

The loan approval portion of the program was delegated to SBA by the Director of OEO, while the Office of Economic Opportunity retained the responsibility for the part of the program dealing with Small Business Development Centers. These nonprofit organizations, most of which were funded by OEO, were intended to assist the Federal Government to carry out the mandate of title IV of the act.

When I assumed my duties as Administrator of SBA, in the spring of 1966, I initiated a thorough review of the program. Although OEO, SBA, and EDA, were making conscientious efforts to make the program work, there were several inherent problems which, in my opinion, indicated a need for certain basic changes in both the substance and administration of the EOL program.

First and perhaps foremost, as the committee knows, the program was available in only the 44 communities where Small Business Development Centers were authorized and operating. Thus, we had the paradox of a program that was aimed at ending discrimination in small business, yet its benefits were available in portions of only 24 States.

For example, the constituents of more than two-thirds of the members of this committee were denied the opportunity to apply for EOL assistance. Literally thousands of additional communities were left out of the program. Many Members of Congress were rightfully asking why it was not available to their constituents.

And yet, according to the best information available to us, for fiscal year 1966 the funding for administrative expenses for 37 SBDC's amounted to \$3,404,474. It was obvious that it would take many millions of additional dollars to make the program available nationwide, using the SBDC format.

Also it became evident that the eligibility criteria, based solely on an applicant's family income, was still shutting out many existing and potential entrepreneurs whose incomes were just above the poverty level, but who still suffered economic and social barriers.

Moreover, there were certain administrative difficulties. SBA, in the person of the Administrator, bears full responsibility for all Government funds that are made available in the form of loans through all of our loan programs, including title IV. However, SBDC employees who were processing our applications were under the authority of OEO.

This division of management control resulted sometimes in delays in the processing of applications. Frequently our professional loan specialists were forced to do extra work due to the inexperience of some SBDC employees.

In short, Mr. Chairman, the old system was expensive, and it was limited in scope.

Last October, the Congress amended title IV of the Economic Opportunity Act to give SBA authority over the entire loan function of this program.

Just 1 month later, in November, based upon our thorough review, I announced a new concept for the economic opportunity loan program.

First, it was to be immediately available nationwide. I instructed each of our 81 field offices that this program was to receive high priority. New directives were issued; allocations for loans were increased, and the program was divided into two sections.