

By grouping in this manner those administering loans could reach the defaulting borrowers through the alumni association and a rivalry could be set up between the different classes as to which would have the best record at the end of, say, ten or fifteen years. The assessment for the guarantee fund could be placed on the borrowing group in the class, the borrowing groups in the entire institution, and the borrowers of the corresponding class in all institutions.

Thus the insurance would come from the class group, the college group, and the intercollegiate class group in the case of funds administered by an outside or intercollegiate organization. If it is a college fund, the intercollegiate element should be omitted. Such a form of guarantee should be more effective than one where there exists no connection excepting the loan connection.

It may be said, then, that the group guarantee plan is sound both in principle and practice and is the most effective means to administer funds. As used at present, the only objections are the form of grouping and the allocation of charges for the guarantee fund. The groups should be large and in accordance with already existing groups—the class, the college, and those of the corresponding class in the different colleges and universities. Organizing a certain number of borrowing members of a class in this manner, they, in conjunction with the business officers of the university, could pass upon the eligibility of other members of the class who wished to borrow. This should be a most effective manner in which to select the borrowers. The students know the members of their own class better than the faculty or business officers. It would also eliminate the element of unfairness which exists under the present group guarantee plan, namely, making students responsible for others when they have had no part in the selection of the risk. If all the members of the group are to be responsible for individual defaults which occur, then they should have a voice in the selection of their fellow members. Thus with a different form of grouping, the giving to the members of a group a voice in the selection of additional members and different allocation of charges for the guarantee fund, the group guarantee should be most commendable.

Disposing of the Guarantee Fund

After having decided that the guarantee fund is desirable as an assurance and as a source of pressure to force payment, it becomes necessary to provide for the handling of such a fund. The amount required should be sufficient only to cover losses and the remainder should be refunded. It should be possible, after sufficient experience, to make the surcharge for this purpose just enough to cover losses with perhaps a safe margin.