

I hope that the programs that you have mentioned here briefly, and which I am sure we will go into, can be expanded so that they can help small business.

My congressional district includes about half of the city of Rochester, in Monroe County, and Wayne County, a rural area. We have in my district the unusual situation of Rochester having one of the lowest unemployment rates in the country, and Wayne County, on the other hand, having a classification as a distressed, persistent unemployment area. It has been so classified by the Economic Development Administration. They are trying to attract industry and business out into the rural areas. This is why many of these programs are so important.

The thrust of the programs that you have for the rural areas is very important, and I want to emphasize my support and the support of this committee for this type of program, the encouraging of business and industry into the rural areas.

I do want to ask you a few questions about the business loan program. The matters that come across my desk would indicate that the business loan program is depending principally upon private sector financing. Many cases, I thought, were meritorious business loan applications that should have been approved. They have been turned down, however, because of the risk involved.

Basically, the risk was the risk that a bank would not assume. I thought that the business loan program was directed to take some of these small businesses that conceivably did have a higher risk and help them, so that they could get back on their feet.

I do not want to go into specific cases, because I am sure you are not familiar with them, but I would like to ask you to comment on the business loan program.

The CHAIRMAN. We are going to have a full presentation by Mr. Hendricks on that. If you want to ask the Administrator to testify as to policy—

Mr. HORTON. Let's talk about the policy and not specifics. What is the policy with regard to the small business loan program?

Mr. MOOR. Congressman, it is a very important area, and I would like to make one or two points. First of all, in our business loan program, forgetting the other parts of the program that are funded in our business loan and investment fund—namely, displaced business loans, and economic opportunity loans, the business loan program—we are under a mandate from the Congress to secure participation to the maximum practical extent from the private financial sector, financial institutions. This enables us to make our funding go much further, and enables us to build with the private banking institutions the credit of small business, so that follow-on loans can be made through banks, without our assistance, and allows us to move our assistance over to newer, or to, as you say, higher risk concerns.

It is true, generally speaking, that the concerns that we deal with are those concerns that are of somewhat higher risk, because there is a problem of securing loans completely from the private sector. On the other hand, generally speaking, what we are offering is not a loan completely different, a business loan completely different from a bank, but for a longer term primarily; and, secondly, at a rate of interest which, as you know, is set by statute, at 5.5 percent.