 or 90 percent of the college population. In order to provide the guaranteed funds needed to support loans for such a very large population, the Federal reinsurance proposal has been brought forward.

We will, of course, follow your suggestion and see if we can be more creative in finding ways to use the private support of this Federal program.

RESTRICTIVE RESIDENCY REQUIREMENTS

Senator JAVITS. Fine.

I have received complaints regarding students unable to obtain guaranteed loans because of restrictive residency requirements. How can we help?

Mr. MUIRHEAD. There have been problems. It is our hope that those problems will wither away as the program becomes better established. When we do reach our goal of having 50 strong operating agencies with sufficient guaranteed funds to provide loans to all the eligible students, then there will be no necessity for the State to set up restrictions as to where the student may study. There are situations now where States with limited guaranteed funds decide to provide loans only for students attending colleges within their own borders.

But if we remove that funding restriction, I am reasonably certain that the States would guarantee the loan and let the student have freedom of choice.

Senator JAVITS. Do you think anything ought to be included in the amendments which would allow the Commissioner to do that in these cases where that state of fact exists?

Mr. MUIRHEAD. We have not proposed a specific amendment for that point, Senator Javits, in the belief that with the passage of the reinsurance proposal—along with other amendments which will make the loan program more attractive to the States—they would then make these decisions rather than have them proposed by the Federal Government.

INTEREST SUBSIDY

Senator JAVITS. I ask for comments on proposals given us here for a provision to end the Federal interest subsidy when the borrower himself shows or has the capacity based on his earnings to pay.

Mr. MUIRHEAD. This is a problem, Senator Javits, that I think has to be explored. As you know, of course, the way the law is written now, the student who is eligible for the subsidy gets the fall subsidy during his college attendance and a partial subsidy during repayment—with no recognition of his earning capacity. It may very well be that something of this kind could be examined.

Senator JAVITS. Could you let us have any view you have on that score?

Mr. MUIRHEAD. I would be glad to.

Senator JAVITS. If there is any feasible way to do that; if it is just a matter of freeing money for people who need it more than others.

Mr. MUIRHEAD. Yes, sir.

GUARANTEED LOANS BY UNIONS

Senator JAVITS. In this summary of the bill, it indicates that the Commissioner may approve certain funds as eligible lenders, that would include the pension and welfare funds of trade and similar organizations?

Mr. MUIRHEAD. Yes, sir.

Senator JAVITS. I think that is a most desirable thing.

Thank you, Mr. Chairman.

Senator YARBOROUGH. Thank you, Senator Javits. As always, you have made a very searching inquiry. It is a pleasure to serve on the committee with you with your intellect and humor and your very pertinent questioning.

I just want to ask your panel, Mr. Muirhead, to do some research in these problems. I have had students object by letter and so on that when they went to borrow money on this program, they were required to establish a credit rating. Many students had no credit rating but they had to borrow. Some were told they would never get surety or endorsers on notes. Others were told they would have to open an account in the lending agency. Others were told their family was to move its account over to the lending bank if the father or the family had an account in another bank. I have just scratched these down from memory. I do not remember all of them but I remember these four. I

think that these are problems that should be gone into very thoroughly on this guaranteed loan program.

Just a couple of small questions here.

Mr. Muirhead, in your statement, under your additional proposals, you have this:

"Encouraging the State agencies to defer repayment by students for period of service in the military, Peace Corps, and VISTA, or for students who have left school but return as full-time students * * *"

Now, if they deferred repayment for the period in the military and immediately required repayment on return, many young men are in a more difficult position to repay immediately upon return from military service than they would be perhaps in military service. I have not had time to read that requirement and I hope some study will be given to changing the term from immediately after their release from military service to after they go back to school or have some time to make some money—to give them a grace period.

You say:

"Making the program consistent whether the loans be State or privately guaranteed or federally insured."

Does that recommendation include also the NDEA loans? Are you referring there solely to loans made by private institutions?

Mr. MUIRHEAD. We are referring here, Senator Yarborough, to the two guaranteed loan programs, which we refer to as the college——

Senator YARBOROUGH. This would have no relation to the college NDEA program?

Mr. MUIRHEAD. It does not have any relationship to the NDEA student loan program.

Senator YARBOROUGH. Thank you very much.

Senator, any further questions?

IMPORTANCE OF NDEA

Senator JAVITS. I have nothing further.

Mr. Chairman, my staff has just given me the key to what concerned the Chair and I would like to correct that for the record, if I may.

What concerned the Chair, I believe, were the words "phase out." I had no such thought.

Senator YARBOROUGH. Twice the Senator used either "phase out" or similar words that caused the Chair to think he intended to absolutely liquidate or phase out the Federal student loan program.

Senator JAVITS. Not at all. I agree with the Chair that we are committed to this extent. What I was thinking about is the fact that we really have to do a great deal more. I am searching for ways in which we can do more and at the same time meet with the views of some of our colleagues—and I will not characterize them ideologically—in this appropriation business. I wish to assure the chairman it is my fault. I did not wish to use words which would change the commitment in which I am joined.

Senator YARBOROUGH. I am greatly relieved that the distinguished Senator from New York did not intend to lend his great talents to phasing out the NDEA loans.

Senator JAVITS. It is my fault. Thank you very much.

Senator YARBOROUGH. We are joined now by the other Senator from New York who is greatly interested in education, is chairman of the Senate Subcommittee on Indian Education, and has done a great deal of work in this field.

Senator, do you have any questions of our panelists?

Senator KENNEDY of New York. I have no questions at the moment. I am interested in the legislation. I will read the testimony of the panel and I appreciate their coming.

Senator YARBOROUGH. Thank you, Senator.

Gentlemen, if you will, you may step aside. You may leave if you wish. You are invited to stay, but we may call you after all the other witnesses have testified in hearings today and tomorrow and other hearings to get the Government's recommendations in the light of all the testimony and recommendations.

Thank you, gentlemen.

Mr. HUITT. Thank you, Mr. Chairman.

Senator YARBOROUGH. Gentlemen, we will next hear from a panel representing the colleges.

Will you come around, please, Mr. Gahagan, of the Coordinating Council, Texas College and University System; Mr. Sample, director of the student financial assistance of Indiana University, and Mr. Critchfield, Mr. Purdy, and whoever else is here?

Mr. Purdy, will you introduce the panel who is here?

STATEMENT OF ALLAN PURDY, DIRECTOR OF STUDENT FINANCIAL ASSISTANCE, UNIVERSITY OF MISSOURI; ACCOMPANIED BY EDSON SAMPLE, DIRECTOR, STUDENT FINANCIAL ASSISTANCE, INDIANA UNIVERITY; AND JACK CRITCHFIELD, DEAN OF STUDENTS, UNIVERSITY OF PITTSBURGH

Mr. PURDY. Mr. Chairman, gentlemen of the committee, on my right is Mr. Sample, who is director of student financial assistance at Indiana University. On my left is Mr. Jack Critchfield from the University of Pittsburgh. He is the dean of student activities there and is in charge of the student aid program.

I am Allan Purdy, director of student financial aid at the University of Missouri, but not representing just the university. I am also chairman of the National Student Financial Aid Council composed of representatives of regional organizations of those who are administering the student aid programs at the colleges, universities, and junior colleges throughout the land. Mr. Critchfield is a member of that council. Mr. Sample is editor of our newsletter. So we are vitally interested in these programs as they operate on the level where they help the student in the institutions of higher education.

Senator YARBOROUGH. Gentlemen, you will proceed. Have you agreed among yourselves as to any particular order in which you want to present your statement?

Mr. PURDY. We have no agreement. Which would you like to hear first?

Senator YARBOROUGH. Mr. Purdy, you may begin.

Mr. PURDY. To take up the atmosphere of the morning, I could join the members of the committee who have talked about their back-

ground, having been reared on a farm in Missouri during the depression. I too could tell you that corn was 17 cents a bushel when I was trying to save money to go to college. So I think we all have experienced what it means to look upward and know how hard it is to get there.

I think that very background has given many of us a sincerity in looking at the student aid problem, with which we can use our experience and our wisdom to actually help the students who are wanting to get a higher education.

I would be particularly interested, Mr. Chairman, in having a chance to read what you are proposing in terms of a universal higher education bill. I think as a society, this is probably one of the directtions that we should be heading. In fact, I have often felt that some of our financial aid programs of the moment may be mere stopgap measures to be used until such a broader program comes into being. We have many problems in higher education today and I sometimes feel that it is a little unfortunate that we try to solve some of these major problems through the financial aid office. I think they are too large to be solved that way, and I have an idea that some of the plans that the committee members are thinking of are leading us in a direction toward broader solutions to these problems.

NECESSITY OF NDEA LOAN PROGRAM

I may say I would have been a little disappointed if you two gentlemen had come to a final agreement to "phase out NDEA loans," Senator Javits. Those words to all financial aid officers immediately makes us prick up our ears, because they were used a couple of years ago. I think you two have come to an understanding of the very basic necessity of an NDEA loan program. At the college level, NDEA provides a certain amount of money with which we can indeed assure a student from a low-income family that a loan will be available to him. All of us have had these experiences and I think just one example will emphasize what I mean. Not long ago, a girl appeared in my office for whom we had worked out a fairly complete financial aid package, because she had absolutely no help from home. I wondered why she was asking to see me, because she had gone to the cashier's office where her bills were to be paid, her checks were there waiting to be used for her dormitory and for her fees.

The thing that had actually happened was that this girl did not know how to endorse a check. The cashier was not aware of her problem, so the answer was, "Well, go back to the financial aid office and they will help you."

Of course, this is the attitude that we like to see built in our institutions, that the financial aid office is there and they do have a sympathetic understanding of the students situation. But this does illustrate the need for NDEA, for this reason: some of the folks from the very low-income families frankly have never seen a check. They do not know what it is to go into a bank.

Senator YARBOROUGH. Dr. Purdy, I am entranced with what you are saying. I will read it all. I agree with what you are saying. I am on the way to another committee and I ask Senator Kennedy tempo-

rarily to preside, because I have to go down to the Veterans' Committee and help these veterans in another matter.

Mr. PURDY. Thank you, sir.

By way of summarizing I will say that the NDEA loan program at its current level certainly needs to be maintained. I do have a written testimony here which I will not read to you, because it is a little lengthy. You can study it at your convenience. It was originally prepared as speaking to a number of the amendments and not just the loan program, because in the shops back home, these aid programs are coordinated to make a financial aid package for the student.

Senator KENNEDY of New York (now presiding). Without objection, your statement will be entered in the record in full.

Mr. PURDY. Fine, sir.

In order to shorten the hearing this morning, I will not comment on all of the others.

CANCELLATION OF NDEA LOANS

One thing, and again we do not know whether you would agree or not, but I mention an idea in which the NDEA will be less costly to the Federal Government. We have proposed taking another look at the NDEA cancellation features. This bill (S. 3098) proposes to add still another category of loan cancellation, all of which is very excellent. Except that since we cannot cover all of the worthy areas of cancellation, it is a bit difficult to administer to cover part of them and then have other students say, "Well, why am I not also eligible for cancellation?"

A girl says, "I am going into social work. This is certainly a low-paid field. Yet others are entitled to cancellation and why am I not?" This, I think, raises the problem for us to again search our souls to see if the cancellation provision isn't indeed a discriminatory type of program. I think we ought to question whether to continue it. It is now costing millions each year, which, if not canceled, could go back into the fund and operate as a revolving fund. And as the NDEA loans become revolving, then it would require less to be appropriated in fresh money each year.

Speaking specifically to the guaranteed loan program, first of all, it is fulfilling a great need for credit beyond that which the NDSL has been able to provide. It is providing this credit from private sources which taps another great resource of our Nation. Some of us have been in this guaranteed loan business, not since 1965 but since 1962, having entered into it 3 years before the Government joined in the effort. The University of Missouri entered it initially by getting our alumni to put up the guarantee fund and having the United Student Aid Fund carry the paperwork of doing the guarantee. At that time, the students were paying their own interest.

COLLEGE USE OF PRIVATE LOANS

We used it largely for students who were older, married students, and those who were nearer graduation. They would soon be graduating and soon pay it back so that the 6-percent interest which they were paying would not go on for long and would not be such a great burden.

The idea does work. The interest subsidy, of course, brings it within reach of a class of student which really could not afford to pay the interest subsidy for a long period of education.

INCREASED RETURN TO LENDERS

We are plagued, as you know, and there are letters here bearing out the fact that there are students who have not been able to get loans because of insufficient leader participation. We are certain in this land of private enterprise that people will participate in any program in which there is a reasonable profit. So therefore, we assume that the lender return will have to be increased in some way to get more participation from more lenders. The exact means of increasing that lender return, the financial aid man is willing to leave up to the legislators and the people who handle the finances of this society, because I think they are wiser than we in financial matters. Whether it be by an increase in interest rate, or fee, or some other means of making this a palatable program from the standpoint of a lender, we will leave to Congress. Whereas the lender might me making loans on a small scale for the benefit of students whom he knows in his local community, I doubt that he can be expected to continue on a wide scale. Maybe it would be just as logical to go to the clothing industry and say, "you should sell clothes to students at cost," as it is to say to the banking industry, "you should give loans at cost," if indeed this is at cost. I will let someone else decide that. So we have suggested that the lender participation be increased by whatever means it takes to induce them into the field.

Of course, uniformity of benefits is necessary in any loan program so that we do not have many different types of regulations to keep up with, so anything that we can do to make the benefits more uniform is good.

We think the increases in lending from $1,000 a year up to $1,500 per year is justified on the undergraduate level.

ROLE OF STUDENT FINANCIAL AID OFFICER

I think one of the very specific things I would like to point out from the standpoint of the financial aid officers is a thing which we see happening to some extent. We have at the institutional level rather little involvement in the guaranteed loan program. All we have to do, really, or all we are permitted to do is to rubber-stamp it, "yes, the student is in school." We find that many of these borrowers, Senator, are borrowing for the first time in their lives. The one thing they have not experienced yet is the difficulty of repaying when the time comes. Therefore, financial counseling is part of our job. We find that this is needed rather badly.

In December of this year, in my own institution, guaranty funds were running a bit short and we had applications stacking up, more than we thought we would be able to handle. I asked our staff to call in all these students who were at that time in school and talk with them concerning their needs and the amount which they had requested. The amount which had been requested was considerable. After talking with them, we met the needs of each and the total was only about 60 percent of the amount that they had originally requested, and they had

requested it in good faith. I am not accusing them of anything other than the fact of inexperience.

We said, look, we will go ahead and approve these loans at what we have agreed on and we will make every effort to help you get the loan. Then if you ever need any more, come back and we will help you get it, too. But we were able to reduce their loans to about 60 percent of what they were originally asking.

Senator JAVITS. Let me interrupt you there about being able to get the loan.

What do you mean by that. Were you not dealing with NDEA funds at that point.

Mr. PURDY. No, sir; our NDEA funds were exhausted at that point. We were entirely dependent upon the bank loan program, which was working well, but which we in Missouri—you notice we were one of the blank States—for a few weeks were dependent upon institution-provided guaranteed funds. Our legislature has since come through with a program. But for a few weeks, we were not in operation except as we dug up money through our alumni association. Therefore, we had a squeeze on. We told the students this was a temporary squeeze. But it is interesting that the inexperience of the borrower without counseling sometimes puts him in a position of borrowing more than he really needs.

So this is one of the phases which we think is quite important. Not only does it use up the available credit capacity pretty fast, but we think the individual would be wise to keep his borrowing just to that which it really takes to get him through—not to go hungry; just to live a normal campus life, but not to borrow in excess. These are some of the things that we face on the home level.

I think I will turn the microphone over to my colleague now and will enter into further discussion later.

(The prepared statement of Mr. Purdy follows:)

PREPARED STATEMENT OF THE NATIONAL STUDENT FINANCIAL AID COUNCIL, PRESENTED BY ALLAN PURDY, DIRECTOR, STUDENT FINANCIAL ASSISTANCE, UNIVERSITY OF MISSOURI

The National Student Financial Aid Council is composed of representatives of regional organizations of Student Financial Aid Administrators in both public and private institutions of higher learning, large and small, throughout the nation. I am Allan W. Purdy, Chairman of the Council, from the University of Missouri, Columbia. I am also Chairman of the Financial Aid Commission of the Committee of Student Personnel Associations.

We appreciate the opportunity to discuss these amendments for financial aid to students.

1. Higher Education is now provided with separate Federal programs making available loans, part-time jobs, and grants to students in need of assistance. Most colleges and universities administer these funds through a central student financial aid office. Therefore, the amendments which would provide a degree of consolidation for funding and for administration would facilitate coordination of the whole operation. The provision for shifting not more than 20 per cent of the monies from one fund to another would add some needed flexibility and would enable the individual financial aid officer to make the wisest use of the funds in helping worthy students.

2. Thus far, the local institution has carried most of the administrative cost. The provision for federal funds to share these costs on a three per cent basis is a welcome move.

3. Since the programs are to be consolidated to some degree, it is logical for the U.S. Office of Education to have just one advisory committee instead of three.

4. The Educational Opportunity Grant Program is in its second year of operation and is filling a real need for the many students from the very low income

families. The suggested changes will improve the program and make better use of the federal aid dollar. The $1,000 annual maximum is a practical change. It is also wise to recognize that some programs take five years of study and some disadvantaged students will need remedial courses. We believe it would also be wise to recognize that some will be advised to take a lighter load and will need more than eight semesters to graduate.

Every institution should be required to maintain its efforts in aiding students, but not requiring matching on an individual basis will save a great deal of administrative time and costs.

The current proposal calls for the program to continue practically without change for fiscal '69. We would like to see college work-study permitted to count as matching for E. O. G. during the 1968–69 school year.

5. The National Defense Education Act Loan program is in its 10th year and has proved to be a real answer to part of the student need problem. It is especially necessary where loans are required for the very needy. A strong N.D.S.L. program should be continued.

There is a proposal to extend partial loan cancellation to yet another category of employment. While the new category seems as logical as the others, we wonder if continuation of any cancellation is wise? The Study of the College Entrance Examination Board completed for the U.S. Office of Education fails to find any concrete evidence that the cancellation feature of N.D.S.L. has increased the number of teachers. As it stands now, it creates a disparity between teachers who did get a loan and those who may have put forth an even greater effort during their college days so they would not need a loan. Also, it discriminates between the teaching profession and, say, the social workers who also are on a low pay scale. E.O.G. now provides grants for the needy while in college and we wonder if a continuation of gifts after graduation is really necessary?

We recognize that there are problems in getting a sufficient number of highly qualified teachers, but we would rather see an over-all effort that would improve the lot of *all* teachers rather then continue a partial, piecemeal, effort through the financial aid program.

6. At the present time the law provides for the cancellation of liability for a National Defense Student Loan only in case of bankruptcy, death, or permanent disability. By the very nature of the program, which provides financial encouragement to impecunious students, some difficulties in collection are to be expected since usual credit standards are ordinarily inapplicable in the awarding of National Defense Student Loans.

Currently, insttiutions have no mechanism for removal of uncollectable accounts; and, thus, they remain as "deadwood" in the institutional records.

It is thus recommended that the Commissioner of Education be granted specific authority to determine the uncollectability of National Defense Student Loan accounts and specify by regulations a mechanism for assigning such accounts to the United States Office of Education for collection or cancellation as circumstances dictate.

7. We support the provisions in S–3098 relating to College Work-Study. It brings the program in step fiscally with the other major student aid programs.

The College Work-Study Program is one of the most vital parts of financial aid and is of particular value for the disadvantaged student. It provides work experience of a caliber which is seldom matched by other employment opportunities and permits the disadvantaged to gain job training which would in most cases be unavailable to him elsewhere.

Some problems are created for both off-campus public agencies and institutions of higher education in meeting the existing 85 per cent Federal and 15 per cent matching formula. Even greater problems are anticipated when the present formula is changed to 80 per cent Federal-20 per cent matching on August 20, 1968. Some campuses will have difficulty in meeting the wage scale imposed by the Fair Labor Standards Act while at the same time the institutional matching share is greater. This will in effect cause a reduction in the number of students on the Work-Study Program in some schools. It is strongly recommended that provisions be implemented permitting the formula to be amended to 90 per cent Federal and 10 per cent matching for fiscal year 1969.

