

by the State over the next five years can produce — even by conservative estimates — approximately \$84.5 million of student aid as a result of matching Federal funds.

Scholarship programs characteristically designate or, at least, limit the recipient's choice of college attendance. Our loan program, on the other hand, providing a maximum annual loan of \$1,000 for undergraduate and \$1,500 for graduate students, removes these barriers and *permits the student to select the college and program of his choice*. For example, at the present time, there are no State scholarships to vocational or out-of-state schools.

The loan program which we present is a long term, low interest loan to the student. The student will not be required to make payments of principal or interest until 9 months after he graduates. The interest on his loan, not to exceed 6 percent, while in college and for the first 9 months of his employment will be paid by the Federal government. Beginning with the tenth month after graduation, the student has a maximum of 10 years to repay his loan at the modest interest charge to him of 3 percent. The remaining 3 percent interest charge will be borne by the Federal government. Such a program enables the student to repay his loan while fully employed.

We know that our present limited loan program has experienced *some difficulties to date. These problems stem from the fact that present legislation and procedures cause the lending institutions to make these loans at a loss*. Statistics indicate that approximately 40 percent of all students making loan applications at lending institutions fail to secure loan approval from the lender. Practically all of the remaining 60 percent have their loans guaranteed by our existing programs under the Higher Education Loan Corporation. This program is designed to offset these problems.

In light of these considerations, I am recommending an increase of \$1,068,000 in the Higher Education Loan Corporation budget. This increase is balanced by the omission of all new funds in five State scholarship programs after July 1, 1968. Under the separate legislation, existing scholarship grants would be continued and the State Scholarship Board, consolidated with the Higher Education Loan Corporation, *would continue to administer the program*.

THE UNIVERSITY OF MARYLAND AND THE STATE COLLEGE SYSTEM

In the 1968 budget, General Fund appropriations for higher education rose 15.7 percent, largely due to across-the-board increases in