

Then, in March 1966, the criteria were liberalized even further so that the head of a family of four could earn up to \$5,630 and be eligible for loan consideration.

While this improved participation in the program, our concern was that it was continuing to draw even farther away from OEO's real "constituents" in poverty. The eligibility figure I cited, for example, now was \$2,500 above the poverty level definition.

In fact, reports indicated that SBDCs were stressing the theme that the program was for existing small businessmen who were unable to obtain assistance from other sources. There was less emphasis on assisting the man with a poverty level income to enter business.

I do not want to imply that the program was a failure. On the contrary, by the end of 1966, there had been 2,752 loans made under the Title IV program with a total value of \$27,555,695.

The average amount of an individual loan was \$10,000.

As a result, there are many small businesses existing today that would not have started, or would have failed, had it not been for this program.

But the question we faced in OEO, as it became more and more clear that the need for loan assistance was concentrated primarily with those who could not be classified as poverty-stricken, was whether our agency should continue with responsibility for a major small loan program.

Given the limited amount of funds at our disposal to help people out of poverty, we felt our directly-related programs probably should take precedence, with loan programs and their improvements to reach the more disadvantaged being left to other agencies with this broad responsibility.

We were considering last year whether to ask Congress to relieve us of the program in our FY 1968 legislation when Congress took care of the matter in its own way in the FY 1967 bill.

As an amendment to our authorization legislation which became law last November, Congress transferred the full responsibility for the Title IV loans from OEO to SBA.

At the same time, however, under a newly-amended Section 402(b), OEO was left with an assignment to provide "screening, counseling, management guidance, or similar assistance" to small businesses assisted by Title IV loans.

This created some difficulties for us. As you know, SBA immediately inaugurated a new program of economic loans which were to be available nationwide, and not solely through SBDCs as had been the practice. Further, SBA informed us that it wished to process loans entirely with its own personnel, and that this would no longer be done through SBDCs.

This effectively removed a principal reason for the existence of SBDCs, and removed as well the control over the guidance and counseling function that the SBDCs had been able to exercise previously with applicants. Additionally, SBA created a wholly new class of Title IV eligibles: Those who earned above the already-liberalized income levels but who still were not qualified for other SBA loan programs or could not get private financing.

Faced with this, as well as with the Congressional intent that guidance and counseling functions be continued by OEO, we determined to continue to fund our present SBDCs through June 30, 1967. At present, 36 SBDCs are in operation.

At the same time, we worked out with SBA the most effective use possible for the SBDCs during this remaining period.

SBA, for example, will utilize the training, counseling and outreach capabilities of the SBDCs where they now exist, and it will station regular SBA employees from time to time in OEO-Community Action Agency neighborhood centers. We have developed joint guidelines to instruct SBDCs on their new role.

Because of these circumstances, and the severe shortage of funds to carry on all our programs to reach the poor, we have decided not to request funds to continue the guidance and counseling functions in our proposed legislation which will be coming to Congress shortly.

This decision is based on the fact that the total dollars that will be made available for the war on poverty will, of necessity, be restricted.

We have, however, urged our Community Action Agencies to establish, or continue, counseling and guidance services on a voluntary basis wherever feasible. We will certainly continue to cooperate with SBA in every way possible to make its new loan program effective.

Let me mention briefly the Rural Loan program under Title III-A.

From January 1, 1965, to December 31, 1966, a total of 13,381 non-agricultural loans were made with a total value of \$23,902,820.