8. The Amendment to provide Special Services to the Disadvantaged has hearty approval. It is a needed complement to the other Federal programs. We are providing funds to get the disadvantaged to college, but many have special social and academic problems. If we don't provide the special tutoring and counseling that they need, then we have just created another drop-out. This time it would be a college drop-out and his educational opportunities would be ended.

9. College enrollments are increasing. College costs are increasing. Hence, if we are to meet the needs that are increasing, the funds we put into student aid should keep in step with rising requirements. The current recommended funding by the Administration which holds appropriations to the current level will not be sufficient to keep up with expanding enrollments. We realize the financial pinch on the federal budget, but we hope that the needy students will not be shorted for funds in 1968–69.

10. While we are on the subject of funding, we sincerely appreciate all efforts at all levels to provide advance funding so the institutions can get the word to their students in time for them to plan for the coming year. This is vitally important.

11. The Guaranteed Loan Program has proved to be a valuable part of the Student Aid program. In an 18 month period ending December 1967, over 685,000 loans totaling more than $550,000,000 were made to students. An analysis of 287,000 guaranteed loans shows that 32% of the borrowers came from families with income levels under $6,000 and 58% under $9,000 annual income.

The Student Financial Aid Office is daily confronted with the situations of the students who do not have access to a guaranteed loan. This lack of opportunity is due primarily to the fact that a sizeable portion of the potential lenders are not participating in the program. In addition a sizeable majority of those who are participating have placed restrictions on the amount of funds available for this purpose. Most are restricting the loans to students whose parents have an established account with the lending institution.

The financial aid officer has another concern which may have a direct bearing on the program. Under current practices, the interest subsidy cost to the Federal government will mount rather sharply. Assuming that there is an upper limit of total funds available for financial aid to students, we wonder if the guaranteed loan program will in time siphon off funds badly needed in other programs? The removal of all interest subsidy at the beginning of the payoff period would save a substantial amount of Federal dollars and would place a greater degree of responsibility upon the borrowers.

In addition it would add an incentive for the loan to be paid off readily after graduation. A further advantage would be the simplification of administrative detail for the lender during the pay out period. The guaranteed loan program offers many problems and as you know, it is difficult to get a general agreement on the best way to improve it. Since a detailed discussion will be presented by the National Conference of Executives of Higher Education Loan Plans later in this hearing, we will reserve further comment at this time.

Again, we thank you for the opportunity of presenting our thoughts and of working together with you and with the Office of Education in a unified effort to keep the door of educational opportunity open for those who need help.

Mr. PURDY. Mr. Critchfield?

Mr. CRITCHFIELD. Thank you, Mr. Purdy.

Senator Javits, I appreciate very much the opportunity to make a few remarks at this time. They will be brief and I will add that they represent, I hope, a good segment of the financial aid administrators, at least in the eastern part of the country.

GREATER RATE OF RETURN TO LENDERS

I am concerned primarily that the guaranteed loan program is serving adequately to meet the purpose of total financial aid, to bring about equal educational opportunity beyond the post-secondary-school level. It is my opinion at the moment that the guaranteed loan program is not doing that to an optimum extent. I think the proposal to add a greater rate of return through a fee paid to the private lender will assist to some extent. I do not think it will solve the problem entirely.

CONSIDERATION OF FAMILY INCOME

I believe that the financial aid officers are not opposed to loans of low interest being provided for students who come from families that

are not exactly needy, but I think they are concerned that loans of low interest being provided for nonneedy families to some extent are taking away the capital that should be provided for the students of the lower income levels. I happen to believe that if the program is to continue, there will be enough demand from upper middle-income families to continually drain the resources of the private lenders to the extent that there is still question as to whether or not funds will be available for the truely needy student, the one who has no other opportunity to get his higher education expenses other than through the opportunities of NDSL, which sometimes are not provided in adequate funds to institutions, sometimes do not exist to a great enough extent to provide the total assistance needed.

I believe the opportunity to consider again the provisions of the guaranteed loan for all people regardless of income, even though the interest subsidy is now restricted to those under a certain income level of $15,000, is one that deserves additional consideration.

The 6-percent interest, even with the placement fee, which will not come from the family, it seems to me is a real bargain for many of the families who are now taking advantage of the guaranteed loan. I happen to believe that the loans are not always being used for educational purposes by certain families. They are indeed loans of convenience. My concern is only that this use by an increasingly larger proportion of the population will not drain off the funds from other programs such as NDEA or, in fact, drain away the private capital from the guaranteed loan that ought to be provided for the lower income groups.

I think I will restrict my remarks to those at the moment and offer to respond to any questions.

Senator JAVITS (now presiding). Mr. Sample.

INDIANA EXPERIENCE WITH LOAN PROGRAMS

Mr. SAMPLE. Mr. Chairman, my name is Edson W. Sample. I am acting director of the office of scholarships and financial aid at Indiana University in Bloomington, Ind.

I appreciate very much the opportunity to present my personal views on provisions of the guaranteed loan program.

Since the creation of the guaranteed loan programs by the Higher Education Act of 1965, we have experienced a tremendous expansion in the number of loans received by students from lending institutions. This has occurred during a period of tight money and the necessity for lending institutions and financial aid officers to accept and become engaged in such programs. I believe the availability of relatively low-cost loans for students wishing to borrow is sound. The amendments contained in the proposed legislation are acceptable and will go far to reduce the cost of administration, simplify procedures, and expand the program on a solid financial base.

However, I would like to speak to two concerns: one which vitally affects student borrowers in my State of Indiana and one which calls into question the concept of the interest subsidy as student financial aid.

Earlier this morning, Mr. Moore presented the list of States which are under the direct guarantee program. Indiana is one of these States.

At the time Congress appropriated the original seed money, these funds were given to the State Scholarship Commission of Indiana to operate a State program for guaranteeing loans. From its beginning to August 15, 1967, 5,969 loans were made to Indiana students amounting to $5,101,650. In March 1967, the legislature enacted a law permitting the Governor to designate a private nonprofit organization to administer the guaranteed loan program for the State of Indiana.

About the time of the exhaustion of the Federal seed money, the United Student Aid Fund was asked by the Governor to accept the State program. However, inasmuch as there was no seed money to provide for the issuance of loan guarantees there would be no useful purpose served by transferring the function to USAF. This left the State without a State program. Also, the timing was critical because many students were depending upon loans to finance their education for the school year about to begin. Institutions were under pressure to use their own college reserve funds with USAF and accept applications from students who were unable to borrow under the defunct State program. Most institutions in Indiana were unable to do this because of insufficient reserve capacity to endorse the large number of applications. Indeed, Indiana University with a total endorsement capacity of approximately $5 million, and one of the largest users of USAF, could not convert 600 State program applications into its own program with USAF. These students, then, were faced with the prospect of not being able to attend college because of their inability to borrow—even though lending institutions had made commitments or were willing to loan them.

ACTIVATION OF FEDERAL INSURANCE

On September 5, 1967, the Governor accepted the invitation of the Office of Education to inaugurate a program of direct Federal guarantees for Indiana student borrowers. Since that time, Indiana has been under the direct Federal guarantee program. From the point of view of the financial aid officer, the operation of this program has been very satisfactory. For the most part, lending institutions in Indiana have accepted the Federal guarantee program.

I should indicate here, Senator, that we have had a number of programs in Indiana, all within a relatively short succession of time, and that the bankers and lending institutions in Indiana have cooperated exceedingly well to provide for the students of Indiana.

NEED FOR EXTENSION OF FEDERAL INSURANCE AUTHORITY

Should the direct guarantee program be permitted to lapse, this would create another situation in Indiana whereby many students, depending upon loans from lending institutions, could not borrow and would be denied an opportunity to go to college. Therefore, I am particularly concerned about the provision extending the Federal direct guarantee program until June 30, 1970, and urge its passage.

INTEREST SUBSIDIES

It appears as though the desirability of providing an interest subsidy to those students who come from families with adjusted gross incomes of less than $15,000 has come into question. I believe the orig-

inal intent of Congress to be sound. I am familiar with prior testimony before congressional committees which argues for suspension of that part of the interest subsidy payable after graduation on the grounds that after graduation, the earning capacity of both a student with an interest subsidy and one without is the same, thus each is equally able to repay and that elimination of the interest subsidy will reduce paperwork, lower the expenses of administration of the program, and cut the cost to the Government for the interest paid on behalf of the borrower to the lender. These reasons do not appear to me to be acceptable for abandoning the interest subsidy concept if the concept was sound to start with.

If financial aid officers are using guaranteed loans in lieu of, or as a supplement to, national defense loans (because of limited NDEA funds available), and the statistics show that 32 percent of guaranteed loan borrowers are from families of less than $6,000 family income and 58 percent from under $9,000, and if it is desirable under the national defense program that interest rates after graduation be kept low—then it is, by the same token, desirable that interest rates in the guaranteed loan program be kept low.

Furthermore, changing major provisions of the program from year to year, depending upon the tightness or looseness of the Federal budget, does not seem to be an appropriate approach to the administration of student aid. Concerning the first argument on cancelling the interest subsidy after graduation, the logical extension of this position would be that if the ability to repay after graduation is equal, the student with the interest subsidy should also be able to repay the accumulated interest which accrued during school attendance as easily as the student without the interest subsidy.

CONSIDERATION OF FAMILY INCOME

Since it is the intent of the guaranteed loan program to give some relief to parents, perhaps guaranteed loans should be made available to the parents and not to the student. Then the question of student earnings after graduation would not enter the picture. Reliance on family income as a yardstick of eligibility would thereby be an effective means of measuring the ability to repay. Interest subsidies could then be given to parents with lower incomes which need some relief in the repayment of loans. This would apply a needs test to the parents rather than to the student. Furthermore, it would retard the trend of placing more pressure on the student to finance his own education.

I believe the granting of interest subsidies should be continued. But, I suggest that the Advisory Council on Student Aid (to be created by the amendments under consideration) be asked to study all aspects of the interest subsidy question and subsequently make appropriate recommendations. The Advisory Council should keep in mind the intent of Congress to provide some relief to the middle-income family which, being in real need of funds, cannot qualify for a low-cost loan under the national defense student loan program. Primary consideration must be given to students from low- and middle-income families. I believe no one would disagree with a program of loans of convenience if these convenience loans do not reduce the amount of funds available to students who meet the requirements for

the interest subsidy. However, if funds for low- and middle-income families should not be available because of convenience borrowing, the amount of convenience borrowing should be limited.

There is one further item I wish to bring to the attention of the committee.

ADMINISTRATIVE COSTS TO COLLEGES

No provision is included in the amendments for reimbursement of educational institutions for expenses incurred for administering the program. These costs are significant, particularly where loans of convenience are concerned which are not considered to be an integral part of the institution's financial aid program. At Indiana University, for example, since July 1, 1967, we have processed 3,611 guaranteed loan applications (including USAF loans from our own reserve account). As you know, Senator, the university is required to provide information on the academic status of the student (class standing, anticipated graduation date, et cetera).

Also, the university must provide listings of its costs and of the financial aid awarded to the student applicant. This means a search and checking of at least two sets of records. We interview each student submitting a guaranteed loan application when the student is on campus or can arrange to conveniently be in Bloomington. This is considered necessary if we are effectively to provide the information required and to be of as much assistance to the student as possible in his planning and efforts to find means of financing his education. Precedent exists for reimbursement of a portion of the administrative expenses incurred by the institution in the operation of other Federal student aid programs. I can see no reason for excluding the guaranteed loan program. Therefore, I strongly encourage including in the amendments a provision for administrative cost reimbursement to institutions of higher education.

In summary, my major concerns involve the direct Federal guaranteed loan program and the interest subsidy concept. I urge the continuation of both. In addition, I suggest that provision be made for reimbursement to institutions of higher education for costs incurred in administering the guaranteed loan programs.

If I might speak for just a moment to Mr. Purdy's statement concerning the use of guaranteed loans, in place of the national defense program, I would like to emphasize the point that national defense loans are under the direct administration of the financial aid officer. He may recommend a guaranteed loan, but in the last analysis, it takes the consent of the banker. In many cases, and for various and sundry reasons, the student cannot borrow who needs to borrow from his banker. With the national defense program, the financial aid officers can include this in the financial aid package.

I appreciate the opportunity to present my views. I shall be happy to answer any questions you may have.

Senator YARBOROUGH (now presiding). Mr. Sample, you have raised a very interesting question here with this administration bill proposing a $35 fee for the lending institution to cover its paperwork, aside from the interest that it will earn, in relation to the paperwork the universities do in keeping a lending institution advised of the grade that the student makes, and so forth. You raise an interesting point. I

intend to have it researched further and I intend to take it up with HEW. Suggestions are being made that the university gets the student dollar, gets the student fees, and ought to be willing to do this without charging for it because of the benefits it gets otherwise. But, of course, we know that students do not run universities, great universities like Indiana particularly.

I think it raises a very interesting question that until hearing the statement of this panel I had not considered. I intend to give it close study and Senator Morse, I know, will give it close study. The chairman of this subcommittee, as you know, was formerly dean of a law school and before that, a college teacher. There are very few with the long college experience of Senator Morse.

Mr. SAMPLE. May I say, as you know, we are partially reimbursed for the other expenditures in the Federal student aid programs. This program has become so tremendous that this is a significant item in the operation of our programs.

Senator YARBOROUGH. I realize with the vast growth of the guaranteed loan program and the greater growth of middle-income families who are not eligible for loans under NDEA or families who could not establish credit for direct student aid or working programs, this paperwork will, I think, grow very sharply. If we have an expansion of the provision by Senator Javits, I am hopeful the NDEA program is going to be vastly expanded too. But it is very difficult, even under the present fiscal difficulties, as long as we have the tremendous drain overseas. But I can see your problem in this paperwork, the amount of loans envisaged being so much more than the total amount of NDEA loans.

I was very fortunate in going to school at the University of Texas in the 1920's when they had several different loan programs. I did not realize at that time that it was one of the few schools that had them. When we passed the National Defense Education Act of 1958, the record showed that at that time, there was something over 1,600 colleges and universities in the United States and of that 1,600 only about 100 had student loan programs, out of the total 1,600. One great impact of that National Defense Education Act of 1958 is that now, out of some 2,200 universities and colleges in the United States, over 1,600 have college loan programs. There are more colleges and universities with college loan programs now than there were colleges and universities in 1958.

I want to suggest that despite the time problem—we are at 12 o'clock—I am not going to adjourn the hearings yet, but you gentlemen will be able to come back tomorrow as scheduled?

Mr. PURDY. Yes.

Senator YARBOROUGH. We will have a panel discussion and I would like you to be here when we have the roundtable panel discussion of this program.

Dr. Purdy, I believe you expressed interest in my universal program which calls first for a directive to the Secretary of HEW to conduct a study and submit a plan. I am offering that as an amendment to this Higher Education Act. I hope our amendment might have a good chance to get through.

Mr. PURDY. I hope so.

Senator YARBOROUGH. This will submit to the Congress a plan for universal higher education. I hope this will spark it. I will ask one of the staff members to carry this around to Dr. Purdy.

Mr. Sample, I would like to get, if not now, since we have other witnesses waiting, a breakdown of the administration costs, if you have that available, of this NDEA and the guaranteed loan program—of how much it is costing you as administrators of that program at Indiana University.

What is your student enrollment in Indiana?

Mr. SAMPLE. We have a total full-time enrollment of around 37,000, which includes 27,000 on the Bloomington campus.

Senator YARBOROUGH. 27,000 on the campus?

Mr. SAMPLE. Yes.

Senator YARBOROUGH. What others? Are you including correspondence courses?

Mr. SAMPLE. We operate regional campuses around the State.

Senator YARBOROUGH. Are those regional campuses for full-time students or night courses?

Mr. SAMPLE. They can be both.

Senator YARBOROUGH. You have 37,000 full-time students, counting your regional campuses?

Mr. SAMPLE. The 37,000 figure represents a full-time equivalent count. There is a total enrollment of 47,000 students.

Senator YARBOROUGH. But there are 27,000 on your main campus?

Mr. SAMPLE. May I make a presentation tomorow as to dollar figures, what this may involve as far as costs are concerned?

Senator YARBOROUGH. Oh, yes; we can get that tomorrow.

Dr. Purdy, I am glad you and the rest of the panel will be here. We will study your statements, but in the interest of time, we will move on now.

Before you leave, gentlemen, unfortunately, I did not get to hear all of your testimony. I will read it before tomorrow; the staff has advised me you have asked for help on this. You have not made any recommendations as to what you think this will cost you per student to furnish this information. I hope you gentlemen by tomorrow can give us an estimate on what you think this will cost—the processing of the papers. You might have some estimate for us on what percentage of those who ask for this information actually get the loans if you have a figure.

Thank you very much.

The next witness on today's list is Dr. Kenneth Reeher, chairman of the National Conference of Executives of Higher Loan Plans.

Doctor, will you come right up?

STATEMENT OF KENNETH R. REEHER, CHAIRMAN, NATIONAL CONFERENCE OF EXECUTIVES OF HIGHER LOAN PLANS; ACCOMPANIED BY LEE NOEL, VICE CHAIRMAN, NATIONAL CONFERENCE OF STATE LOAN DIRECTORS AND PROGRAM DIRECTOR, ILLINOIS STATE SCHOLARSHIP COMMISSION; AND ELWOOD HOLLISTER, EXECUTIVE DIRECTOR, NEW YORK HIGHER EDUCATION ASSISTANCE CORP.

Mr. REEHER. Mr. Chairman, I am joined by two of my colleagues. I would like to present them.

One is Mr. Lee Noel, who is vice chairman of the National Conference of State Loan Directors and program director for the State Scholarship Commission of Illinois, and Mr. Elwood Hollister, who is executive director of the New York Higher Education Assistance Corp.

Senator YARBOROUGH. We welcome you gentlemen to this committee. We want your statements, your opinions, your recommendations.

Proceed, please.

This is, I think, one of the most important fields in education in America. There is available, I believe, to practically every student in America free education so far as tuition is concerned through grade and high school, through elementary and secondary education. There is a public school somewhere that the student can reach. But once he passes that graduation from high school—of course, that is with difficulty, too, sometimes, depending on his family earnings, whether they can afford to let him stay in high school or not. But once he passes that financial barrier, he immediately runs into a financial barrier that he did not have in elementary and secondary education. So I think this is one of the most important phases of all the Federal education field.

Please proceed.

Mr. REEHER. Thank you, Mr. Chairman.

I would like to ask at this time that in the interest of time, we be permitted to enter our full statement in the record and read the main points from our statement.

Senator YARBOROUGH. Yes; without objection, this statement, this full statement, is ordered printed in the record.

You may proceed in your own way.

PROGRAM TIMING

Mr. REEHER. We appreciate the opportunity extended to the National Conference of Higher Education Loan Plans to support S. 1126, S. 3098, and S. 3099, which contain amendments to, and extension of, the Higher Education and Vocational Education Acts. The time schedule for consideration, enactment, and implementation of amendments to the guaranty loan law is now critical. Throughout the Nation, high school graduates are in the process of applying for, or being accepted by, colleges for entrance in the fall. Thousands of these students are planning upon guaranteed loans to assist them to meet the expenses of these courses.

Students must know that the guaranty loan provisions are still available, the aid officer must have knowledge that it can be considered in the construction of the student's "aid package," and the lenders must have definition of both program and administrative requirements so that they may properly determine their continued participation. It is extremely doubtful that the participating lenders who advanced $499,387,000, covering 609,911 loans from July 1, 1966, through October 31, 1967, will expand their portfolio of student loans to meet the need for second semester loans and renewals for the fall of 1968 without enactment of certain proposals which have been before the Congress since July 1967.

