

the mountains itself. Last year, we granted a sizable loan to construct a ski-lift, a lodge, and a ski-run to the community.

In another area we found a community having 28 manufacturing firms in its immediate area; yet, there was a limited amount of recreation facilities. In this case we granted a loan for a golf course.

In another part of the country, we helped construct a unique old world style market place in the heart of a large city enabling 42 minority-owned new businesses to sell their wares.

In another city, deep in the ghetto area of that city, we helped construct a shopping center solely owned by the minority citizens residing there.

When a large steel company ceased its operations in a community of 11,000, we provided funds to assist three new industries to establish in that community, providing 85 job opportunities.

In a rural section of this country, we provided funds to assist in the construction of a roller bearing plant providing employment for 206 people, and finally,

In still another rural section of this nation, we aided in the construction of a handbag manufacturer, now employing 125 people in a town having a population of 700 persons. In fact, the same local development company in that town came to us for another loan to aid a manufacturer of men's and boy's socks employing in excess of 160 people.

We have provided 119 loans to aid in the construction and equipping of medical facilities such as clinics, hospitals, and nursing homes.

Among the domestic problems that confront us today is the mass exodus of young people from the small rural communities of our nation and the plight of ghetto area residents of our big cities. Realizing this, our Local Development Company policy is more lenient in these two cases. For example, in communities having a population of 5,500 or less and in a ghetto or depressed target area of a big city, all the Local Development Company needs to raise towards the total cost of the project is 10 percent of its cost. I am now studying ways and means to implement the Local Development Company concept in our EOL program and in carrying out our responsibilities under Section 406 of the Economic Opportunity Act of 1967.

This program has proven the wisdom of Congress in directing a program to blend the people of a community, the private lending sector, and the Federal Government into a solid, strong, and effective mix leading to better overall economic development of this nation.

D. Future Outlook.—With its proven capacity to stimulate economic growth at the local level, this program will continue to be given a high priority in our operations. We have recently revised our criteria to encourage greater private participation in the program. A new flexible first mortgage plan has been instituted which permits a bank to participate with as little as 20 percent and up to 40 percent (depending upon the size of the community) in our loans and obtain a first mortgage position on the property. This new plan has stimulated active participation: in 1967, only 16 first mortgage loans were made; in the first half of 1968, we have already approved 34 such loans.

We are still experiencing difficulty in convincing the private lending sector that it should participate in our up to 90 percent guarantee plan. However, we are studying ways and means to make this plan more acceptable to the private lending agencies.

Our program goal for FY 1968 is to approve 413 projects with a total cost of \$79 million exclusive of Local Development Company contributions. For FY 1969, the comparable goals are: 479 projects, costing over \$84 million.

SECTION V—SMALL BUSINESS INVESTMENT COMPANIES

Since SBA appeared before this Committee in July 1966, the Congress has enacted two pieces of legislation concerning the SBIC Program. In September 1966, the Congress passed legislation giving SBA powers to control, regulate, and investigate the SBIC industry and to penalize violators with fines and losses of licenses. Within the framework of this legislation, we have taken numerous actions, too detailed to list here, to improve the image of the industry and to assure that the SBIC program effectively achieves its intended purpose—to provide venture capital and long-term loans to small business. On October 9, 1967, the President signed into law the most significant alteration of the SBIC program since its inception in August 1958. These amendments were the result of the efforts and consideration of the Congress and represent a new era in the Invest-