

maximize all three goals, being superior to an allocation which satisfies only one or two goals.

A result is an evolution of the SBA role in the national economy. Its programs must be highly sensitive to national economic policies. In the forthcoming years, therefore, the loan policy of SBA will reflect a number of significant changes on program emphasis, including:

1. Increased attention will be given to a comprehensive approach to economic development through the coordinated efforts of Federal, state and local governments and the private sector of the economy.
2. There will be an increasing need to assist small businesses in expanding primary employment in central cities and rural poverty areas particularly those firms which reduce unemployment by hiring structurally unemployed and upgrading the skills of those already employed.
3. There will be a need to increase the number of businesses of relatively substantial size in both central cities and in underdeveloped rural areas.
4. Continued pressure to achieve equal economic opportunity objectives will require further expansion of programs designed to extend opportunities for business entrepreneurship to disadvantaged persons and groups.
5. Greater attention will need to be given to achieving a reasonable balance among industries and geographical areas in the distribution of SBA resources to stimulate lagging industries and local economic development in depressed or slow-growth areas.

Notwithstanding the fact that the resources available to SBA will fall short of demands, skillful evaluation of applications for assistance in the light of their prospective economic returns will hopefully obtain maximum return from SBA's resources to the nation.

(b) *Loan Eligibility Criteria.*—Closely allied with overall business loan policy is loan eligibility and this area, too, is subject to renewed scrutiny.

Because it is a public agency using taxpayers' funds, SBA has an unusual responsibility as a lender. In many instances, loans cannot be made because SBA is stopped by law. For example, the law does not permit SBA loans to be made if the funds are otherwise available on reasonable terms. Another example, under our interpretation of the law, we do not make loans to applicants which are non-profit organizations.

Also, SBA has a history of established policy which makes ineligible, for one reason or another, the making of loans to certain types of businesses. This is not to imply that there have been no changes throughout the history of SBA with regard to loan eligibility policy. To the contrary, there have been several areas in which review of existing eligibility criteria has resulted in a change, making additional small businesses eligible for SBA assistance such as in the EOL program.

One of my early undertakings as Administrator was to establish a task force under the direction of the Deputy Administrator to examine all SBA loan eligibility criteria.

The task force has made progress and is still reviewing the several areas of eligibility from the standpoint of law and of logic. Relevant questions are being explored: What is prudent from the money management point of view? What is the congruity of each policy with the mission of the Agency? What is the supporting logic behind each eligibility policy?

Defense of present policy is not desired nor are pre-judgments to be made by the task force. Nor is the task force considering the political, social, or moral aspects of existing eligibility policy. These aspects will be considered by me after the criteria have been considered by the task force from the standpoint of law and logic.

The study of eligibility criteria is an effort of SBA to avoid complacency and to make available SBA assistance of every kind to as many small businesses as possible as a public agency.

In Summary—SBA loan policy and eligibility criteria can never remain static. They must be flexible. They must be under continuous review if SBA programs are to achieve the intent of the Congress and keep pace with changing national and local economic trends and national social goals established by the President.

I am convinced that a rigid loan priority system is neither feasible or desirable. I am equally convinced that we can maximize the returns from our loan dollars if they are applied in the right areas, in the right industries, and within the framework of well developed action plans designed to uplift the economy of a given area. These are the guidelines under which we are operating today. Loans are being accepted from all eligible businessmen and approvals are made keeping in mind the need for maximizing returns to the nation and the economy.