ADEQUATE INCOME FOR LENDERS

The number one issue in success of the guaranty loan program is adequate income for the lenders. Proper return is necessary to assure

their subsequent participation at a level which will afford students a guaranty loan. Although most of the lendership for enactment of the guaranty loan program came from the American Bankers Association, the current "tight money" situation makes it unrealistic to assume that lenders will devote any sizable portion of their investment portfolio in these student loans at 6-percent simple interest. They are up to 15-year loans, advanced in units of $1,000. Lenders can receive the same earning rate through large size investments of short-term nature, thereby giving the lender the advantage of any improvement in interest rates and a substantial reduction in the administrative burden necessary to manage the investment portfolio. The proposal of the administration to improve the return to the lender and lender participation through the establishment of a federally financed placement and consolidation fee payable to lenders is fully endorsed by our conference.

LOANS IN ANTICIPATION OF SERVICE FEES

Many lenders have given program support during the 1967–68 school year in anticipation of these fees and failure to provide the expected return could sharply curtail lender participation in 1968–69 regardless of the further payment of fees. This is extremely important where lenders are expected not only to renew loans to existing student borrowers but to cover the incoming freshman class. The value of lender fees is illustrated by Georgia, which enrolled 42 new "participating" lenders since they implemented their 1-percent fee to lenders in July 1967. I use "participating" in quotes in our report there for a specific purpose, because there is a difference in a lender which enrolls and a lender which participates. A recent survey of the Pennsylvania program, which is the second largest in the country, shows that 50.8 percent of the lenders which we have under agreement have fewer than 10 student loans.

Senator YARBOROUGH. You mean they really try to process each loan, that is what you mean by "participating" here?

Mr. REEHER. Yes.

Senator YARBOROUGH. You mean they will not just make five loans and quit?

Mr. REEHER. That is right.

Senator YARBOROUGH. This is a very, very valuable point, because I have not heard this brought out before.

NEED FOR STRONG STATE AGENCY PROGRAMS

Mr. REEHER. The second most critical problem facing success of the guaranty loan program is the maintenance of a strong agency designated at the State level to enroll and service lenders, to administer the guaranty function, to disseminate program information to potential student borrowers and to enlist and coordinate the participation of State governments in this and associated programs of financial aid to students. It is extremely critical as the credit of the country tightens that each State have a strong State agency with its basic objective the enlistment of sufficient lenders which will participate at the level required to provide a guaranteed loan for each student who is willing to encumber his future earnings to secure an education.

EXTENSION OF FEDERAL INSURANCE AUTHORITY

The national conference recognizes that in some situations, lack of reserve funding makes necessary the extension of the direct Federal insurance program on a temporary basis. However, we see little evidence that the extension as proposed will result in the attainment of strong State programs. It should be obvious that the "standby" status of the direct Federal insurance program during 1966 and 1967 said to State legislators that "if you do not legislate a program, the Federal Government will finance one in your State."

The availability of such a program has slowed the formation of new State programs and seriously hampers the continued existence of the State programs which existed when the Federal-State guaranty loan partnership came into existence in late 1965.

We think you should take a look at what has happened to State initiative since the direct Federal program went into Colorado last summer. Eight of the new 18 State programs operated on Federal funds only and now five of the eight are in the direct Federal insurance program.

REINSURANCE

Our conference, except for USAF, which represents some 28 States, strongly recommends the reinsurance proposal as a method to establish a strong permanent State or private agency in each State. However, care must be taken to reinsure all loans disbursed after October 22, 1965, under the Vocational Act and after November 8, 1965, under the Higher Education Act. We are concerned that the wording of the proposed amendment may exclude those loans granted subsequent to the effective date of the act and prior to the effective date of the referenced agreements. The plan should also reinsure all eligible loans without regard to eligibility for interest subsidy, that possibly those States which have shown initiative and have guaranteed loans prior to the effective date of the act, that some consideration might be given to reinsuring their total reserve capacity at the present time.

Under reinsurance, an interim agreement is necessitated by the fact that several States have constitutional barriers and many States will have to enact legislation appropriating loan reserves under the reinsurance or coinsurance program. State and private guarantee agencies will in most cases find it necessary to execute new agreements with each of their lenders because most guarantor-lender agreements call for reserve funds rather than possession of Federal certificates of insurance to be maintained by the guarantor.

DIFFICULTIES OF DUAL SYSTEM

It should be clearly understood that a strong permanent type of program is being established so that existing and new lenders will know precisely what type of program they are going to participate in when they execute an agreement to grant student loans. The "standby" Federal program has slowed lender participation in many of the States which were confronted with possible early implementation of the Federal program. Lenders have expressed a reluctance to negotiate loans under two different types of student loan programs.

For example, in certain States a student could have a 5-percent simple interest guaranteed by the State prior to November 8, 1965, and not subject to interest subsidy, then both a 5- and 6-percent loan

guaranteed by the State since November 8, 1965, and subject to Federal interest subsidy, and, finally, a 6-percent loan guaranteed by a Federal certificate of insurance subsequent to the consumption of State reserves and Federal advance money. If and when States in the direct Federal program insurance program return to the guaranty loan business, their lenders must know that they participate in a permanent program which will continue to function through the State agency. Federal advance funds for State reserves must be appropriated to assure that additional States are not temporarily drawn into the direct Federal insurance program prior to implementation of the reinsurance proposal. Additional lenders must not be required to become temporarily involved in the Federal program in order to afford student access to the program for 1967–68 or 1968–69. There have been 19 States drawn into the Federal program under the Higher Education Act and seven under the Vocational Act. The extension of Federal activities such as this hamper both lender and State participation.

The conference which we represent strongly endorses the balance of the administration's proposed amendments subject to the condition that implementation of the direct Federal insurance program, even on a temporary basis, should be implemented through the existing State designated agencies and should be operated in the same manner as the existing State or private nonprofit program. We support elimination of interest subsidy during the repayment period.

ELIMINATION OF INTEREST SUBSIDY DURING REPAYMENT PERIOD

Elimination of interest subsidy in repayment would need to be accompanied by the same action in direct Federal student loans. There are also student loans that had a duration of 15 years of life and whether we lose our capacity or not, we will still be in service servicing existing loans and we feel the Federal program should come through that distinct guarantor in order to reduce the paperwork on the part of the lenders. We feel that many steps have been taken administratively for coordination and cooperation. Last year, as a result of meetings with the Office of Education, directors of State plans and the American Bankers Association, most of us were able to reduce the paperwork involved in handling student loans.

RECOMMENDATIONS

The following changes are suggested to encourage further lender participation:

1. Amendments must not create additional categories of borrowers to be maintained within the lender's accounts. For example, provisions to provide adequate deferment for military service, VISTA and so forth should cover all loans under the programs and not establish some arbitrary effective date such as July 1, 1967, which will create additional versus noneligible loans in the interest subsidy program. Why exclude servicemen who entered the service between November 8, 1965, and July 1, 1967?

2. Failure to make the loan program competitive through these recommended changes may require the development of a "secondary market" for student loans to provide turnover of lender investments as a possible means of enlisting continued lender participation. This would prevent continued expansion of student loans within the lender's portfolio.

3. The grace period should be reduced from 9 to 6 months and the students should be required to negotiate a repayment schedule within 90 days after leaving school to become effective at the end of the grace period.

STRENGTHEN STATE AGENCIES

In addition, the following amendments will assist to encourage and develop strong State designated agencies.

Our conference, which involves most of the State directors in the country, is of the opinion that the Federal advance funds, the seed money, should be designated as a grant. The States' present procedures discriminate against those States which exhibit State initiative. For example, in New York, where the legislature has made firm and extensive commitments to the reserve fund, the full Federal advance will one day be returned to the Federal Government if defaults are less than 10 percent.

On the other hand, the Federal advance in Colorado will be used to finance defaults. If they run to 10 percent, there will be no return of funds to the Federal Government. This is a real reward for the inactive State.

The integrity of the program and the reserve capacity of the State designated agency should be protected by inclusion in the act of a determination whether the applicant has a need for loan funds to meet the costs associated with enrollment in an educational program.

STATE APPROVAL

The States, not necessarily the State designated agency, should have more jurisdiction in the determination of approved schools. Many States have developed strong, stable and experienced State departments in the area of the licensure of nondegree schools and in the approval of degree granting institutions. Jurisdiction should be vested in the State Department wherever possible so as to assure the maximum coverage of eligible students in the guaranty loan program.

I would like to close, finally, by saying that lenders have participated in this program. Those of us who are on the firing line appreciate the support that we have received, especially from the bankers. The bankers have been catching it some what for a lack participation, but they have really outstripped the other eligible lenders. We feel that the problem is that there is a limit that you can ask the bankers to invest in this program at 6 percent when they have to compare this portion of their investment portfolio with the other investments that are available for their restricted funds.

Now, we are available, Mr. Chairman, for any questions that you have to ask concerning the State-operated program.

(The prepared statement of Mr. Reeher follows:)

PREPARED STATEMENT OF KENNETH R. REEHER, CHAIRMAN, NATIONAL CONFERENCE OF EXECUTIVES OF HIGHER EDUCATION LOAN PLANS, AND EXECUTIVE DIRECTOR, PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY, TOWNE HOUSE, HARRISBURG, PA.

Mr. Morse, members of the committee, my name is Kenneth R. Reeher. I am Chairman of the National Conference of Executives of Higher Education Loan Plans and Executive Director of the Pennsylvania Higher Education Assistance Agency, Towne House, Harrisburg, Pennsylvania.

Our Conference is an association on a voluntary basis of both state and private guaranty agency directors. All of our meetings, as well as our joint efforts out-

side of the basic employment we follow, are geared to the improvement of the student guaranty loan program.

This statement was prepared for testimony March 7, 1968 before the House Subcommittee on Education. I trust you will appreciate its reference to H.R. 15067 apply as well to the companion bills, S. 1126 and S. 2098.

We appreciate the opportunity extended to the National Conference of Higher Education Loan Plans to support H.R. 15067 which contains amendments to, and extension of, the Higher Education and Vocational Education Acts. The time schedule for consideration, enactment and implementation of amendments to the guaranty loan law is now critical. Throughout the Nation, high school graduates are in the process of applying for or being accepted by colleges for entrance in the fall. Thousands of these students are planning upon guaranteed loans to assist them to meet the expenses of these courses. Congress must act now if these students are to be able to include a guaranty loan as part of the aid program they must possess if they are to accept the admissions offer tendered by the colleges and non-degree schools. Students must know that the guaranty loan provisions are still available, the aid officer must have knowledge that it can be considered in the construction of the student's "aid package", and the lenders must have definition of both program and administrative requirements so that they may properly determine their continued participation. It is extremely doubtful that the participating lenders who advanced $499,387,000, covering 609,911 loans from July 1, 1966 through October 31, 1967 will expand their portfolio of sudent loans to meet the need for second semester loans and renewals for the fall of 1968 without enactment of certain proposals which have been before the Congress since July, 1967.

The number one issue in the success of the guaranty loan program is adequate income for the lenders. Proper return is necessary to assure their subsequent participation at a level which will afford students a guaranty loan whether it is guaranteed through a state or private guaranty agency, a program of federal certificates of insurance, or from a guaranty fund consisting of both state reserve funds and federal insurance certificates through the reinsurance proposal. Although most of the lendership for enactment of the guaranty loan program came from the American Bankers Association, the current "tight money" situation makes it unrealistic to assume that lenders will devote any sizable portion of their investment portfolio in these student loans at 6% simple interest. They are up to 15-year loans, advanced in units of $1000. Lenders can receive the same earning rate through large size investments of short term nature, thereby giving the lender the advantage of any improvement in interest rates and a substantial reduction in the administrative burden necessary to manage the investment portfolio. The proposal of the Administration to improve the return to the lender and lender participation through the establishment of a federally financed placement and consolidation fee payable to lenders is fully endorsed by our Conference. These fees should be on a sliding scale with the rate to be established by the Commissioner so as to continuously make loans advanced under the guaranty loan program competitive with the other investments available to participating lenders. All loans guaranteed under federal guidelines should be eligible for the lender fees so lenders will not be required to segregate eligible and ineligible loans in the bank records. This fee should be payable directly to the lender and not "on behalf of the student", although in certain states it may be routed through the state agency. Payments on behalf of the student borrower may be interpreted in some states as being in violation of usury laws and will then fail to encourage lender participation in those particular states. The lender placement and conversion fees should cover all loans disbursed or converted on or after June 1, 1967. Many lenders have given program support during the 1967–68 school year in anticipation of these fees and failure to provide the expected return could sharply curtail lender participation in 1968–69 regardless of the further payment of fees. The value of lender fees is illustrated by Georgia which enrolled 42 new "participating" lenders since they implemented their 1% fee to lenders in July, 1967.

The second most critical problem facing success of the guaranty loan program is the maintenance of a strong agency designated at the state level to enroll and service lenders, to administer the guaranty function, to disseminate program information to potential student borrowers and to enlist and coordinate the participation of state governments in this and associated programs of financial aid to students. It is extremely critical as the credit of the country tightens that each state have a strong state agency with its basic objective the enlistment of sufficient lenders which will participate at the level required to provide a guar-

anteed loan for each student who is willing to encumber his future earnings to secure an education.

The National Conference recognizes that in some situations, lack of reserve funding makes necessary the extension of the direct federal insurance program on a temporary basis. However, we see little evidence that the extension as proposed will result in the attainment of strong state programs. It should be obvious that the "standby" status of the direct federal insurance program during 1966 and 1967 said to state legislators that "if you do not legislate a program, the federal government will finance one in your state". The availability of such a program has slowed the formation of new state programs and seriously hampers the continued existence of the state programs which existed when the federal-state guaranty loan partnership came into existence in late 1965.

During fiscal year 1967, the first full year of operation of the guaranteed loan program, more than 60% of the money advanced under the program came from New York, Pennsylvania, New Jersey, Illinois, Connecticut, Massachusetts and Texas. These states, with the exception of Illinois, had state agencies prior to the establishment of the federal program; during fiscal 1968, in the period July-October, 1967 these states exceeded their entire volume for the previous 12 months but continued to carry 60% of the new money advanced under the program.

Our Conference, except for USAF, Inc., strongly recommends the reinsurance proposal as a method to establish a strong permanent state or private agency in each state. However, care must be taken to reinsure all loans disbursed after October 22, 1965 under the Vocational Act and after November 8, 1965 under the Higher Education Act. We are concerned that the wording of the proposed amendment may exclude those loans granted subsequent to the effective date of the act and prior to the effective date of the referenced agreements. The plan should also reinsure all eligible loans without regard to eligibility for interest subsidy. We would suggest deletion of "which meet the conditions of Section 423 E(5) of HR 15067," all of line 11, and line 12 through the comma. Under reinsurance, an interim agreement is necessitated by the fact that several states have constitutional barriers and many states will have to enact legislation appropriating loan reserves under the reinsurance or coinsurance program. In those cases where states have provided no funds, multiplying nothing by four still equals nothing. State and private guarantee agencies will in most cases find it necessary to execute new agreements with each of their lenders because most guarantor-lender agreements call for reserve funds rather than possession of federal certificates of insurance to be maintained by the guarantor.

It should be clearly understood that a strong permanent type of program is being established so that existing and new lenders will know precisely what type of program they are going to participate in when they execute an agreement to grant student loans. The "standby" federal program has slowed lender participation in many of the states which were confronted with possible early implementation of the federal program. Lenders have expressed a reluctance to negotiate loans under two different types of student loan programs. For example, in certain states a student could have a 5% simple interest loan guaranteed by the state prior to November 8, 1965 and not subject to interest subsidy, both a 5% and 6% loan guaranteed by the state since November 8, 1965 and subject to federal interest subsidy, and a 6% loan guaranteed by a federal certificate of insurance subsequent to the consumption of state reserves and federal advance money. If and when states in the direct federal insurance program return to the guaranty loan business, their lenders must know that they participate in a permanent program which will continue to function through the state agency. Federal advance funds for state reserves must be appropriated to assure that additional states are not temporarily drawn into the direct federal insurance program prior to implementation of the reinsurance proposal. Additional lenders must not be required to become temporarily involved in the federal program in order to afford student access to the program for the second semester of 1967–68 or 1968–69. There have been 17 states drawn into the federal program under the Higher Education Act and 7 under the Vocational Act. The extension of federal activities such as this hamper both lender and state participation.

The Conference which we represent strongly endorses the balance of the Administration's proposed amendments subject to the condition that implementation of the direct federal insurance program, even on a temporary basis, should be implemented through the existing state designated agencies and should be operated in the same manner as the existing state or private non-profit program.

We feel that many steps have been taken administratively for coordination and cooperation. Last year, as a result of meetings with the Office of Education, directors of state plans and the American Bankers Association, most of us

were able to reduce the paper work involved in handling student loans. The following changes are suggested to encourage further lender participation:

1. Amendments must not create additional categories of borrowers to be maintained within the lender's accounts. For example, provisions to provide adequate deferment for military service, VISTA and so forth should cover all loans under the programs and not establish some arbitrary effective date such as July 1, 1967 which will create additional eligible versus non-eligible loans in the interest subsidy program. Why exclude servicemen who entered the service between November 8, 1965 and July 1, 1967?

2. Failure to make the loan program competitive through these recommended changes may require the development of a "secondary market" for student loans to provide turnover of lender investments as a possible means of enlisting continued lender participation. This would prevent continued expansion of student loans within the lender's portfolio.

3. The grace period should be reduced from 9 to 6 months and the student should be required to negotiate a repayment schedule within 90 days after leaving school to become effective at the end of the grace period.

In addition the following amendments will assist to encourage and develop strong state designated agencies:

1. The federal advance funds ("seed money") should be designated as a grant to the states rather than as an advance which is to be returned to the U.S. Commissioner at some future date "in light of the solvency of the reserve fund". Present procedures discriminate against those states which exhibit state initiative. For example, in New York where the legislature has made firm and extensive commitments to the reserve fund, the full federal advance will one day be returned to the federal government if defaults are less than 10 percent. On the other hand, the federal advance in Colorado will be used to finance defaults and if they run to 10 percent there will be no return of funds to the federal government, a real reward for the inactive state.

2. The costs of the guaranty loan program should be shared by the state and federal governments in proportion to the ends to which the program meets both state and federal educational objectives. It would, therefore, seem in order that the federal government should pay a more proportionate share of the administrative costs if strong state agencies are to be developed by the state legislatures. This is extremely critical with implementation of the reinsurance provisions which call for certificates of insurance rather than federal advance funds. The reinsurance proposal will assist the loan program to experience the growth explosion that we all have anticipated. Congress should be aware that the very costly provisions of the program such as lender enrollment, dissemination of program information, loan application and program regulation distribution, and pursuit and collection of defaults are carried on by the State agency. Plans for the states to carry the full administrative costs do not seem in order. Currently the state programs may use the earnings from federal advance funds to partially defray costs of administration. Under the reinsurance program advance funds will at best experience a "controlled" growth. With a reduction of federal advance funds comes a reduction of earnings from investment of such funds. Financial support of the administrative costs of a program expanded principally on federal guidelines is not properly placed on the state legislatures.

3. The integrity of the program and the reserve capacity of the state designated agency should be protected by inclusion in the Act of a determination whether the applicant has a need for loan funds to meet the costs associated with enrollment in an educational program. The officer at the institution of higher learning who is administering other programs of financial aid should be permitted to make a recommendation to the lender whether the loan is needed to meet costs associated with the educational program. Computation of "financial need", as historically applied should not be the criteria. Final determination of the size of the loan should continue to be established by the lending institution and the guarantor should be permitted to determine whether to guarantee a loan and to establish the amount of the guarantee it is willing to underwrite.

4. The states, not necessarily the state designated agency, should have more jurisdiction in the determination of approved schools. Many states have developed strong, stable and experienced state departments in the area of the licensure of non-degree schools and in the approval or licensure of degree granting institutions. Jurisdiction should be vested in the state department wherever possible so as to assure the maximum coverage of eligible students in the guaranty loan program. For example, the Commonwealth of Pennsylvania prepares 10.5 percent of the registered nurses in the United States and has 95 diploma hospital schools of nursing approved by the State Board of Exami-

ners. Only 72 of these programs have been approved by the National League for Nursing, the national agency designated by the U.S. Commissioner for approval of nursing programs. It would seem that the success over the years of graduates of the state approved programs and the caliber of standards required for a state license should merit approval of all such licensed schools. In the program cited, it could be assumed that approximately 25 percent of students enrolled in such programs are being denied access to the state guaranty loan program and possible subsequent interest subsidy. This, of course, is true in all other states except the one which enjoys approved status. Examination of state procedures for approval of schools should be conducted on a state by state basis and approval of state accreditation should be granted in those states where quality exists.

