

this regard. And I would hasten to say it is not contemplated that our guarantee and participation programs can ever substitute completely for our direct loan program.

However, the greater emphasis being given to guaranteed and participation loans not only enables us to expand our assistance to the small business community in consonance with the desire of this committee and the Congress, but it is to the advantage of the small businessman. A bank guaranty or participation loan, as Mr. Moot has already suggested, provides the small business borrower the opportunity of building up a satisfactory credit record with the bank so that after the loan is repaid the bank has a firmer basis for extending necessary credit without enlisting the aid of the Government. Thus, the bank participation type loan, if obtainable, is of more assistance to the small businessman than a direct loan.

By statute, of course, we have already said we may not make a direct loan if participation is available.

Although loan resources available to SBA for fiscal years 1968 and 1969 represent very substantial increases, they will still fall short of demand. It therefore will be necessary to continue the administrative limitations of \$100,000 for direct loans and \$150,000 as the SBA share of immediate participation loans.

As the chairman may remember, these are increased amounts from our report some 18 months ago, when they stood at \$50,000 for direct loans and \$100,000 on the SBA share of an immediate participation. The maximum of \$350,000 will continue for guaranteed loans. However, these amounts will adequately meet the requirements of the vast majority of demand.

At the time of the 1966 hearings a rather stringent loan priority system was in effect. As Administrator Moot has indicated, we are convinced that a rigid priority system is neither feasible nor desirable.

We are 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 plans designed to improve the economy of a given area. These are the guidelines under which we are operating today.

Loan applications are being accepted from all eligible small businessmen and loan approvals are made keeping in mind the need for maximizing returns to the Nation and the economy.

The CHAIRMAN. Mr. Hendricks, I think the record should at this point emphasize that what SBA is trying to do is to maximize the loan dollar that is available to the small businessman. You are doing it through your various programs, through participation with the banks—the financial institutions. I assume it is absolutely impossible to satisfy all the demands.

Mr. HENDRICKS. This is correct, sir, and it may be brought out perhaps a bit more forcibly if we understand that in the current fiscal year to date, the amount of dollars that are going into the businessman's pocket, a very healthy segment, very nearly 50 percent, comes from the private sector participation.

The CHAIRMAN. Two years ago when we had hearings you had set up a priority system concerning which this committee was rather critical since it was not written into the statute and was not directly authorized by Congress. It was an administrative procedure that was made necessary because of the demand, but Administrator Moot has