16. Interest Rate

The variation between the rates of interest charged on loans is as great as the difference in the amounts of loans; 254 institutions report rates of from no interest to 8%. Thirteen institutions have progressive rates.

The time at which interest starts can be taken into consideration along with the rate charged. The 254 institutions reporting sum up as follows:

Interest from date of loan	193
Interest from date of leaving school	35
No interest	26
Total	254

There seems to be no reason for exempting students from paying interest on loans granted. Not paying interest or paying anything below the commercial rate is the same as accepting a gift. No able-bodied, self-respecting student wants to receive that kind of help. There is no reason why the interest should not start from the time the loan is made. So far as the rate of interest and the time at which it begins are concerned, student loans should be handled exactly in the same manner as commercial loans.

17. Security for Student Loans

The only security which the student has is himself, and the only measure of his ability to pay is an estimate of his future financial success. The requiring of collateral or signatures is not good because the student should be placed on his own responsibility; an honor note is much to be preferred to a collateral or endorsed note. In order to insure the loan fund against heavy losses due to poor loans, some form of group guarantee should be devised. The grouping will be much more effective if it is done among groups already in existence such as the college class, the college, the corresponding class in different colleges, and the alumni. It is the only form of security which lends itself effectively to student loans.

18. Term of Loan

The term for which loans are granted differs widely in institutions; 110 institutions report maturities from graduation to five years after and from one year from date of loan to ten years after.

In determining the term of the loan it is possible to apply the same principles as prevail in investment banking and in commercial banking. The short term loans are for emergency purposes and should constitute a small proportion of the loans made. The long term loans are made to