At the institution of higher learning level several changes will facilitate the function of the financial aid officer and permit the guaranty loan program to be handled in a fashion which will be more compatible with other programs of aid to students financed by the institutions, private enterprises, state legislatures and the federal government.

The operations at the institution of higher learning level would be improved by:

1. Determination of financial need for educational loan funds, as previously reviewed in this paper, should be authorized to be performed by the financial aid officer. The aid officer must be free to Counsel those students who are often incurring loans for the first time.

2. The features of all federal student loan programs should be compatible so that the financial aid officer may utilize any loan program without day-to-day analysis of its various features. The variations such as grace periods and deferment for military and similar types of service must be standardized in the various loan programs.

3. Confirmation of student status on all accounts of all student loans should be performed by the Office of Education to reduce both school and lender paper work.

4. Authorization should be given to allow use of all guaranty loans as part of the matching requirement in the Educational Opportunity Grant Program. The National Defense Student Loan Program and the "college contribution" phase of the guaranty loan program administered by the United Student Aid Funds, Inc. are now used to satisfy the matching requirement. The College Work-Study Program is not eligible for EOG matching and should be declared eligible along with the state guaranteed loan program. The fact that these programs are not eligible for EOG matching complicates the financial aid packaging at the collegiate level and quite often deters the development of other programs of financial assistance for students. Cases can be cited where demands on the National Defense Student Loan Program have been increased because schools could not use the guaranty program for matching.

I want to thank you, Mr. Chairman, and members of the Committee for this opportunity to present the views of our Conference. Any of the state directors will be glad to answer your specific questions relating to their experience in administering the program in their state.

BREAK EVEN POINT

Senator YARBOROUGH. Mr. Reeher, we have had some statements made. Doubtless I have missed some testimony, but statements have been made that banks will lose money on student loans at the rate of 6 percent interest. There is a recent issue of the "Bank Stock Quarterly." That is a banking publication for bankers. They conducted a study of 25 banks across the country and concluded that the break-even point for banks on these loans was 3.89 percent. If they did not get that much, they were losing money on the loan. If they got over that, they were making money on the loan.

Then they conducted another survey, in June of last year, surveying 50 banks in all size categories. These banks were spread geographically across the country. They surveyed 50 all size categories across the country, spot sampling, like a Gallup poll. They determined that the break-even point on all loans was 3.89 percent. That sampling of 75 does not mean for each bank, does not mean it is exactly right. But that showed it is 3.89 percent—the break-even point. So the ques-

tion becomes how much money they are making on their loan and not whether they are going to lose money at 6 percent. I think it is pretty clear they are not going to lose money at 6 percent interest, they are going to make money.

Mr. REEHER. Yes, Senator. I think our position is that really, the need for funds should be testimony that will be presented either by the administration which has proposed the program or by the banking community which has to support the program. We do have, and I did not bring it forward with me, but I will get to your aide a portfolio that I have that consists of letters from lenders around the country. It is not a cross sectional sample, but it is spotty here and there. It shows a number of letters from students that we have received in our agency that indicate a lack of lender participation because of the return.

We feel, that is, members of our conference are pretty much of the opinion that it is not really a matter of whether or not the banks or the lenders—we really should be saying lenders instead of banks, because we need the help of all lenders—it is not a matter of whether——

Senator YARBOROUGH. I am glad you make that point that it is not banks alone. I believe now we have credit unions authorized to make these loans. We have a whole bunch of lenders in different categories.

Mr. REEHER. Yes. It is really not a matter of whether they are able to make money at 6 percent. For example, I had our counsel make a survey of the interest rates in Pennsylvania. If we were to take the First Pennsylvania in Philadelphia, for example, if they would finance a 3-year-old automobile for a student who wanted to commute to Philadelphia Community College, who maybe had to have that automobile as a part of his educational expenses, they could receive up to 24 percent interest on that 3-year-old automobile. But if they put it into the educational program through our agency, they are limited to 6 percent. I think the question revolved around the point of what portion of the lenders portfolio can be a 6 percent simple interest loan and still have that lending institution remain on solid financial footing. We see tremendous growth in this program and we see with that a limit to the size of the portfolio that the lender will put in at 6 percent.

Senator YARBOROUGH. Your theory is that at 6 percent, we will have more tokenism. They will say, I will lend my share, yes, and then end it at 8 to 10 loans.

Mr. REEHER. Senator, three of us here personally represent three of the best State programs in the country and we have problems because of the lender return.

Senator YARBOROUGH. Let's see, you represent Pennsylvania——

Mr. REEHER. New York and Illinois.

Senator YARBOROUGH. Well, I order printed in the record at this place a table of loan volume by States, and it corroborates what you have said about the loan programs, because your three States lead in the amount of moneys loaned by the State under this loan.

With New York State, for fiscal 1968 through December 31, 1969, a total of $77,136,000; Pennsylvania, $25,835,000; and Illinois, with $21,407,000. You are the three top States in amounts in the Union, with New Jersey a close second to Illinois, with $20,467,000 and then a sizable gap after these four States to the next highest State below that. The next one below those $20 million figures, Connecticut, with only $13,224,406, then it drops to $12,483,594 and on down.

We have another witness here listed from my home State. Has Mr. Gahagan arrived here yet? I wanted to ask him about my own State.

Of course, we passed NDEA loan back some years ago. One of the representatives of the bankers in Texas came to me and said, we will lend it all, but this loan program was brought up at this State. I don't know if the State is at fault, the Federal Government is at fault, the lending institutions are at fault, or higher interest rates in the Southwest are at fault. But there have been fewer loans in those States. The New York went up from 77,961 to 81,585, Pennsylvania from 25,000 to 27,000, Illinois from 13,000 to 18,000. Most are on a sharp increase, while my own State in that 1 year, by comparison on these tables, dropped from, the number of loans from 20,900 to 18,181 for fiscal year 1967, that being of course up to December 31, 1968. I would like to put this table in the record at this point.

(The table referred to follows:)

LOAN VOLUME BY STATES

		Fiscal year 1967		Fiscal year 1968 through Dec. 31, 1967	
		Number	Amount	Number	Amount
	Total	330,088	$248,494,327	355,150	$309,868,279
10	Alabama	1,377	829,069	3,622	2,234,405
11	Alaska	73	108,510	121	111,098
12	Arizona	1,641	701,500	1,552	760,970
13	Arkansas	1,835	863,279	1,862	1,063,609
14	California	5,899	3,846,129	12,163	11,277,988
15	Colorado	2,591	1,896,627	4,725	4,408,962
16	Connecticut	10,611	11,429,000	12,009	13,224,406
17	Delaware	437	239,361	924	525,381
18	District of Columbia	50	44,292	40	36,445
19	Florida	2,300	1,548,131	3,852	2,868,479
20	Georgia	3,496	3,430,347	4,123	3,715,606
21	Hawaii	822	649,507	1,513	1,412,106
22	Idaho	1,004	619,798	583	402,714
23	Illinois	13,182	12,891,996	18,953	21,047,498
24	Indiana	3,932	3,222,550	4,726	4,316,992
25	Iowa	3,538	2,480,644	8,192	6,417,056
26	Kansas	2,719	1,560,548	2,478	1,917,119
27	Kentucky	2,873	1,773,067	3,562	2,615,535
28	Louisiana	4,564	2,887,550	4,324	3,210,980
29	Maine	3,872	2,895,186	1,640	1,487,223
30	Maryland	2,775	2,291,232	2,559	2,319,840
31	Massachusetts	14,001	10,907,772	13,285	12,483,594
32	Michigan	5,383	3,951,329	6,525	5,600,323
33	Minnesota	3,436	2,207,931	7,273	5,970,269
34	Mississippi	2,225	1,324,706	1,525	1,005,922
35	Missouri	2,923	1,792,710	3,153	2,272,866
36	Montana	664	405,774	1,508	1,129,276
37	Nebraska	1,082	672,607	1,784	1,338,005
38	Nevada	315	171,579	353	240,309
39	New Hampshire	1,294	1,117,552	1,544	1,388,543
40	New Jersey	16,093	15,797,400	20,162	20,467,855
41	New Mexico	1,881	1,128,272	1,754	958,185
42	New York	77,961	66,448,013	81,585	77,136,888
43	North Carolina	1,953	1,068,036	2,137	1,242,071
44	North Dakota	1,045	634,175	3,885	3,178,592
45	Ohio	7,536	6,844,471	6,063	6,592,139
46	Oklahoma	1,856	1,227,697	2,169	1,729,277
47	Oregon	2,090	1,155,846	2,732	2,069,365
48	Pennsylvania	25,930	22,520,845	27,969	25,835,728
49	Rhode Island	1,842	1,570,605	2,867	2,708,798
50	South Carolina	1,027	543,508	1,299	810,151
51	South Dakota	1,705	831,368	2,360	1,330,695
52	Tennessee	2,870	2,092,925	3,720	3,283,259
53	Texas	20,976	9,168,344	18,181	8,462,934
54	Utah	1,375	754,349	2,006	1,673,505
55	Vermont	759	611,783	1,477	1,327,912
56	Virginia	5,735	4,357,691	6,488	5,821,186
57	Washington	1,667	1,199,765	2,443	1,798,477
58	West Virginia	1,245	744,176	2,023	1,435,495
59	Wisconsin	5,764	2,909,653	5,606	3,666,764
60	Wyoming	449	323,554	598	487,950
61–63	USAF Reserve program	43,835	26,656,554	23,939	19,440,220
64	Puerto Rico	3,130	1,144,714	3,214	1,607,314
66	Virgin Islands				

Mr. REEHER. If the chairman would permit an observation, I would attribute the Texas program and the lack of growth as you have reviewed it, possible the anticipated growth, to the fact that it is a new program. The first year, you have all new borrowers. The second year, you have new borrowers like you had the first year, plus you have your renewals of all your existing loans. So Texas is a new program and they have gone through that first cycle where they have enrolled large numbers of new lenders.

Senator YARBOROUGH. You normally have a lag in the second year?

Mr. REEHER. Well, the second year, you have to renew all of your existing loans. So many of the students go on to graduate school that it is practically a complete renewal of existing loans.

Senator YARBOROUGH. These loans are just made from year to year.

Mr. REEHER. Yes, sir. If the student is in school 6 years, normally, he will go back to the lender six times.

Senator YARBOROUGH. And this $35 fee under this bill is to be paid every time the loan is renewed.

Mr. REEHER. Our understanding is that is the way it is.

Senator YARBOROUGH. That reminds me of the old mortgage system in effect before the FHA came along and built homes. You could not get loans in the twenties for longer than 8 years. I worked as a young lawyer for a big law firm. Many people at the end of 8 years had gotten behind a little. If they could not go and pay it all off in cash, they had to refinance and they were charged all this refinancing fee, a lawyer's fee, an abstracter's fee for an abstract, a service charge. And it just broke the backs of homeowners. And the Federal Housing Administration was the result making homeownership possible in America, because the old private mortgage system of refinancing every 8 years was just breaking the backs of old homeowners. And the foreclosures were coming along.

Now, we see this coming back, every year this fund passing out of the Federal Treasury.

Mr. REEHER. I think maybe we have gone down around the path there, Senator. We use the term "renewal." Every 6 years, the student receives a second——

Senator YARBOROUGH. This is a new loan?

Mr. REEHER. This is a new loan.

Senator YARBOROUGH. It is not a renewal of the first one?

Mr. REEHER. We call it a renewal, but it is a second loan.

Senator YARBOROUGH. But meanwhile, he could have gotten a job and he doesn't have to—does he go and pay a second charge?

Mr. REEHER. I think we should point out very clearly that it is an additional loan in the second year.

Senator YARBOROUGH. Without the reinvestigation and all that. What does the bank do on the reinvestigation, in addition to getting this report from the university that was pointed out here by Mr. Sample of Indiana University? The university furnishes him a calendar of the students' status and all.

Mr. REEHER. I think the situation varies with the lenders. Some lenders try to make sure that the student is the type of student that they want to lend the money to. We have tried to discourage this. We think that with the guarantee——

Senator YARBOROUGH. That the father votes right?

Mr. REEHER. Well, I would not say that.

Senator YARBOROUGH. I think there is very little investigation in my area.

Mr. REEHER. Well, Senator, in your area, you have the direct loan program. They are not really working through the lender like we are.

I would like to come back, though, to this adea of the second loan.

If, for example, we were to give the student $2,000 the first year to cover his first 2 years rather than have him negotiate a thousand for the first year and a thousand for the second year, you would be looking at a 6-percent interest subsidy rate for that 2 years during a period when the money was not being used as opposed to the $35 maximum lender fee that is being discussed. In other words, his second $2,000 he would not need until his second year, but he would be holding it his first year and you would be paying your interest subsidy on that at 6 percent, which in itself would be in error even if the student did not squander the money during that first year. That is the reason that we ask the student to go back each year and negotiate an additional loan.

Senator YARBOROUGH. Now, the point in my getting the additional loans was this: the student must go back each year for an additional loan. When you have been in the business this second year, you have the volume of granting the second loan to second-year students, plus you are experiencing a new freshman class with new first-year loans. So this builds up. The third year, you have two classes of renewals or additional loans, and still another first-year class coming in. This is the problem that this committee is faced with, because as these volumes build up, and they are building up tremendously, it just is not, in our opinion, reasonable to ask the lending community to advance these large sums of money at 6 percent.

Well, can't you get your commitment—do you not have your commitment at the beginning and then the money isn't advanced except a limited amount per year, the first year or the second year? I see a distinct difference between your freshman class coming in and the initial project of whether or not a loan will be made and then subsequent advances on that loan in the subsequent years, when the report from the institution shows the student is doing credible work.

Mr. REEHER. Generally, the commitment has been for 1 year, a $1,000 loan for 1 year. I believe this is for several reasons. First of all, we do not want to grant them a $4,000 loan. We do not want to encourage this amount of indebtedness on the part of the student.

Secondly, if we were to guarantee that size of loan, we would have to hold in reserve more money than we have. We would have to have today the capacity for 4 years and we have not had that capability. I think those are principally the two reasons why we do not grant a 4-year loan.

Senator YARBOROUGH. Well, I did not understand that—I was under the impression that you had students in the category of one qualified under this middle income bracket as qualifying by the income background of his family for a guaranteed Federal loan.

Mr. HOLLISTER. Could I interrupt? There are changes; if we look at this as a program, in family incomes within a year. There may be additional children in school which, in a family, will make a difference as far as the part the family can pay.

We also find that by this yearly method, both colleges and banks encourage students in many cases to do something on their own, to show their own interest in summer employment and in helping themselves. Without this procedure each year, people in our American colleges today, unlike the time when I went to school, transfer to other colleges. We have many students throughout the country, particularly in our State, starting in 2-year schools, going to 4-year schools later on; we also have students going from an undergraduate program to a graduate program. In order to have any idea of where the students are, to have any administrative controls, which we think would be required to determine the payment of interest, we do need an application each year to review the situation. Banks spend as much time, I think as financial aid personnel looking over what the changes are for that year, what the situation is with the family as they do on the original application.

Senator YARBOROUGH. Of course, there is, as you point out, a great change in peoples' approaches to debt and to loans in the past generation.

Mr. HOLLISTER. Yes, sir; and in addition to that, the number of transfers at the time I went to school was very limited. This is not true now.

Senator YARBOROUGH. You mean moving from one university to another?

Mr. HOLLISTER. From one university to another.

I do not know what all the statistics are, but I know it is a very sizable amount today. I feel there is real reason for going through this procedure each year without taking as much time, in investigating such things as the parents background. Bankers know they do have a loan with the student. They want to be sure the student is still in school, that they are making an effort to help themselves and that their marks are satisfactory. They want to see this from the school.

Very often, this is a counseling opportunity which occurs in many of our lenders. It doesn't happen at all lenders in New York State, because we have many very large lenders but in the smaller communities the lenders have the opportunity to take a much more personal approach to the students they are assisting.

Senator YARBOROUGH. Do young lady students resort to these loans as much as men?

Mr. HOLLISTER. Our statistics show 34 percent of our borrowers are girls. I do not know what the total enrollment of girls would be compared to the boys, but it appears that girls are as willing to borrow as boys.

USE OF PROGRAM BY WOMEN STUDENTS

Senator YARBOROUGH. The earlier testimony on the student loans were that the school administrators a few years ago anticipated—their experience will be limited up to that time—that young women were not as apt to ask for loans as young men. They think in the possibility of marriage and carrying the burden of debt into the families, and there are many other reasons why the young lady student borrowers felt more reticent about encouraging debt.

Mr. HOLLISTER. Maybe it is just in New York State, but I have seen in some campus newspapers some remarks about the reverse dowry male students incur by marrying the girl with the large debt.

Senator YARBOROUGH. What we were talking about a moment ago, paying this $35 fee over again every year, is providing for authorization on how long the student thought he need the money, a yearly loan subject to negative report. We get this annual report from the universities which under the present law the universities are not paid for. If the student transfers from the university or drops out or fails or any of those causes, then the university would give a negative report and the money will not be advanced.

Mr. HOLLISTER. That is right, sir.

Senator YARBOROUGH. If we have an authorization type of thing, it does not seem to me we should start all over again, when we find this student is worthy of getting loans year by year, that you ought to have this same investigation over and over as long as the university report is positive, that he is still there, that he didn't drop out, other things that I assume might be covered in the university report also.

Mr. HOLLISTER. I would feel at the moment from what I know of this proposal that this is up to $35; the figure is not necessarily $35 every year. I would assume that there would be a review between the Office of Education, the Budget Bureau, and the Treasury as to what the fee should be for that particular year based on those money market conditions that year. I do not believe we are assuming it always would be any specific figures.

Senator YARBOROUGH. You gentlemen will be here tomorrow?

Mr. HOLLISTER. Yes, sir.

Senator YARBOROUGH. Any question by counsel for the minority, for the majority?

Gentlemen, I have had commitments since 12 o'clock. We have run over.

We have two other witnesses.

Gentlemen, could each of you gentlemen be back at 3 o'clock?

Mr. MARSHALL. Yes.

Mr. WALKER. Yes.

RECESS

Senator YARBOROUGH. I will recess this hearing until 3 o'clock. I have other commitments I must go fill in the meantime. If there are any other questions, I will not ask you gentlemen to this panel to be back, but we may have questions of you in the morning.

I want to thank all of you for your patience. We will recess until 3 o'clock this afternoon.

I will order printed at this point in the record the prepared statement of Congressman Wright Patman before the Special Subcommittee on Education.

(The prepared statement of Mr. Patman follows:)

PREPARED STATEMENT OF HON. WRIGHT PATMAN, A U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS, ON H.R. 15067 BEFORE THE SPECIAL SUBCOMMITTEE ON EDUCATION OF THE COMMITTEE ON EDUCATION AND LABOR, U.S. HOUSE OF REPRESENTATIVES, MARCH 5, 1968

Madam Chairman and Members of the Subcommittee, I appreciate the honor and privilege of once more appearing before you to discuss H.R. 15067, the Education Act of 1968.

Last August, the Subcommittee was kind enough to invite me to testify on the amendments to the Higher Education Act in general and the Student Guarantee Loan Program in particular. Since your Subcommittee is made up of experts on

educational legislation and has a far vaster knowledge of what is needed in educational fields than I do, I would like to limit my testimony this morning solely to the question of the conversion fee payments of the guarantee student loan program contained in H.R. 15067.

Last August when you had this bill under consideration, there was a great deal of pressure to quickly enact the conversion fee section into law. It was suggested by witnesses that unless the conversion fee was immediately put into effect and even made retroactive to July 1, the whole student loan program would fold and thousands of college students would not be able to return to school. Fortunately, Madam Chairman, you and your Subcommittee were not taken in by this baseless emotional appeal and the dire consequences predicted by those who were crying "wolf" never happened. Not only did the student guarantee loan program not fold but rather it prospered and now shows every sign of reaching the heights originally predicted for the venture.

