

In developing the guarantee plan the service charge was rejected as being not only too expensive for the student, but also too arbitrary. Collateral and endorsement were not considered for the reason that they are too difficult for the average student to obtain, and they involve psychological and other elements which are generally less effective for this purpose than either life insurance or group guarantee. Life insurance is applicable only in the case of death, which has been shown will be the reason for only a negligible number of defaults.

It can be seen that while the actual risk is almost negligible, the borrower if forced to take out life insurance would have an additional fixed charge on his loan and at the same time would not be covering the whole gamut of possible losses. The group guarantee as arranged in this plan is insurance at actual cost. No losses, no insurance. Furthermore, the group guarantee is desirable because the borrower is made to feel not only an obligation to his creditor and himself, but, also, there is the additional check that failure to repay will work a hardship on his fellow borrowers, with the result that he will be openly branded as untrustworthy. If the individual concerned has not within himself moral stamina, the group guarantee, properly administered, can be a vital factor in building up the weak places in his character. Borrowers do not like to have the officials at their colleges know that they are delinquent, and more particularly the fellow members of their group. Correspondence shows this most definitely.

In undertaking its program in the field of student financing, the Harmon Foundation has three principal objectives toward which it started and is still working: (1) helping needy and deserving students over the top of the educational ladder; (2) cultivating habits of providence and inculcating a proper attitude toward and observance of business principles; (3) making a comprehensive and progressive contribution to our educational system by proving that it is possible in equity to place on the shoulders of the student an increasingly larger proportion of the institutional cost of his education than now prevails, particularly among those whose earning power is greatly increased because of the training.

The fact that philanthropic organizations, men of means, newly established funds, clubs, fraternal groups, civic bodies, etc., are not only watching the progress of this experiment, but are seeking helpful suggestions and advice in the light of experience for the constructive administration of their own student aid along business lines, gives some idea of the value of demonstrating the soundness of student paper, not only for the sake of students as a class, but as an aid to the college in solving at least a part of its financial problem. With a workable system of making student loans in harmony with business principles, and yet without burden-