

In the 18 months ending December 31, 1967, we examined 657 SBIC's and corrective action was instituted on all noted violations. In calendar 1967, 121 SBIC's surrendered their licenses under enforcement actions taken by the Agency, voluntarily or through mergers and 30 were in the final stages of the surrender process. At the end of February 1968, there were 547 SBIC's in the program.

The Small Business Investment Act Amendments of 1967, significantly affect the future of the SBIC program.

These Amendments:

- Stress the importance of venture capital for small business.
- Increase the amount of Government funds available to SBIC's.
- Permit creation of an Advisory Board for the program.
- Give SBA additional guidelines in issuing licenses.
- Limit bank ownership of SBIC's but expand the amount banks may invest in SBIC's, and:

Require SBA to examine SBIC's annually.

With the effective date of these amendments, SBA issued a comprehensive new package of regulations which revised, simplified, and reorganized the existing regulations.

The SBIC industry today is in the most promising position that it has been in for some years. It is now gaining recognition as a financial institution; its profits have been rising, and unrealized and realized appreciation of its investments have been greater; its management is more experienced and many companies have developed high quality staffs and it has learned how to invest in high-risk growth situations with the best chance of maximizing profits and minimizing losses.

However, the industry is faced with several problems which we are attempting to help solve. To name a few:

Attracting more private funds into the program.

More complete area coverage, and

Increasing the turnover of the SBIC's portfolio investments.

We are aware and we are sure that the SBIC industry is equally aware that the program has not as yet reached full maturity, but we have high hopes of this program becoming one of the more successful Government-sponsored aids to the small businesses of the nation.

We will discuss the SBIC program, in detail, at the session which the Committee will devote to the SBIC program.

(h) *Disaster Loan Program.*—Under Section 7(b) of the Small Business Act, loans are made to victims of disasters—floods or other other catastrophes. Over the life of the program, there have been 599 disaster declarations in the 50 states, Guam, Puerto Rico and the Virgin Islands.

A total of almost \$616 million for 68,953 loans has been approved, of which (a) over \$585 million pertained to physical damage from floods, hurricanes, etc., (b) over \$28 million for economic injury losses, and (c) nearly \$3 million for product disasters (Table 22).

Under this program, we provide loans to businesses and householders who suffer losses as a result of riots. Loans totaling \$3.4 million were made in Detroit, Michigan and Newark, New Jersey after last year's riots.

In recent months, we have had this program under intensive review to improve operating procedures, reduce paperwork, and tighten up the loan policies and eligibility criteria.

Considerable improvements have already been effected in the paperwork and procedural aspects. With respect to loan policies and eligibility criteria, I have made the following changes:

Loans to Householders

1. Effective March 19, 1968, regulations have been revised to require use of both cash and liquidable assets held by householders to the extent it does not create hardship. In addition, private credit to the extent it can be obtained on reasonable terms and costs shall be used by any householder where the gross income is in excess of \$10,000 plus \$600 additional allowance for each dependent other than the applicant.

2. The limit of SBA share of loans to any one household group may not exceed \$20,000 for repairs or replacement of structures. Up to \$10,000 in addition to, or separate from, funds for structures may be approved for repair or replacement of household goods. The total for both purposes combined, however, cannot exceed \$25,000, SBA share. Over 98 percent of all home loans made are within this limitation. We can, of course, guarantee bank loans, where necessary, in excess of the limitation.