During the last fiscal year, there were 328,943 loans made under the program. As of December 31, 1968, the current fiscal year, there were 327,144 loans made. Thus, in one-half year the program all but equaled its entire output during the previous year and there are indications that in the coming fiscal year 750,000 loans will be made. Thus, it can easily be seen by even the most casual observer that the program is not on its last legs but rather is doing a brisk business. The gains, of course, have been made without the necessity of paying bonuses in the form of conversion fees to financial institutions.

I feel that one of the problems of the program in its formative stage was that it was being judged solely on the basis of how many loans were made as compared to the number of loans that had been predicted would be made. It was said that the program was in trouble solely because it had not reached the number of projected loans. Even so, by June of 1967, the program was operating at slightly more than 60 percent of its projected level.

But projections, unfortunately, are not totally reliable, particularly when a new program is born. If newspaper stories had reported that by the end of June 1967 more than 357,000 loans had been made to college students under the student guarantee loan program, this fact would have been widely hailed. It would have been pointed out that more than one-third of a million students were being helped and that the program was doing a wonderful job. But instead, the program had a projected figure of more than one-half a million loans hanging over its head and the only way it could be credited with doing an outstanding job was to exceed the projected figure.

I feel that the student loan program has performed an excellent service from the very beginning and its record of achievement is constantly increasing. Perhaps the projection was unrealistic or not enough information was plugged in to the decisions that led to the projection or, perhaps, as is too often the case, there were too many variables.

New programs must experience growing periods. There has to be adequate time for the word about the program to reach all corners of our country and for students and their parents not only to become acquainted with the program, but to have faith in it. I feel that the experience during this fiscal year shows that the program is now ready to stand on its own two feet.

In my last appearance before you, I felt strongly that the conversion fee, whether it be $35 or $25 or whatever the figure, should not be allowed. I feel even more strongly at this time that the conversion fee feature of the legislation should not be adopted.

First, let us look at the amount of money it would cost the government if the conversion fee were adopted. If, as predicted, there are 750,000 loans made during the next fiscal year and a $35 conversion fee is enacted, it would mean that the cost of paying the conversion fee on that amount of loans would be more than $26 million. And, if the government were also required to pay 6 percent interest on each of these loans, it would mean an additional $56 million outlay. But since the 6 percent interest would be paid whether or not the conversion fee is adopted, let us drop that figure and consider only the conversion fee payments amounting to $26 million. If, for example, we take an average one year college loan as being $1,000, we could send 26,000 deserving students to college for one year instead of handing the money to the banks.

As I pointed out last August, if the government sets up its own loan revolving fund, it would save the 6 percent a year, plus the conversion fee payment or a total of $82 million. Of course, the cost of obtaining the lending funds would have to be deducted from that amount but there would still be a multi-million dollar savings.

If instead of operating the student loan program as a basis for further subsidizing the banks, the government set up its own loan fund, the savings obtained by not paying the bank subsidies each year would equal the initial loan fund investment in ten years. Eventually, the repayments into the fund would make the program virtually self-sustaining on a monetary basis.

Of course, it would require an appropriation for the first several years to keep the program going. Perhaps the appropriation in the first year would have to be $500 million but alongside the $524 million that was spent on small business loans through the Small Business Administration last year, I think the student loan appropriation would be clearly justified. It must be noted that the percentage of defaults on student loans in the past has been extremely small, less than one per cent, I believe. Based on this, I feel that a direct government lending program would be far more in the public interest than the bank subsidy program being recommend by the American Bankers Association and Under Secretary of the Treasury Barr.

One of the great disappointments of this program to me has been the role played by Under Secretary of the Treasury Barr. He has joined the American Bankers Association in the fight to gain the $35 conversion fee. The American Bankers Association is, indeed, fortunate in having such an outstanding individual as Mr. Barr helping, whether intended or not, in its lobbying campaign. But, I am afraid that Mr. Barr is doing a great disservice to our country, to millions of college students, and to thousands of banks across the country. I realize that Mr. Barr testified before your Subcommittee that he was a banker. But I certainly hope that he has not allowed his banking background to interfere with his duties as a representative of the Government of the United States.

During Mr. Barr's appearance before your Subcommittee in mid-February, it was pointed out by Congressman Hathaway that he had been told by a number of banks in his district that they did not want the extra money but felt that the guaranteed loans should be made as part of the bank's public service program. I have experienced a similar situation in that a number of bankers have written to me expressing opposition to the conversion fee payments. These bankers have pointed out that they would rather see a cutback in the amount of paper work connected with the loans rather than an increase in the fees paid to the banks. Almost every one of the letters I have received in this regard has touched on the belief that the college loans should be made on a public service basis.

Why then is the American Bankers Association and Under Secretary of the Treasury Barr fighting so hard for the extra payments if, in general, banks do not want the money? Perhaps the answer is contained in a column written by Joseph D. Hutnyan in the February 23rd issue of the American Banker. The column, for the most part, shills for the American Banker Association's position of obtaining the $35 conversion fee. In discussing the possibilities of the conversion fee's adoption, Mr. Hutnyan, in part, writes: "It also made some American Bankers Association staff members nervous because some banks were enticed into the program with the exception that the loan fee would be approved by Congress . . ." Although there is no mention of who the American Bankers Association staff members might be, I am sure the article refers to the bank lobby's hired scrooge, Dr. Charls Walker, who last summer, told bankers to start making the college loans because the $35 conversion fee would be retroactive to July 1, 1967.

Of course, Dr. Walker had no basis for such a statement and he later admitted that he had, indeed, crawled out on a limb in making the statement. It would appear now that Mr. Barr is leading the effort to get Dr. Walker off the limb before it is sawed out from under him. Certainly such a motive should not be the driving force behind any type of legislation, particularly if it effects the future of thousands or even millions of college students.

But there is, perhaps, a hidden reason why Dr. Walker and Mr. Barr are fighting so hard for the placement and conversion fee section of this legislation. Section 426 of the legislation provides that the payment of the $35 fee shall be retroactive to June 1, 1967. At first blush, this language seems fairly innocuous but upon closer study, it develops that this section of the bill is a hidden banker's bonanza that will cost the taxpayers an additional 13 plus million dollars.

A check with the Department of Health, Education and Welfare reveals that from June 1, 1967, through December 31 of the same year, there were 374,946 loans made that would be eligible for the $35 placement fee if this legislation were passed. That means that the taxpayers are going to have to come up with $13,123,110 to hand over to the banks. And, additional money will have to be

obtained to pay the banks for the loans they have made from December 31 until the bill is enacted.

In light of this hidden bonanza, I think it is clear why the American Bankers Association is pushing so hard for the legislation.

I sincerely wonder, in view of the needs of our boys in Vietnam, if we can justify turning more than $13 million over to the banks.

I must congratulate the members of this Subcommittee for not being misled or trapped by some of the statements by Secretary Barr in his appearance, particularly with regard to the costs that the banks incur in obtaining funds for lending and investments. Mr. Barr, in attempting to justify a high acquisition cost for banks, completely left out the billions of dollars the banks receive each year in the form of interest-free demand deposits. However, Mr. Gibbons was quick to point out this omission of Mr. Barr's. Nor did Mr. Barr mention the millions of dollars that banks receive every year interest-free in the form of Federal, State, and local government deposits. Nor did he mention any of the other subsidies that banks receive.

I think that Congressman Gibbons perhaps summed up Secretary Barr's performance in this legislative matter when he suggested that the lending rate for student loans would come down if we quit pushing the panic button. Mr. Gibbons also pointed out that Secretary Barr had indeed, pushed the panic button.

Madam Chairman, in the past few days, a study conducted by the General Accounting Office, at your request, concerning the profit and loss incurred on these loans by banks, has been made public. You have done a great service, Madam Chairman, in asking for such a study to clear the air on this matter.

Both Mr. Barr and Dr. Walker have testified in the past that the 6 per cent interest received by the banks on student loans is a loss rate. However, in a recent issue of the respected banking publication, "Bank Stock Quarterly", a study conducted of 25 banks across the country concluded that the breakeven point for these banks on their loans was 3.89 per cent interest. And in June of last year, the same publication surveyed 50 banks in all size categories across the country and also determined that the breakeven point on loans was 3.89 per cent interest rate. I would be first to admit that a sampling of 75 banks does not represent a full picture of the banking industry but since this is a banking publication and is designed to gather all types of information rather than to prove a specific point, we must give a great deal of credence to the figures compiled by the publication.

I do not want to suggest that the figures presented by the American Bankers Association portraying these loans as losing propositions were fraudulent but perhaps your Subcommittee might be interested in looking into the methods used to obtain these figures. I am certain that if you asked the investigators for the General Accounting Office who conducted the study to testify on the ABA's figure gathering operation, you would be shocked at some of the disclosures.

Also, I cannot understand if the banks are making loans that are classified as costing the banks money, why the profit picture of the banks does not reflect these losses. In 1966, bank earnings topped the three billion dollar mark for the first time in history and indications are that in 1967, bank profits increased by 8 per cent over the previous year. Perhaps Dr. Walker or Mr. Barr would be willing to explain to your Subcommittee why bank profits have soared if they are making so many loss loans.

Mr. Barr's lack of candor is in keeping with the philosophy of some Treasury officials.

During the 89th Congress, the Banking and Currency Committee attempted to obtain some information from the Treasury Department concerning interest rates on various types of debt and savings instruments. It was information the Treasury was reluctant to supply. After much delay, the Committee was finally given what appeared to be the requested information. By mistake, however, the persons submitting the information had overprinted an inter-office memo onto the Committee's copy that clearly was not meant for our eyes. The inter-office memo read: "Attached is a review of developments in the certificates of deposit market which may temporarily answer the question raised by the Patman Committee as to the influence of certificates of deposit on our Treasury bill rates. As you note, we have purposefully not answered the question except in a very indirect way." It would appear the Treasury is continuing its indirect answering methods in its testimony before this Subcommittee.

I am certain you will recall last summer that Dr. Walker and Mr. Barr testified that the banks were losing money on student loans and a rather loose set of figures that purportedly justified the American Bankers Association's position

was presented to the Committee. I suggested in my appearance that these figures were perhaps not on the up-and-up but rather were obtained to prove a specific point rather than to lay the full truth before your Committee. According to my calculations at the time, the banks were not losing money as claimed by the American Bankers Association but rather were making money on these loans. I am, indeed, gratified that the General Accounting Office study strongly questions the accuracy of the American Bankers Association's figures and makes it clear that the banks are making a tidy profit on these loans.

In Commissioner of Education Harold Howe's testimony, he suggested that consideration should be given to using pension funds as a student loan pool. I personally favor such an idea and feel that if these funds were offered an earning asset of 6 per cent a year, they would jump at the opportunity to provide money for the loans. Or as an alternative, perhaps consideration should be given to an educational bond that could be sold to the general public with a 6 per cent interest rate. These bonds could carry a longer maturity so that they would not compete with savings bonds. Not only would this make millions, if not billions, of dollars available for student loans, but would greatly aid this country's banking industry so that it would not have to continue making loss loans.

Madam Chairman, I sincerely hope that when your Committee has worked its final will on this legislation that it will drop the conversion fee section and give the student loan program an opportunity to function in an atmosphere free of panic button pushers. In short, the program is just beginning to reach its potential. Let us not take any hasty action while this program is in a period of forward movement. We need a much stronger experience factor before making any drastic alterations.

In closing, I would like to point out that if the conversion fee of $35 is adopted, and a year or six months from now the American Bankers Association decides that it is not enough money for its banks, it will be a simple task for that Association to instruct its members not to make additional loans until the fee is raised. Then we can look for Dr. Walker to put on his mask and strap on his gun and hold up Congress again in the name of higher education. Can we afford to treat our students in this manner?

Thank you very much.

(Whereupon, at 12:40 p.m., the subcommittee was recessed, to reconvene at 3 p.m. this same day.)

AFTERNOON SESSION

Senator YARBOROUGH. The Senate Education Subcommittee will come to order. Hearings are being resumed on S. 1126 and S. 3098, the Higher Education Amendments of 1967 and 1968, respectively.

The next witness on our list for today is Allen D. Marshall, United Student Aid Funds, Inc. He will be accompanied by Mr. McCabe.

Will you and Mr. McCabe have a seat?

STATEMENT OF ALLEN D. MARSHALL, PRESIDENT AND CHIEF EXECUTIVE OFFICER, UNITED STUDENT AID FUNDS, INC.; ACCOMPANIED BY EDWARD A. McCABE, WASHINGTON COUNSEL

Mr. MARSHALL. Mr. Chairman, this is Mr. McCabe, our Washington counsel for the United Student Aid Funds. He has been a longtime friend of our program. I want to thank you for the opportunity to be here to present our views. Before beginning my prepared statement, I thought I would like to give some idea of our organization and structure.

Our program had been in effect for many years before the Higher Education Act of 1965 was passed. As a matter of fact, it is substantially as old as the programs in Massachusetts and New York. Our first loan was granted in 1961. It was based on private money and

college deposits. We have grown since then so that we have guaranteed approximately $190 million worth of loans and helped over 200,000 students. We are quite proud of that record.

Senator YARBOROUGH. It is a very fine record.

Mr. MARSHALL. Thank you, sir.

At the moment, over 60 percent of our loan guarantees are based on private and college deposits. There is no State or Federal money involved in these. For example, in Indiana, the State that was cited this morning, we had a loan capacity of $16,300,000, financed by private money.

We have used about $14.5 million of that, so we have still an unused capacity in private funds and college deposits of a million and a half dollars in Indiana alone.

Senator YARBOROUGH. That probably accounts for the fact that Indiana was not one of the high States in the list I read off this morning.

Mr. MARSHALL. I think the list you read from, and I am not sure of this, may have included only the loans based on Federal money.

Senator YARBOROUGH. It is supposed to have listed only those which are guaranteed with Federal money.

Mr. MARSHALL. Yes; those loans are guaranteed by the State agency. Our private loans outstanding in the State are over $14.5 million. Now, Indiana is not typical, of course, because our program was started in Indiana. That was the first State. When the Higher Education Act was passed, we had, I think, every college in Indiana but one in our program, and practically all the banks are making loans under it. So it is not as typical as some of the other States.

New York, of course, has an excellent record and so does Massachusetts. Illinois has an excellent program which was started after the act was passed, as I recall. So much for our program and our policy.

With your permission, I would like to summarize the first three major changes which United Student Aid Funds suggests in S. 1126 and S. 3098. I shall then devote the balance of my testimony—which I promise will be brief—to one overriding point which we do not believe has received the attention it deserves.

RECOMMENDATIONS OF UNITED STUDENT AID FUNDS

Our first three recommendations are these:

1. Repeal the $15,000 income test provision and provide that any interest subsidy be paid on behalf of all borrowers.

2. Pay this interest subsidy only for the in-school period. Eliminate any interest subsidy after the borrower has finished school. This, I might add, would save substantial sums of money, which would then be available for other purposes.

Senator YARBOROUGH. That would raise the student's interest so that he pays the full amount of the rate?

Mr. MARSHALL. Yes; the graduate would pay the full amount of the interest after he graduates.

3. Permit the financial aid officer to consider family circumstances and to recommend the amount of any loan for which a student may apply.

This is based on the fact that the financial aid officer at the college really knows the academic costs. He knows the other forms of aid that are available. He can evaluate the situation much better than anyone else could, even the hometown bank. Under our plan as originally conceived, the recommendations started with the financial aid officer at the college and were checked by the hometown banker, so that the result was a joint recommendation.

Senator YARBOROUGH. I think that has much to commend it. While the figures I read off this morning in my opening statement about the costs for the school year were average for the United States for respective categories of public and private colleges, there are wide variations, of course, within that average. That was an official average taken from data supplied the Federal Government. But on an informal basis, I have studied tables printed in one of the almanacs. It prints not only the college and the size of enrollment but costs of fees and tuition and the cost of the student's room and board. There are quite a number of colleges listed there, public colleges of junior college standing, where the total cost is not over $900 a year. But in private universities, where the prestige of the institution is great and it has considerable antiquity, the cost runs up over $3,000 a year, it seems to me. It depends on the school.

Mr. MARSHALL. Oh, yes.

Senator YARBOROUGH. So there is a wide variation.

Mr. MARSHALL. There is a wide variation between the private colleges and State-supported institutions. For example, in New York State, many of the community colleges have little or no tuition and all of the city colleges in the city of New York have no tuition. Many of the students live at home and attend these colleges with no tuition costs at all. At the same time, there are some very expensive colleges, too.

Mr. Chairman, we have discussed these recommendations at length on March 5 in the House subcommittee hearings.

INTENT OF SEC. 421(a)

Too little attention is being paid, however, to a fundamental question of purpose and principle which we believe lies at the very heart of your consideration of this bill. In brief, you gentlemen will be deciding whether Congress really meant what it said when it wrote these words into the preamble of section 421(a) of the Higher Education Act of 1965:

> The purpose of this part is * * * to encourage States and nonprofit institutions and organizations to establish adequate loan insurance programs for students in eligible institutions.

If it remains the purpose of Congress to encourage State and nonprofit guarantee programs, your logical course of action is to let the authority for Federal insurance expire as scheduled next June 30; eliminate the 80 percent coinsurance proposal from the bill now before you; and authorize a modest amount of additional seed money, a portion of it on a matching basis, to buy leadtime for States which have not yet established or funded their own State programs.

If, on the other hand, you now believe non-Federal sources cannot meet the need, we feel you should say so frankly, and put a full-fledged Federal guarantee program into effect without further ado.

An educated citizenry is the greatest asset any nation can have. It seems to be generally accepted that the financial needs of higher education are great in all areas: Facilities, faculties, salaries, and students. As a matter of fact, these needs are so great no one group—private, State, or Federal—can supply them all. As a result, all legislation designed to aid higher education should be aimed at encouraging the participation of all groups in the financing. This, of course, was the avowed intent of section 421 (a) which I have quoted.

We feel this program does need Federal cooperation and support. But it should not be the kind of support that preempts the field.

If one thing is sure on the basis of the record, it is that the four-fifths Federal guarantee proposal in this bill is at best a way station on the road to a complete Federal guarantee. Nature has not made it possible to remain four-fifths pregnant.

Indeed, the bill as presently written does more than assure a four-fifths pregnancy. It also sets up the delivery room. For behind the 80-percent coinsurance plan lies authority for 100-percent Federal insurance.

Making an unlikely assumption that it could readily be put in operation—and that, by the way, is most uncertain—an 80-percent guarantee would, to be sure, stretch the effectiveness of existing and presently unencumbered guarantee funds. A very small part of the funds, for example, that we have are unencumbered. Most of them support our contracts with the banks to cover our guarantees of the loans that are presently outstanding. There are many problems involved that I think your committee, Senator, should take a good look at, the problems that are involved and the time that would be required to make an 80-percent coinsurance plan really effective.

But sooner or later—and probably sooner—even the expanded guarantee potential will be reached, and the State will face the same decision it faces right now. It will have to ask itself, "Shall we put up more State money, or fall back on the Federal guarantee program?"

The answer to that question, in our judgment, is self-evident. Put yourself in the position of a Governor who is told his students will need $10 million worth of guaranteed loans in the coming academic year. You can make those loans available in one of three ways. You can ask the legislature to appropriate $1 million as a 10-percent guarantee reserve. Or, if the 80-percent coinsurance plan is in effect, you can ask them to put up $200,000 as a 2-percent reserve. Or, you can make exactly the same guarantee service available simply by appropriating nothing at all, and letting the 100-percent Federal program go into effect. Which would you do?

Assuming you are a normally prudent man, and feel your responsibility to budget the resources of your State judiciously, wouldn't you opt for the 100-percent Federal guarantee? If you get exactly the same service for zero State dollars, why spend $1 million, or even $200,000?

