The proportionate share of private participation in total loans approved under the program has increased progressively and is expected to increase further in the current year. This indicates that the success achieved in this loan program has caused private financing sources to view the future prospects of small business concerns with increased confidence.

Extension to all SBA Programs.—We intend to undertake similar comprehensive evaluations of all SBA assistance programs in the current year. I feel that they will prove to be of great value to the Agency in managing our programs and will permit us to report progress to you in increasingly meaningful terms.

SECTION II—DISPLACED BUSINESS LOAN PROGRAM

A. *Authorization.*—In 1961, section 7(b)(3) was added to the Small Business Act authorizing loans to small business concerns displaced by urban renewal, highway construction or any construction conducted by or with Federal funds.

The authorization provides (1) loans with up to 30 years duration, (2) a formula for computing interest on the Government's share of the loans at a lower level—currently at 4¼ percent for 1968—than the regular business loan 5½ percent rate, (3) there is no specific collateral requirement.

B. *Current Loan Policy.*—SBA regulations permit displaced business loans to be made for (1) moving expenses, (2) working capital for a reasonable period of time, (3) the purchase of machinery and equipment, (4) replacement costs of realty or improvements, and (5) increased rental costs or fixed charges in the new location. A recent change in the regulations permits loan proceeds to be used for upgrading the business land area up to 50 percent and higher where justified. Formerly, the limit was 33⅓ percent. No changes in current loan policy are contemplated at this time.

C. *SBA Advisory Assistance Program.*—As required by section 8(b) of the Small Business Act, we attempt to establish an early contact with potential small business displacees. We maintain close liaison with HUD's Office of Relocation Assistance and with DOT's Bureau of Public Roads. State Highway Departments are also utilizing SBA services in their programs.

Over the next three years, it is estimated that more than 13,000 businesses will be displaced annually by Federal and Federally-assisted programs. This total excludes displacements resulting from HUD's Model Cities and its other new programs.

All the available evidence indicates that business displacement is basically a small business problem and that it is essentially an urban problem. Its biggest impact is expected to be felt in the Nation's densely populated centers in the next few years.

D. *Loan Volumes.*—Since the inception of the program in 1961, through December 1967, a total of 1,308 loans for $96.9 million had been approved (Table 15). Of this amount, 170 loans for $15.8 million were approved in the first half of FY 1968. The estimate for the remainder of FY 1968 is $38.2 million and the FY 1969 budget for this program provides an additional $56 million which we believe adequate to meet anticipated demands.

One of our major objectives for this program is to obtain greater bank participation in the loans. Since the beginning of this program, private sector participation has accounted for only 3.4 percent of the total. Our target for FY 1969 is 41 percent.

SECTION III—ECONOMIC OPPORTUNITY LOAN PROGRAM

A. *Background.*—For some years, SBA has been concerned with the very urgent problem of providing meaningful help to the economically disadvantaged in the business community. Studies indicated that—

> The minority-owned business was stymied in its growth potential by a lack of funds or management know-how.
>
> The small business in depressed rural areas found itself unable to develop and provide the means for establishing a solid foundation of economic stability.
>
> The Negro in the big city ghetto, the Indian on a poverty-stricken reservation, the Mexican-American in the Southwest, the struggling entrepreneur in our rural areas—all were lagging in the general, unparalleled prosperity.

In January of 1964, SBA launched on a pilot basis, a special loan and management assistance program to overcome these problems. The "6 x 6" loan program authorized loans for $6,000 with up to a six year maturity.