

Loans in excess of this amount should be rare and made only after the most careful investigation.

5. *Interest*.—Interest should be at the current commercial rate, generally six per cent., starting from date of loan.

6. *Security*.—The borrower should always sign a definite contract. In the case of revolving funds, loans should be protected by a group guarantee. When a large number of loans are made annually, the group should consist of those borrowing in the same year; when only a few loans are made each year, the group may consist of several consecutive classes. Borrowers should be made to understand that it is a business transaction and will be treated as such.

7. *Repayments*.—The loan should be repaid in installments beginning not more than one year after graduation or withdrawal from the institution. Not more than five years should elapse from date of loan before the first payment is made. An amortization plan can be used which includes interest, guarantee fund and principal, payments to be arranged in installments of not less than five dollars a month or more than fifteen.

8. *Collections and Delinquencies*.—A prompt and exact follow-up system should be used, with the same ethical considerations that would control a wisely conducted bank.