As a matter of fact, we could take a look at another phase. State officials and college officials alike, pressed to find funds for all of their needs, will not appropriate money for a loan program of any kind if students can borrow under a Federal guarantee without such appropriations. Indeed, and this is an important point, Senator, it is easy to see how, without any sizable increase in lending capacity, an open-

ended Federal guarantee might take over large segments of the area now occupied by the National Defense Education Act loans. After all, such a program would offer a college the incentive to save the $1 in $10 that it now deposits in the NDEA loan fund, and it would get completely out of the collection and recordkeeping business. What college officers would continue such a program when an aid officer, simply by signing a piece of paper, could enable students to borrow under a Federal guarantee at no cost to the college?

Congress has stated its intention to encourage and assist State and nonprofit private guarantee plans. But at the same time it has set up the Federal guarantee as a no-cost competitor—and now proposes to continue it. Last July no States had taken advantage of this free ride, because some State appropriations and some Federal seed money were still unused.

Today 19 States have come under the Federal programs. By next summer student loans in more than half the States may be backed by a Federal guarantee.

To be sure, the active 100-percent Federal guarantee will probably be suspended in some States—if the 80-percent coinsurance plan goes into effect. Here we would urge that you examine critically the procedural, administrative, and legal hurdles which stand in the way of early activation of the proposed coinsurance plan. We urge that in the roundtable discussion scheduled for tomorrow, these questions be thoroughly aired with all parties to this discussion. For example, in how many States must constitutional or legislative hurdles be cleared before this proposed plan could, in fact, multiply any reserve funds? How significant are the probable delays involved in recruiting the necessary lenders, and in securing the necessary new contractual arragements with established lenders?

What are the problems inherent in recruiting competent administrative personnel to implement such a program in the 50 States?

How much time will be required to do all this?

Will the 100-percent Federal guarantee continue to operate while efforts are being made to smooth the way for eventual activation of the proposed 80-percent plan?

Can it be activated in 6 months; 1 year? Or is it likely to take closer to 2 years? Whatever the delay—and we believe it will be a substantial delay—will we not by that time find ourselves in an irreversible situation—where the 100-percent Federal guarantee will have become an established way of life in perhaps two-thirds of the 50 States?

Further, assuming activation of the 80-percent plan in a number of States, how long can we expect it to be continued? How long will an 80-percent plan delay the day when a State must decide whether to appropriate additional State funds for guarantee purposes? In one State—and this gives us an idea of the growth of the loan program—in just one State, loans totaling $15 million were guaranteed in the 6-year period ending June 30, 1966. In the next year, the year ending June 30, 1967, a total of $15 million more was guaranteed. Then in the first 4 months of the following year an additional $15 million were placed under guarantee. At that point this State came under the 100-percent Federal guarantee. In other words, 6 years, $15 million; 1 year, $15 million; 4 months, $15 million.

In another State, if borrowing continues at the rate it is going under the Federal insurance program, the additional capacity provided by the proposed 80-percent coinsurance would last only 8 months.

So certainly, in our judgment, the authority for a Federal guarantee should be allowed to die an unlamented death next June 30—if the Congress does not want the Federal guarantee to become nationwide. Equally important, we believe the 80-percent plan itself should go unborn. For if there is an 80-percent guarantee, even without the authority for a 100-percent guarantee, it will be only a matter of time before most States have exhausted their reserve funds and are right back where they are today.

So it can be seen that Federal insurance is bound to preempt the field. Our suggestion is that instead Congress should give encouragement, lead time and a real sense of continuity to people at the State and private level. To do this we suggest, first, that the Congress reaffirm its commitment to the principle of State and private responsibility for guaranteed student loans; and, second, that you evidence the cooperation of the Federal Government by authorizing additional repayable Federal seed money, a portion of it on a matching basis, beginning in the next fiscal year. Provide some of this seed money for all States—say $10 million—on the basis on which these advances have been made to date. Further repayable seed money—not to exceed $15 million—could be made on a matching basis to those States which appropriate their own funds.

ELIMINATION OF SUBSIDY

To offset this cost—indeed, to much more than offset it—we recommend that Congress eliminate the subsidy of half the interest after borrowers are out of school. At the rate of increase projected by the Office of Education, this aftergraduation subsidy will reach an astounding $330 million a year by 1972.

Yet for a graduate who borrowed $2,000 as a student the maximum saving brought about by this subsidy is $5 a month—at a time when he is earning his own way, with all the income advantages that a college education has brought him. It is difficult indeed to see how this maximum expense of $5 a month to a graduate, averaging out to about $2.50 a month for the whole of the payout period, can be said to justify Government costs in a magnitude of hundreds of millions of dollars a year.

Suppose that Congress does as I have suggested—knocks the Federal guarantee out of the box, and provides additional seed money for the next fiscal year. Is there any assurance that all the States will use the intervening period to establish or fund their own guarantee programs? Of course not.

But we can be sure that under the plan as proposed in this bill, many of them will be dissuaded from funding any such program.

If, without a Federal guarantee, there are still one, five or 10 States 1 or 2 years from now that do not have their own programs, Congress can decide how to handle that situation then. But what we urgently feel Congress should not do is to establish ground rules now which make it all but inevitable that every State in the United States, with the possible exception of two or three of the wealthiest, or the

proudest, will eventually be driven out of this whole guarantee field.

I have sufficient confidence in the competence and goodwill of the States to assert without hesitation that, if they know they are not going to be undercut by the Federal Government, and if they know they have the encouragement and support of the Federal Government, they will meet their obligations to their students in full. The record proves their willingness and ability. This is no time to withdraw your support. Give them a chance.

I thank you.

Senator YARBOROUGH. Mr. Marshall, if the Congress were to enact this aid reinsurance program and if those States which now contract with your United Student Aid Fund asked you to function under this authority, what would your response be?

Mr. MARSHALL. Our response would be that we are not interested. You see, we were organized as a nonprofit private agency to guarantee loans. We did contract with some States and governments to do this, which we feel is entirely in the spirit of our purpose. But our trustees decided that we are not interested in merely providing a central clerical function for a Federal program. We have a good many devoted trustees and other people who are not looking to our program to make a livelihood out of it, they are doing it as a matter of public service. We do not believe that these people should be asked to perform a clerical service that can be purchased in the open market.

Senator YARBOROUGH. In your statement, you point out the probable delay.

You raise a question that there would be such substantial delays for an eventual activation of the proposed 80-percent plan.

I have a question. How long did it take the Office of Education to activate the Federal guarantee in program now in force?

Mr. MARSHALL. It didn't take them very long to do that, because there were no reserves required.

Senator YARBOROUGH. Two or three States did it in 24 hours, didn't they?

Mr. MARSHALL. That is right. It is quite a different program, I submit, than the 80-percent coinsurance.

Senator YARBOROUGH. We will have some additional questions after we analyze this tonight, but we are going to have a roundtable discussion. You will be here tomorrow morning?

Mr. MARSHALL. Yes.

Senator YARBOROUGH. In consideration of the debate now going on on the floor of the gold cover and the few other programs, we will forgo any questioning. Counsel for both sides will have a full opportunity tomorrow. Thank you very much for your testimony.

The next witness is Dr. Charls Walker, executive vice president of the American Bankers Association of New York.

Dr. Walker, please come up. Will you please introduce your associate?

STATEMENT OF DR. CHARLS E. WALKER, EXECUTIVE VICE PRESIDENT, AMERICAN BANKERS ASSOCIATION; ACCOMPANIED BY JAMES E. SMITH, ASSOCIATE FEDERAL LEGISLATIVE COUNSEL

Mr. WALKER. This is James E. Smith, who is associate Federal legislative counsel in our Washington office.

Mr. Chairman, it is a very high privilege for me to testify before you today. I was on the faculty of the University of Texas, my alma mater also, when you were just beginning your political career. I have been looking forward to testifying before you for the past 7 years that I have been in this position.

Senator YARBOROUGH. Thank you.

It is a pleasure to be here and to have you here. I know you have testified before the Finance Committee; I was not privileged to hear your testimony, but it spilled over into the education field.

Mr. WALKER. Yes, sir. Thank you.

The American Bankers Association is grateful for this opportunity to testify with respect to the administration's proposal to strengthen and improve the guaranteed student loan program.

SCOPE OF PROGRAM

On December 31, 1967, the guaranteed loan program had completed approximately a year and a half of activity under the Federal-State-private partnership authorized by the Higher Education Act of 1965. In that 18 months the program generated 685,000 student loans with an aggregate dollar value of $558 million. In the current fiscal year—the program's second full year of operation—we estimate that the program will produce approximately one-half billion dollars in student loans.

This performance record certainly indicates that if the program is improved so as to make it fully sustainable, it has immense potential to make a most significant contribution to our Nation's student financial needs. However, unless the necessary improvements are made, we are not optimistic about the program's future.

In fact, the guaranteed student loan program is at the crossroads—and whether the correct path is taken depends heavily on the decisions made by this subcommittee.

One of the major weaknesses of the guaranteed loan program at the present time is that lending institutions are suffering out-of-pocket losses in extending loans at the permissible 6 percent simple interest rate. We believe it is wholly unrealistic to expect banks or other private lending institutions, S. & L. associations, credit unions, et cetera, to maintain active participation in any program which results in net losses to these institutions. The member banks of the American Bankers Association do not seek to have the guaranteed student loan program placed on a full profitmaking basis; but they do believe that the program should permit them at least to break even in the extension of these loans. It is for this reason that the administration has recommended the placement in conversion fees described earlier today.

ADJUSTABLE FEES

The American Bankers Association believes that such a system of adjustable fees could be easily and effectively administered by the Commissioner of Education so as to produce a return to lenders that would permit them at least to break even in the extension of student loans. We strongly urge the members of this subcommittee to recommend approval of this administration proposal. Most of my next few minutes will be spent talking about this fee from the standpoint of

the lending institution. We have run some interest-rate computations involving the inclusion of these proposed fees. The results of these computations—which we believe the subcommittee will find of interest—are presented in an appendix attached to this statement. Each of the examples presented involve four loans (one in each college year), with assumed principal amount of $750, $900, and $1,000. The $750 minimum loan figure seems reasonable, inasmuch as the average annual loan under this program has already risen above $800. In each example we assumed a grace period of 1 year after graduation before repayment. We used three different repayment priods of 6, 8, and 10 years with each of the three different loan amounts, thus producing nine separate examples. We also used the highest permissible fee of $35 for the four placement fees recognizing, of course, that the Commissioner of Education could set the fee at a lower level—as well as the conversion fee—so as to demonstrate the highest gross interest yield for each of these nine examples.

As is made clear in the appendix, in only one example—the one involving four annual loans of $750 with a 6-year repayment period—would the $35 fee yield a gross return to the lender in excess of 7 percent per annum. And in that example the yield is only 7.11 percent.

These computations seem significant to us for the following reason. The Higher Education Act of 1965 (sec. 427(b)) authorizes the Commissioner of Education to increase the permissible interest rate on loans directly insured by the Office of Education to 7 percent per annum if he finds that a higher return to the lender is required for the successful operation of the program. The administration has asked in the new housing bill for a rate in excess of 10 percent.

The American Bankers Association computations indicate that if the Congress approved the fee system recommended by the administration, it would be merely reaffirming the policy enunciated in the 1965 act with respect to the matter of return to lenders under the guaranteed loan program.

The significance of this relationship is emphasized by the fact that as of today the Office of Education is directly insuring student loans in 19 States. Presumably, under the provision of the act just referred to, the Commissioner of Education could raise the interest rate in these States from 6 percent to 7 percent—a rate higher than would be earned on the typical loan under the administration's proposal for placement and conversion fees. Stated differently, the highest interest rate that could be produced under the new administration fee proposal would be no higher on the typical loan than the maximum gross return to lenders approved by the Congress in the 1965 act.

In a discussion of the fee proposal, there is a great temptation to become embroiled in a debate as to whether the legislation would merely permit the lenders to break even, or whether it would in fact allow a modest net profit.

These considerations seem to us to miss the point. The relevant comparison is not between income and outgo and whether there is a slight profit, a slight loss, or an approximate standoff. The relevant

comparison on this or any other socially oriented public-private program is the gross rate of return on other attractive lending opportunities which profit-oriented financial institutions must forego in order to make student loans.

For example, the gross return on extensions of revolving credit through credit cards can reach 18 percent—a point and a half per month—three times the student loan gross rate. The gross return on automobile lending is 10 to 12 percent—about twice the student loan fund. And even the rate of interest on a prime corporate borrower would be higher, all things considered, than the student loan rate.

Again, I want to emphasize very strongly that the commercial banking industry is not asking for full-scale profits on student loans—although precedent surely exists in the federally insured home improvement loans, title I, Federal Housing, which allows gross rates approaching 10 percent. The American Bankers Association and its members are convinced that loans to needy students are good for our communities, good for our country, and in the long run certainly good for our banks. We therefore will strongly promote the program if we can conscientiously make the case that they are not out-and-out loss propositions.

There is still another point which argues strongly for enactment of the fee proposal. When Congress authorized the 6-percent rate in 1965, interest rates—including the rates banks have to pay to attract savings accounts and time deposits—were much lower than they are now. Attached to the end of this statement is page 33 from a recent issue of "Economic Indicators," printed by the Council of Economic Advisers for the Joint Economic Committee of the Congress. You can see quite clearly, both in the lines, the chart, and the data below, that interest rates on the average are 1½ to 2 points higher when the act was passed. Therefore, if 6 percent was fair to the lender in 1965, then it is manifestly unfair today. The rate should be raised but, because of the complications arising from usury ceilings in a few States, the fee approach is the best alternative—and it places the burden not on the student, but on the Federal Government. Some States have a 6-percent interest rate—the argument that the program's good performance in recent months shows that the program needs no shot-in-the-arm is particularly distressing to leaders of the American Bankers Association who have worked long and hard to promote the program. One reason banks have stayed in the program is because ABA leaders expressed confidence that the fee proposal was reasonable, had strong administration support, and would probably pass the Congress, retroactive to June 1, 1967. It is, therefore, highly ironical that this argument be turned around as a case against the fee. Indeed, some very significant lenders have recently told me that in the absence of the proposed fee they will have to seriously consider dropping out of the program. We regret that we have to part company with our longtime friends, the United Student Aid Fund in this respect, but we respectfully disagree with them. This is workable, feasible, and gives you a tremendous bank for the bunch in terms of postings of the money put up by the States.

ELIMINATION OF INTEREST SUBSIDY

Other proposed changes I would like to comment on, from outside the administration have come recommendations for certain other changes in the guaranteed student loan program. The two most important such recommendations are: (1) a suggestion that the interest cost subsidy paid by the Federal Government be discontinued in the postgraduation period; and (2) the suggestion that the college financial aid officer be given a clearly authorized role in the program with respect to recommending the amount which a financial institution should lend to a particular student.

The American Bankers Association believes that both of these recommendations deserve serious consideration by the subcommittee. Quite obviously, the elimination of the interest subsidy in the postgraduation period would significantly reduce the overall costs of this program to the Federal Government. And it would over time release a very significant amount of money that can be used for other aspects of the higher education program.

REDUCTION OF ADMINISTRATIVE COSTS

Much more important from the standpoint of the lending institution, there would be a reduction in administrative costs, for this would do away with the necessity for a lender to bill the U.S. Office of Education on a quarterly basis for a portion of the interest accruing on a student loan during the repayment period. This billing process necessitates or will necessitate when it is operating additional record-keeping activity which results in increased administrative costs for the lender.

Additionally, we believe that the elimination of this subsidy after graduation might also help assure that needier students would be fully accommodated. Without the interest subsidy during the repayment period, a guaranteed student loan would produce a less attractive interest rate for the borrower; thus elimination of this subsidy might tend to reduce requests for those families in the upper middle income brackets who now seek these loans only because of the highly attractive interest rate. In that respect, I do not want to imply that there are not many in the middle income brackets and upper middle income brackets, particularly with large families, that do not really qualify or are justified in seeking these loans. But we do know there are some borrowers who are not justified. In our view, we are certainly aware of the fact that this recommendation poses a highly important question of public policy for the subcommittee. But for our part we believe that as a result of eliminating the postgraduation subsidy the program would operate more effectively and its availability to students having real economic need would be enlarged.

ROLE OF STUDENT FINANCIAL AID OFFICERS

As to the proposal for expanding the role of the student financial aid officers in the guaranteed student loan program, this recommenda-

tion has the full support of The American Bankers Association. Of the several student financial aid programs supported in full or in part by the Federal Government the guaranteed student loan program is the only one in which the college financial aid officer is not permitted to play a meaningful role. There is no question but that the college financial aid officer is in the best position to determine the real financial needs of a particular student. He does this with respect to all other student assistance programs, and we can see no valid reasons for excluding his important and informed judgments from the guaranteed student loan programs.

We earnestly hope that this subcommittee will give its most serious consideration to expanding the role and responsibility of the college financial aid officer in the guaranteed student loan program.

PUBLIC-PRIVATE PARTNERSHIP FOR SOLVING SOCIAL PROBLEMS

To conclude on a broader note, there are many observers who believe that in the long run our more pressing social problems can only be solved through a workable partnership between the Government and the private sector. The American Bankers Association shares this view. It is for this reason that we are organizing a Bankers Committee on Urban Affairs to evaluate what bankers have already done in this area and to stimulate even greater and more effective action in the future. This program—which will be described fully in a public announcement later this month—or early next month—has been most carefully developed during a 5-month planning and staffing period and we have high hopes as to its ultimate contribution to the public interest.

Signs of progress in the Government-private sector approach to solving social problems have been multiplying rapidly. The establishment of the urban coalition, the pledge of the life insurance companies to support federally guaranteed loans for low-cost housing, the newly formed National Alliance of Businessmen to provide jobs for the hard-core unemployed—all of these as well as many other such developments are most encouraging.

But these signs of progress should not obscure one fundamental fact. The private business community cannot be expected to participate in such programs on a sustained, long run basis if it is expected to do so, year in and year out, to the detriment of the owners of the business. This does not mean that normal profits have to be made, although certainly profit is a great stimulant to action. It does not mean that programs should be carefully designed to provide what the businessmen deem to be a break-even operation. In most instances this should be easy to achieve and at a modest cost to Government.

If this view is correct, then it is indeed a pity that one of the first and one of the most promising Government-private sector partnerships is in danger. It can be convincingly argued that guaranteed student loan program—a major partnership among the Federal Government, State governments, and private financial institutions—stands as a prototype for the development of other cooperative efforts aimed at solving other equally important social problems.

Congress can, of course, dismantle the program—or permit it to die a natural death by refusing to raise the lenders' return to a break-even basis—and turn at great costs in terms of current appropriations to a direct lending program. This is Congress prerogative. But in so doing Congress will have terminated a most worthy experiment in Government-private sector cooperation—a program that promises to serve as a guide to future programs—without having given the experiment a real chance to succeed.

On the other hand, if the Congress moves rapidly to make this program workable and sustainable from the lender's standpoint, the leaders of The American Bankers Association will work with renewed vigor for the establishment of guarantee programs in all 50 States; for 100-percent participation by all commercial banks; and for increased participation by other lending institutions.

To do these things, however, the income problem for lenders must be remedied. Otherwise we cannot in good conscience continue to tell our members that the program is both fair and workable on a long-range basis.

Thank you very much.

(Material referred to above follows:)

APPENDIX A

Rates of Return to Lenders on Guaranteed Student Loans

Set forth below are the results of interest rate computations for nine student loan models. The amounts disbursed and the periods of repayment have been varied to produce nine separate examples. In each example we have assumed annual loan disbursements over a four-year period and a grace period of one year prior to the beginning of repayments. We have also used the maximum fee of $35 for the four placement fees and the one conversion fee. The interest rates are expressed in terms of percent per year compounded quarterly, and represent the average annual rate of interest yielded to the lender over the entire life of the loan.

[Interest rates in percent]

Amount advanced each year	Repayment period		
	6 years	8 years	10 years
$750	7.11	6.99	6.90
$900	6.92	6.83	6.74
$1,000	6.83	6.74	6.66

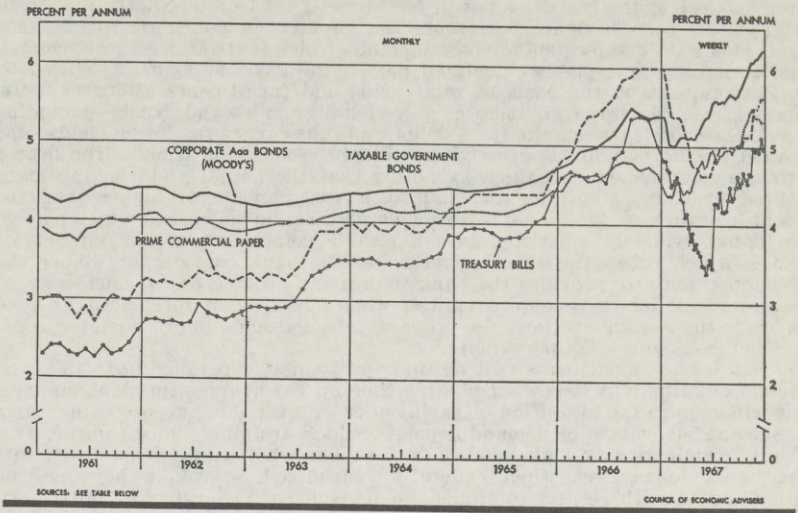
An Analysis by the American Bankers Association of Certain Statistics From the Bank Stock Quarterly

The Honorable Wright Patman, Chairman of the House Committee on Banking and Currency, has presented a statement to this Subcommittee which includes certain unsupported statistics developed by "Bank Stock Quarterly" as to the so-called breakeven point on banking lending. We feel compelled to comment on this matter. In his statement, Chairman Patman said:

" * * * in a recent issue of the respected banking publication, 'Bank Stock Quarterly', a study conducted of 25 banks across the country concluded that the breakeven point for these banks on their loans was 3.89 percent interest. And in June of last year, the same publication surveyed 50 banks in all size categories across the counrty and also determined that the breakeven point on loans was 3.89 percent interest rate."

BOND YIELDS AND INTEREST RATES

In December, Treasury bill rates and corporate bond yields averaged higher than in November, while Treasury bond yields averaged lower. On a weekly basis, most interest rates and bond yields declined in early January.



[Percent per annum]

Period	U.S. Government security yields			High-grade municipal bonds (Standard & Poor's) [4]	Corporate bonds (Moody's)		Prime commercial paper, 4–6 months	FHA new home mortgage yields [1]
	3-month Treasury bills [1]	3–5 year issues [2]	Taxable bonds [3]		Aaa	Baa		
1961	2.378	3.60	3.90	3.46	4.35	5.08	2.97	5.80
1962	2.778	3.57	3.95	3.18	4.33	5.02	3.26	5.61
1963	3.157	3.72	4.00	3.23	4.26	4.86	3.55	5.47
1964	3.549	4.06	4.15	3.22	4.40	4.83	3.97	5.45
1965	3.954	4.22	4.21	3.27	4.49	4.87	4.38	5.46
1966	4.881	5.16	4.65	3.82	5.13	5.67	5.55	6.29
1967	4.321	5.07	4.85	3.96	5.51	6.23	5.10	6.55
1966: Nov	5.344	5.43	4.74	3.93	5.35	6.13	6.00	----
Dec	5.007	5.07	4.65	3.83	5.39	6.18	6.00	6.81
1967: Jan	4.759	4.71	4.40	3.58	5.20	5.97	5.73	6.77
Feb	4.554	4.73	4.47	3.56	5.03	5.82	5.38	6.62
Mar	4.288	4.52	4.45	3.60	5.13	5.25	5.24	6.46
Apr	3.852	4.46	4.51	3.66	5.11	5.83	4.83	6.35
May	3.640	4.68	4.76	3.92	5.24	5.96	4.67	6.29
June	3.480	4.96	4.86	3.99	5.44	6.15	4.65	6.44
July	4.308	5.17	4.86	4.05	5.58	6.26	4.92	6.51
Aug	4.275	5.28	4.95	4.03	5.62	6.33	5.00	6.53
Sept	4.451	5.40	4.99	4.15	5.65	6.40	5.00	6.60
Oct	4.588	5.52	5.19	4.31	5.82	6.52	5.07	6.63
Nov	4.762	5.73	5.44	4.36	6.07	6.72	5.28	6.65
Dec	5.012	5.72	5.36	4.49	6.19	6.93	5.56	6.77
Week ended:								
1967: Dec 23	5.127	5.68	5.34	4.49	6.22	6.96	5.63	----
30	4.989	5.75	5.34	4.51	6.24	6.97	5.63	----
1968: Jan 6*	5.103	5.61	5.23	4.46	6.24	6.96	5.63	----
13*	5.080	5.48	5.12	4.35	6.20	6.86	5.63	----
20*	5.072	5.52	5.18	4.34	6.14	6.79	5.63	----
27*	5.068	5.55	5.20	4.30	6.12	6.80	5.63	----

[1] Rate on new issues within period. [2] Selected note and bond issues.
[3] April 1953 to date, bonds due or callable 10 years and after.
[4] Weekly data are Wednesday figures. *Not charted.
[1] Data for first of the month, based on the maximum permissible interest rate (6 percent beginning October 1966) and 30-year mortgages paid in 15 years.

Sources: Treasury Department, Board of Governors of the Federal Reserve System, Federal Housing Administration, Standard & Poor's Corporation, and Moody's Investors Service.

The "Bank Stock Quarterly" is published by the bank stock dealer, M. A. Schapiro & Co., in New York; it is a respected banking publication. But the fact is that the Schapiro analysis (which is attached), when closely examined in its entirety, actually supports the Administration's proposal for a placement and conversion fee. Let's take a close look at what the Chairman of the House Banking Committee said.

First, Mr. Patman said that the second survey both of which had identical general results—applied to 50 banks in *all size categories* across the country. The bank were geographically dispersed, but they were *not* representative of all size categories. Instead, they consisted primarily of the 50 largest banks in the

country. This leaves out more than 13,000 other and vastly distorts the figures, since the larger banks hold much larger volumes of low-yielding business loans than do smaller banks.

Second, the most glaring misrepresentation in the quotation—and the one which makes it not only useless but in fact directly misleading—is the statement that the 3.89 percent figure represents the "breakeven point for these banks on their loans." This so-called breakeven point—which in itself is a rather complicated and fuzzy concept—is calculated not on the basis of loans, as stated by Mr. Patman, but on the basis of total loans and investments. Since bank investments include large volumes of low-yielding notes and bonds—including municipal securities which are tax exempt and thus carry even lower yields—the so-called breakeven point is grossly understated. Some indication of the degree of this understatement is gained by noting that the actual yield on the loans of these 50 banks, according to Schapiro, is 6.03 percent, or higher than the student loan rate. And it should be remembered that the businesses which borrow from banks typically must maintain a sizable compensating demand deposit balance, which raises the effective return to the bank considerably above the stated rate, and also provides the bank with many other types of business.

As stated earlier the Schapiro figures, when closely examined, actually lend support to the Administration's fee proposal. Mr. Patman simply misinterpreted Mr. Schapiro's figures. Let me explain.

Inasmuch as student loans will tie up bank funds for periods up to 15 years, although admittedly a somewhat shorter time on the average, prudent management will require the allocation of savings deposits for this purpose rather than any substantial volume of demand deposits, which are much more volatile. Just as bank examiners now look askance at a banker who ties up demand deposits in mortgage loans, even when Federally guaranteed, so would they question similar polices with respect to student loans. Indeed, Federal law limits mortgage loans relative to savings deposits. It should noted that the average payout period of student loans may be about the same as the typical bank mortgage loan.

Now, the Schapiro figures show quite clearly that the so-called breakeven point rises very steeply the more of its total deposits a bank has in the form of time and savings funds. For example, Morgan Guaranty Trust Company, a wholesale bank with no consumer loans and only 33 percent of its assets in time deposits, has a so-called breakeven point of 2.81 percent. But Bank of California and Valley National Bank of Phoenix, both with time and savings funds accounting for more than one-half of total deposits, have breakeven points in excess of 5 percent.

These figures show quite clearly, therefore, that the larger the proportion of savings and time funds—the very funds which must be used for student loans—the higher the breakeven point. And, quite clearly, if all demand deposits were excluded, and only time and savings deposits considered, the breakeven point would have to be considerably higher—approximately the 7 percent figure which is the basis of our contention that the student loans are loss loans.

Still another important point should be considered. Many of the banks in the Schapiro survey which have relatively low breakeven points have relatively small amounts of installment loans (which are similar to student loans in the payout period) and large volumes of business loans. The latter loans are much easier to make, much easier to administer, and involve much larger principal amounts. Thus to quote a breakeven rate of 3.89 percent for the 50 largest banks, many of which are light in installment but heavy in business loans, is, to say the least, highly misleading.

The fact is that the only way to compute a breakeven point on student loans is to look at that type of loan alone; to add in investments and all other loans, as Mr. Patman did, is to compare apples and oranges. All people who have taken a close look at this problem agree that student loans are the most expensive loans to make—perhaps 1½ to 2 times as much as the typical consumer loan, which in turn is more expensive than the typical business loan. When this is considered, plus the fact that expensive savings funds have to be allocated to the student loan function, then it is clear that our contention that the loans are now loss loans has great merit and that the Administration's fee proposal would not represent a bonus or bonanza to the lenders, but would in fact help many deserving young men and women get a college education.

Perhaps we should be grateful to Mr. Patman for opening up—albeit unintentionally—a path of analysis which further supports our contention that the loans are now loss loans and that the Administration's fee proposal should be enacted.

50 SELECTED COMMERCIAL BANKS LISTED IN ORDER OF COMMON CAPITAL ACCOUNTS AS OF OCT. 4, 1967, SHOWING DEPOSITS, CRITICAL YIELDS, PROFIT MARGINS, EARNING POWER, AND CURRENT PER SHARE DATA

Bank	Average loans and investments [1]					Profit margin per $1,000 of loans and investments			Net operating earnings		Deposits at domestic offices [1]	
	12 months ended Oct. 4, 1967 (millions)	Percent	Yield realized (percent)		Yield required to break even (percent)	Pre-tax	Applicable tax rate (percent)	After tax	12 months ended Sept. 30, 1967 (thousands)	Average common capital accounts (percent)	Total Oct. 4, 1967 (millions)	Time to total (percent)
			On loans	On investments								
1. First National City Bank	$9,668.1	5.38	5.87	4.06	3.76	$16.20	28.70	$11.55	$111,624	10.6	$10,574.9	43.3
2. Bank of America N.T. & A	15,668.4	5.34	5.83	3.90	4.05	12.90	37.67	8.04	125,963	12.8	18,484.8	60.4
3. Chase Manhattan Bank, N.A	10,677.5	5.40	5.72	3.92	3.80	16.00	38.75	9.80	104,609	11.4	11,436.3	38.3
4. Morgan Guaranty Trust Co	4,999.5	5.33	5.53	4.64	2.81	25.20	44.64	13.95	69,768	10.6	5,150.7	32.8
5. Manufacturers Hanover Trust Co	5,608.0	5.70	6.08	4.06	3.76	19.40	44.12	10.84	60,812	11.0	7,146.8	34.4
6. Chemical Bank N.Y. Trust Co	5,481.0	5.59	5.96	4.40	3.88	17.10	36.67	10.83	59,369	11.0	6,573.8	38.9
7. Continental Ill. National B & T. Co	4,315.5	5.58	5.95	4.20	3.80	17.80	36.80	11.25	48,559	11.1	4,296.8	43.3
8. First National Bank of Chicago	3,837.5	5.24	5.80	3.60	3.51	17.30	35.15	11.22	43,051	10.2	4,010.9	50.0
9. Mellon National Bank & Trust Co	2,954.5	5.08	5.63	3.73	3.18	19.00	31.53	13.01	38,434	9.1	3,008.9	54.1
10. Bankers Trust Co	4,087.1	5.46	5.91	4.03	3.64	18.20	37.58	11.36	46,448	12.6	4,643.6	37.3
11. Security First National Bank, L.A	4,188.7	5.72	6.64	3.86	4.27	14.50	33.72	9.61	40,252	11.8	4,842.4	54.4
12. First National Bank of Boston [2]	2,060.3	6.03	6.62	3.80	3.08	29.50	46.85	15.68	32,301	12.0	2,470.5	36.3
13. Wells Fargo Bank, San Francisco	3,628.0	5.63	6.38	3.72	4.61	10.20	26.08	7.54	27,343	10.1	3,893.9	61.2
14. Irving Trust Co	2,396.0	5.38	5.94	3.63	4.00	13.80	35.43	8.91	21,343	9.7	2,862.6	32.6
15. National Bank of Detroit	2,533.7	5.25	6.05	3.91	4.07	11.80	21.10	9.31	23,594	10.4	2,928.8	50.5
16. Crocker-Citizens National Bank	3,249.8	5.97	6.80	3.88	4.89	10.80	27.96	7.78	25,282	11.6	3,648.5	58.0
17. Cleveland Trust Co	1,808.7	5.31	5.94	3.84	3.57	17.40	29.66	12.24	22,131	11.6	1,877.5	61.4
18. First Pennsylvania Banking & Trust Co	1,382.0	6.10	6.57	4.20	4.10	20.00	38.95	12.21	16,877	12.4	1,712.0	40.8
19. Republic National Bank of Dallas [3]	1,141.3	5.50	5.99	3.98	3.88	16.20	31.11	11.16	12,738	10.1	1,214.8	40.6
20. Pittsburgh National Bank	1,267.5	5.47	6.51	3.88	4.04	14.30	17.55	11.79	14,940	12.4	1,327.4	55.5
21. Philadelphia National Bank	1,272.1	5.28	5.66	3.83	3.68	16.00	34.19	10.53	13,398	11.4	1,448.1	38.5
22. Seattle-First National Bank	1,261.2	5.97	6.73	4.20	4.14	18.30	36.56	11.61	14,643	12.6	1,506.7	46.6
23. Detroit Bank & Trust Co	1,384.5	5.45	6.15	3.81	4.15	13.00	28.92	9.24	12,797	11.1	1,572.9	65.7
24. Harris Trust & Savings Bank, Chicago	1,298.9	5.32	6.00	3.69	3.78	15.40	33.44	10.25	[4] 13,315	12.2	1,408.9	39.8
25. National City Bank of Cleveland	974.2	5.24	5.66	4.43	2.93	23.10	34.29	15.18	14,793	13.9	1,049.4	46.6
26. First National Bank in Dallas	969.2	5.06	5.46	3.90	3.19	18.70	35.83	12.00	11,634	11.2	1,145.6	36.8
27. Girard Trust Bank	1,022.3	5.60	6.16	3.94	3.77	18.30	32.90	12.28	12,558	12.9	1,189.8	45.1
28. Bank of New York [5]	888.2	5.39	5.84	4.31	[6] 3.07	[6] 23.20	[6] 44.83	[6] 12.80	[6] 11,373	11.4	998.8	36.2
29. Wachovia Bank & Trust Co	1,012.0	5.59	6.35	3.73	3.81	17.80	31.52	12.19	12,333	13.4	1,090.2	42.7
30. United States National Bank of Oregon	1,126.0	5.72	6.50	3.99	4.44	12.80	34.38	8.40	9,462	10.0	1,309.6	55.5
31. Franklin National Bank	1,848.2	5.57	6.53	4.05	[6] 4.72	[6] 8.50	[6] 12.71	[6] 7.42	[5] 13,707	16.6	2,083.2	66.7
32. Manufacturers National Bank of Detroit	1,350.4	5.44	6.00	4.13	4.55	8.90	23.82	6.78	9,159	11.6	1,541.1	62.5
33. Provident National Bank	601.6	5.67	6.17	4.12	3.63	20.40	33.58	13.55	8,154	10.5	718.6	38.7
34. Fidelity Bank, Philadelphia	846.7	5.78	6.46	3.70	3.86	19.20	35.78	12.33	10,439	14.3	990.0	50.0

See footnotes at end of table.

50 SELECTED COMMERCIAL BANKS LISTED IN ORDER OF COMMON CAPITAL ACCOUNTS AS OF OCT. 4, 1967, SHOWING DEPOSITS, CRITICAL YIELDS, PROFIT MARGINS, EARNING POWER, AND CURRENT PER SHARE DATA—Continued

Bank	Average loans and investments [1]					Profit margin per $1,000 of loans and investments			Net operating earnings		Deposits at domestic offices [1]	
	12 months ended Oct. 4, 1967 (millions)	Percent	Yield realized (percent)		Yield required to break even (percent)	Pre-tax	Applicable tax rate (percent)	After tax	12 months ended Sept. 30, 1967 (thousands)	Average common capital accounts (percent)	Total Oct. 4, 1967 (millions)	Time to total (percent)
			On loans	On investments								
35. State Street Bank & Trust Co	$640.7	5.50	6.11	4.20	3.57	$19.30	39.64	$11.65	$7,465	10.6	$806.9	29.7
36. Bank of California, National Association	1,132.9	5.91	6.66	4.16	5.14	7.70	21.30	6.06	6,864	9.8	1,364.5	52.1
37. Central National Bank of Cleveland	918.1	5.14	5.92	3.83	3.97	11.70	15.13	9.93	9,118	13.4	973.3	56.8
38. Valley National Bank of Arizona	969.8	6.58	6.91	5.31	5.09	14.90	37.05	9.38	9,094	13.3	1,027.6	58.7
39. Citizens & Southern National Bank	802.3	5.99	6.41	4.06	4.28	17.10	35.32	11.06	8,877	13.1	944.2	39.0
40. Fidelity Union Trust Co	532.0	5.54	6.37	3.72	3.27	22.70	31.94	15.45	8,217	12.6	534.3	38.7
41. North Carolina National Bank	701.3	6.13	6.77	4.32	4.60	15.30	34.31	10.05	7,045	11.5	895.8	38.2
42. County Trust Co., White Plains	745.7	5.09	5.93	3.77	3.97	11.20	7.41	10.37	7,734	12.5	780.2	55.1
43. Industrial National Bank of Rhode Island	700.6	5.55	6.30	3.69	4.02	15.30	30.72	10.60	7,428	13.4	739.6	65.0
44. First National Bank of Atlanta	577.8	5.75	6.26	3.96	4.23	15.20	32.57	10.25	5,920	10.8	723.2	28.1
45. First National State Bank of New Jersey	550.7	5.48	6.27	3.88	4.05	14.30	24.13	10.85	5,974	11.6	637.8	42.0
46. Manufacturers & Traders Trust Co	688.5	6.87	8.15	3.72	5.89	9.80	14.18	8.41	5,793	11.2	767.2	63.6
47. American National Bank & Trust Co. of Chicago	540.8	5.24	6.03	3.69	3.35	18.90	33.76	12.52	6,772	14.2	629.0	32.4
48. American Fletcher National Bank & Trust Co	594.7	5.56	6.12	4.06	3.96	16.00	37.00	10.08	5,993	12.2	644.1	38.8
49. First National Bank of Memphis	486.3	5.42	6.47	3.23	3.99	14.30	25.74	10.62	5,162	12.1	568.1	47.1
50. American Security & Trust Co. [2]	506.0	5.53	6.18	3.97	2.91	26.20	44.85	14.45	7,310	13.7	532.6	39.5
Composite	117,896.8	5.50	6.03	3.98	3.89	16.10	35.28	10.42	1,227,970	11.4	132,727.2	47.0

See footnotes at end of table.

Bank	Capital accounts [1]					Net operating earnings per common share [7]				Annual cash dividend		Market data, Dec. 21, 1967			
	Common Oct. 4, 1967	Senior Oct. 4, 1967	Total capital to total deposits	Number of common shares [7]	Capital accounts per common share	1965	1966	12 months ended Sept. 30, 1967	Change from 12 months ended Sept. 30, 1966	Per share	N.o.e. 12 months ended Sept. 30, 1967	Bid price	Times n.o.e. 12 months ended Sept. 30, 1967	Yield	Capital accounts per common share
	Millions	Millions	Percent	Thousands					Percent		Percent			Percent	Percent
1. First National City Bank	$1,081.4	$266.3	12.7	26,699	$40.50	$3.52	$3.994	$4.18	+9.4	$2.00	47.8	$53.50	12.8	3.7	132.1
2. Bank of America N.T. & S.A.	1,008.2	----	5.5	28,480	35.40	[8] 3.57	4.112	4.42	+10.5	2.20	49.8	58.25	13.2	3.8	164.5
3. Chase Manhattan Bank, N.A.	942.4	224.2	10.2	20,951	44.98	4.40	4.771	4.99	+8.5	2.20	44.1	62.00	12.4	3.5	137.8
4. Morgan Guaranty Trust Co.	672.9	100.0	15.0	9,123	73.76	6.55	7.002	7.65	+14.3	4.40	57.5	91.00	11.9	4.8	123.4
5. Manufacturers Hanover Trust Co.	570.6	----	8.0	14,000	40.76	3.58	3.999	4.34	+11.9	2.00	46.1	44.00	10.1	4.5	107.9
6. Chemical Bank N.Y. Trust Co.	553.7	50.0	9.2	13,139	42.14	4.01	4.114	4.52	+11.9	2.20	48.7	47.25	10.5	4.7	112.1
7. Continental Ill. National B. & T. Co.	447.9	----	10.4	15,279	29.31	2.85	3.222	3.18	+2.9	1.40	44.0	35.00	11.0	4.0	119.4
8. First National Bank of Chicago	431.0	----	10.7	8,750	49.25	4.56	5.110	4.92	−2.6	2.00	40.7	53.75	10.9	3.7	109.1
9. Mellon National Bank & Trust Co.	426.6	----	14.2	6,659	64.06	5.25	5.558	5.77	+6.9	2.80	48.5	65.75	11.4	4.3	102.6
10. Bankers Trust Co.	380.0	84.1	10.0	[9] 9,571	41.27	[9] 4.33	[9] [10] 4.836	[9] 5.05	([11])	2.60	51.5	56.25	11.1	4.6	136.3
11. Security First National Bank, L.A.	352.1	----	7.3	13,110	26.86	2.61	3.001	3.07	+5.5	1.28	41.7	34.00	11.1	3.8	126.6
12. First National Bank of Boston [2]	276.1	----	11.2	6,000	46.02	4.41	5.008	5.38	+9.3	2.70	50.2	55.00	10.2	4.9	119.5
13. Wells Fargo Bank, San Francisco	273.9	75.3	9.0	8,922	30.70	2.61	3.001	3.06	+4.4	1.40	45.8	33.00	10.8	4.2	107.5
14. Irving Trust Co.	247.5	----	8.6	[9] 6,270	32.20	[9] 3.04	[9] 3.117	[9] 3.46	+8.8	1.70	49.1	33.50	9.7	5.1	104.0
15. National Bank of Detroit	235.2	----	8.0	4,800	49.00	4.28	4.889	4.92	+6.7	2.00	40.7	43.25	8.8	4.6	88.3
16. Crocker-Citizens National Bank	220.6	96.6	8.7	10,348	21.32	2.29	2.488	2.44	+.8	1.40	57.4	27.00	11.1	5.2	126.6
17. Cleveland Trust Co.	198.5	----	10.6	2,000	99.27	8.09	10.200	11.07	+15.3	[10] 3.50	31.6	111.50	10.1	3.1	112.3
18. First Pennsylvania Banking & Trust Co.	140.8	----	8.2	5,135	27.43	2.62	2.904	3.29	+16.3	1.70	51.7	34.50	10.5	4.9	125.8
19. Republic National Bank of Dallas [3]	129.3	----	10.6	8,539	15.14	1.29	1.354	1.49	+11.2	1.00	67.1	20.75	13.9	4.8	137.1
20. Pittsburgh National Bank	124.5	----	9.4	3,036	41.01	3.91	4.500	4.92	+16.3	2.20	44.7	51.50	10.5	4.3	125.6
21. Philadelphia National Bank	120.4	30.0	10.4	2,648	45.49	4.42	4.866	5.06	+7.2	2.60	51.4	49.75	9.8	5.2	109.4
22. Seattle-First National Bank	119.3	----	7.9	3,000	39.77	3.98	4.433	4.88	+14.6	1.90	38.9	66.75	13.7	2.8	167.8
23. Detroit Bank & Trust Co.	117.7	----	7.5	2,179	55.43	5.12	5.888	6.03	+4 1	2.60	43.1	51.00	8.5	5.1	92.0
24. Harris Trust & Savings Bank, Chicago	113.5	----	8.1	2,500	45.38	4.32	5.499	5.33	+5.5	1.80	33.8	55.00	10.3	3.3	121.2
25. National City Bank of Cleveland	109.9	----	10.5	3,229	34.05	3.74	4.366	4.58	+10.6	2.20	48.0	52.50	11.5	4.2	154.2
26. First National Bank in Dallas	106.5	20.0	11.0	4,400	24.21	2.25	2.366	2.64	+14.3	1.25	47.3	32.25	12.2	3.9	133.2
27. Girard Trust Bank	101.2	----	8.5	2,553	39.55	4.27	4.700	4.91	+8.6	2.40	48.9	48.00	9.8	5.0	121.4
28. Bank of New York [5]	99.4	22.2	12.2	1,796	55.33	5.29	6.055	6.33	+6.7	2.80	44.2	70.50	11.1	4.0	127.4
29. Wachovia Bank & Trust Co.	98.1	25.0	11.3	4,877	20.12	[10] 2.12	[10] 2.399	[10] 2.56	+10.3	0.90	35.2	44.00	17.2	2.0	218.7
30. United States National Bank of Oregon	96.7	----	7.4	3,301	29.28	2.66	2.844	2.87	+11.7	1.40	48.8	31.25	10.9	4.5	106.7
31. Franklin National Bank	88.0	70.5	7.6	3,981	22.11	2.52	3.10	3.44	+19.4	1.00	29.1	30.00	8.7	3.3	135.7
32. Manufacturers National Bank of Detroit	81.1	25.0	6.9	1,554	52.21	5.36	6.00	5.89	−0.7	2.00	34.0	46.50	7.9	4.3	89.1

See footnotes at end of table.

Bank	Capital accounts [1]					Net operating earnings per common share [7]				Annual cash dividend		Market data, Dec. 21, 1967			
	Common Oct. 4, 1967	Senior Oct. 4, 1967	Total capital to total deposits	Number of common shares [7]	Capital accounts per common share	1965	1966	12 months ended Sept. 30, 1967	Change from 12 months ended Sept. 30, 1966	Per share	N.o.e. 12 months ended Sept. 30, 1967	Bid price	Times n.o.e. 12 months ended Sept. 30, 1967	Yield	Capital accounts per common share
	Millions	Millions	Percent	Thousands					Percent		Percent			Percent	Percent
33. Provident National Bank	$80.2	----------	11.2	1,230	$65.21	$6.02	$6.36	$6.63	+2.6	[12] $3.80	57.3	$66.50	10.0	5.7	102.0
34. Fidelity Bank, Philadelphia	76.5	$17.2	9.5	1,277	59.88	6.33	7.36	8.17	+18.9	[12] 4.50	55.1	93.50	11.4	4.8	156.1
35. State Street Bank & Trust Co	71.4	----------	8.8	2,008	35.56	3.38	3.40	3.72	+8.5	2.00	53.8	40.50	10.9	4.9	113.9
36. Bank of California, National Association	71.1	20.0	6.7	1,898	37.44	3.32	3.64	[10] 3.68	+7.6	1.80	48.9	37.25	10.1	4.8	99.5
37. Central National Bank of Cleveland	70.7	20.0	9.3	1,969	35.89	3.39	4.17	4.63	+19.0	1.80	38.9	47.00	10.2	3.8	131.0
38. Valley National Bank of Arizona	70.6	13.7	8.2	7,306	9.66	1.11	1.21	1.24	+4.2	0.50	40.3	20.25	16.3	2.5	209.6
39. Citizens & Southern National Bank	70.2	40.0	11.7	4,067	[2] 22.95	[2] 2.20	[2] 2.63	[2] 2.75	+4.6	1.00	36.4	44.00	16.0	2.3	191.7
40. Fidelity Union Trust Co	67.6	----------	12.7	1,600	42.27	4.13	4.66	5.14	+15.8	2.40	46.7	54.50	10.6	4.4	128.9
41. North Carolina National Bank	65.4	----------	7.3	2,783	23.51	2.11	2.46	2.53	+7.2	1.20	47.4	35.00	13.8	3.4	148.9
42. County Trust Co., White Plains	64.2	----------	8.2	2,493	25.74	2.78	2.96	3.10	+5.8	1.30	41.9	34.00	11.0	3.8	132.1
43. Industrial National Bank of Rhode Island	57.9	----------	7.8	1,573	36.82	3.55	[9] 4.17	4.72	+21.0	2.00	42.4	49.00	10.4	4.1	133.1
44. First National Bank of Atlanta	56.6	16.9	10.2	1,438	39.38	3.65	4.31	4.12	−2.1	2.00	48.5	53.00	12.9	3.8	134.6
45. First National State Bank of New Jersey	55.7	15.0	11.1	1,778	31.35	3.20	[9] 3.26	[9] 3.44	+9.6	1.80	52.3	31.75	9.2	5.7	101.3
46. Manufacturers & Traders Trust Co	52.8	18.0	9.2	2,616	20.17	1.99	2.17	[10] 2.24	+5.2	1.40	62.5	25.75	11.5	5.4	127.7
47. American National Bank & Trust Co. of Chicago	51.1	----------	8.1	1,500	34.08	3.72	4.37	4.51	+6.1	1.00	22.2	44.50	9.9	2.2	130.6
48. American Fletcher National Bank & Trust Co	50.3	12.0	9.7	1,243	40.48	4.19	4.61	4.82	+7.3	2.24	46.5	48.50	10.1	4.6	119.8
49. First National Bank of Memphis	44.4	11.1	9.8	1,200	37.00	3.14	3.68	4.30	+20.8	1.40	32.6	50.00	11.6	2.8	135.1
50. American Security & Trust Co. [2]	[13] 43.9	[13] 12.5	[13] 10.6	2,100	26.34	2.94	3.33	3.48	+7.7	[12] 1.60	46.0	34.25	9.8	4.7	130.0
Composite	11,085.6	1,285.6	9.3						+9.0		47.0		11.5	4.1	127.8

[1] Average domestic loans and investments are derived from call reports at beginning and end of period plus interim calls except for Bank of America, Chemical Bank New York Trust, Manufacturers Hanover Trust, Continental Illinois National Bank & Trust, First Pennsylvania Bank & Trust and Philadelphia National Bank, which consolidate foreign branch operations item by item. In these cases, average loans and investments are derived from consolidated statements of condition as reported to stockholders. Domestic deposits and capital accounts also are derived from call reports except for the above-named banks.

[2] Includes affiliate(s).

[3] Does not include beneficially held affiliates.

[4] After deducting part of total provision for loan losses.

[5] Pro forma.

[6] Preferred stock dividends treated as an operating expense.

[7] Adjusted for sfock dividends and splits through Dec. 21, 1967.

[8] Not consolidated.

[9] Applicable to parent holding company.

[10] Based on average shares outstanding.

[11] Not available.

[12] Paid in last 12 months.

[13] American Security & Trust Co. only.

Senator YARBOROUGH. Dr. Walker, I have some questions which I will defer until the morning because of the limitations of time here and also so that we can have a full panel discussion. I am going to order printed in the record at this point S. 2334, which was introduced by Senator Morse for himself and Senator Javits of the minority. This is the bill to amend the National Defense Education Act of 1958 to provide for cancellation of loans pursuant to such act, that act, for service in the Armed Forces, et cetera. That will be somewhat similar to cancellation for teachers. I want that printed.

(Text of S.2334 follows:)

90TH CONGRESS
1ST SESSION

S. 2334

IN THE SENATE OF THE UNITED STATES

AUGUST 23, 1967

Mr. MORSE (for himself, Mr. JAVITS, Mr. MONTOYA, Mr. PROUTY, and Mr. YARBOROUGH) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend the National Defense Education Act of 1958 and the Public Health Service Act in order to provide for cancellation of loans pursuant to such Acts for service in the Armed Forces, and to amend the Higher Education Act of 1965 in order to provide for payments for such service on loans insured or made pursuant to agreements under such Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) clause (3) of section 205(b) of the National Defense Education Act of 1958 is amended to read as follows:

"(3) (A) all of any such loan (plus interest) shall be canceled for service as a member of the Armed

Forces of the United States at the rate of 25 per centum of the total amount of such loan plus interest thereon for each complete year of consecutive service; and

"(B) not to exceed 50 per centum of any such loan (plus interest) shall be canceled for service as a full-time teacher in a public or other nonprofit elementary or secondary school in a State, in an institution of higher education, or in an elementary or secondary school overseas of the Armed Forces of the United States, at the rate of 10 per centum of the total amount of such loan plus interest thereon for each complete academic year or its equivalent (as determined under regulations of the Commissioner) of such service, except that (i) such rate shall be 15 per centum for each complete academic year or its equivalent (as determined under regulations of the Commissioner) of service as a full-time teacher in a public or other nonprofit elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title II of Public Law 874, Eighty-first Congress, as amended, and which for purposes of this clause and for that year has been determined by the Commissioner, pursuant to regulations and after consultation with the State educational agency of the State in which the school is located, to

be a school in which there is a high concentration of students from low-income families, except that the Commissioner shall not make such determination with respect to more than 25 per centum of the total of the public and other nonprofit elementary and secondary schools in any one State for any one year, (ii) such rate shall be 15 per centum for each complete academic year or its equivalent (as so determined by regulations) of service as a full-time teacher of handicapped children (including mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed or other health impaired children who by reason thereof require special education) in a public or other nonprofit elementary or secondary school system, and (iii) for the purposes of any cancellation pursuant to clause (i) or (ii), an additional 50 per centum of any such loan (plus interest) may be canceled, but nothing in this paragraph shall authorize refunding any payment;".

(b) The amendment made by this section shall apply only with respect to service in the Armed Forces performed after the date of enactment of this Act, whether the loan was made before or after such enactment.

SEC. 2. (a) Section 741 (f) of the Public Health Service Act is amended by inserting "(1)" after "(f)", by redesig-

nating clauses (1) and (2) as (A) and (B), respectively, and by inserting at the end thereof the following:

"(2) Where any person who obtained one or more loans from a loan fund established under this part serves as a member of the Armed Forces of the United States, 25 per centum of the total amount of such loans, plus accrued interest on such amount, which is unpaid as of the date that such service begins, shall be canceled for each complete year of consecutive service."

(b) Paragraph (3) of section 823 (b) of such Act is amended by redesignating such paragraph as subparagraph (B) and by inserting before such subparagraph a new subparagraph as follows:

"(3) (A) all of any such loan (plus interest) shall be canceled for service as a member of the Armed Forces of the United States at the rate of 25 per centum of the total amount of such loan plus interest thereon for each complete year of consecutive service, and".

(c) The amendments made by this section shall apply only with respect to service in the Armed Forces performed after the date of enactment of this Act, whether the loan was made before or after such enactment.

SEC. 3. (a) Section 421 (b) (2) of the Higher Education Act of 1965 is amended by inserting after "on student loans" the following: "and for payments under section 437".

(b) Section 427 (a) (2) (E) of such Act is amended by inserting after the comma at the end thereof the following: "and that the lender will enter into such agreements with the Commissioner as may be necessary for the purpose of section 437,".

(c) Section 428 (b) (2) (B) of such Act is amended by inserting after "of this part" a comma and the following: "including such provisions as may be necessary for the purpose of section 437,".

(d) Part B of title IV of such Act is amended by inserting at the end thereof a new section as follows:

"PAYMENTS BY THE COMMISSIONER ON ACCOUNT OF SERVICE IN THE ARMED FORCES

"SEC. 437. The Commissioner shall, in the case of any loan insured under section 427 or made pursuant to an agreement under section 428 (b), make payments on behalf of the borrower for service after the date of such loan by the borrower as a member of the Armed Forces of the United States at the rate of 25 per centum of the total amount of such loan plus interest thereon for each complete year of consecutive service."

(e) The amendments made by this section shall apply only with respect to loans made after ninety days following the date of enactment of this Act.

Senator YARBOROUGH. I have a suggestion here to offer. I am going to state this and tell the staff to call the Office of Education if they are not here—yes, I see they are here—I have this suggestion, another idea to turn over in connection with this bill and the various suggestions that have been made by all the witnesses: that the money be borrowed from the banks but the banks be eliminated from the procedure in terms of their direct contact with the individual students. Rather, the Federal Government would extend a guarantee on loan repayment to institutions of higher education directly. The institution then would be free to go to a bank, or float a bond issue, and obtain a massive loan in the amount guaranteed by the Government. By dealing in gross sums it would seem more than probable that the per student interest rate would be reduced below the current 6-percent level. It would work something like this:

1. Based on past experience and on availability of funds, an institution of higher education would be guaranteed the repayment to it of (say) 1,000 loans extended to students at the rate of $1,500 maximum per student. This means that that institution would be guaranteed in the amount of $1.5 million by the Government.

2. The institution would then arrange to obtain a loan from a lending institution at commercial rates, in the amount of $1.5 million. The institution would then go and obtain that from a lending institution, bank or other institution.

Banks are lending to favored customers now in some parts of the country, for less than 6 percent. The student would then deal directly with the student financial officer who, using the same criteria now extant in law, would decide whether or not to extend the loan.

ADVANTAGES

1. Poor students, now intimidated by the idea of walking into a bank, now a little leary of the whole idea of borrowing money from a bank, would no longer face these problems; they would deal with the aid officer, since under this bill, the schools are required to make these reports to banks anyway. I am thinking of reducing some paperwork here. Have one man in the school alone deal with the student and the bank still make the loan.

2. The philosophical problem posed by the interposition of private lending institutions between the Government's intent to aid students and the actual aid extended would no longer be.

3. The savings in total interest paid, realized by the higher education institutions, would be passed on the students.

4. The entire process would be less time consuming for the student and for the financial aid officer; there would be less redtape. It would relieve that bank from having to file a report on every students who wanted to borrow money. It would relieve the bank from having to do as much paperwork on a thousand dollar loan to a student as it did on a $10 or $50,000 commercial loan.

Further, the financial aid officer would be in an infinitely better position to perform his true function: that of orchestrating available forms of financial assistance to meet the needs of the individual student. He would have his student loan repaid and he would have his school record all together. As it is now, you have the school record

sent to the lending officer of the bank. It seems to me you have a great duplication of effort. I want to throw this out for consideration of the panelists. I want this furnished to the Office of Education and get this studied by them also.

Mr. WALKER. It is not quite clear to me what the difference between this would be and, say, liberalization of NDEA.

Senator YARBOROUGH. This would be the liberalization of the NDEA. The Government has to back up the money. The Government would have to put up all the money in the NDEA. I favor that, too.

Mr. WALKER. Didn't you say the Government would borrow from the banks?

Senator YARBOROUGH. The schools would borrow from the bank, borrow in one lump sum, guaranteed by the Government. The school would pass on lending to the Government and the bank would bid what amount they would lend to this school, let that school aid officer as he does now still pass on it. The student would still get the money; it is still guaranteed to the banks. I think the banks could do it cheaper that way. They wouldn't have a cost of $35 per student and still make a loan of a million and a half, whatever the bank would bid. It might bid under 6 percent. It would eliminate all those files and the bookkeeping in the bank. For the banks it would be one loan.

You have pointed out, or someone has pointed out how in a commercial loan, the bank eliminates all the paperwork. You all know how high salaries are for secretaries, computer operators, bookkeepers.

Mr. MILLER. We will consider it.

Senator YARBOROUGH. It seems to me that would eliminate two financial officers talking to the student, one in the school and one in the bank. That is a saving in manpower if you have a totality of effort.

I want to throw that out as an alternate solution, the one coming to the Government today and the administraion bill.

I would like for the panelists and the Department to be ready to comment on that by tomorrow.

Thank you very much, Dr. Walker, for your statement.

We have questions but we will forgo them until tomorrow in view of the lateness of the hour and another matter pressing on the floor.

We are recessed until 10 o'clock in the morning.

(Whereupon, at 4:05 p.m., the subcommittee was adjourned until tomorrow, Wednesday, March 13, 1968, at 10 a.m.)

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