502 POLICY

LDC's injection

A. Minimum LDC's injection per project

(1) Size of community:	Percent
0 to 5,500	10
5,501 to 10,000	15
10,001 and over	20

(2) The LDC's area of operation and the location of the SBC must be the same for the purposes of determining the minimum LDC's percentage of injection: (a) If we have had one or more loans with the LDC, then the location of the SBC shall be the determining factor as to the percent of LDC's injection.

(3) If the SBC to be assisted is located in, or is to be established in a so-called "Ghetto Area" or in a "Target Area", or in a "High Unemployment Area", then the minimum 10% LDC injection may be allowed regardless of the size of the community and of the LDC's Area of Operation. The Area Administrator shall make this determination in writing and placed in the file. Area Coordinator shall make note of this on Form #603.

Allowed first mortgage money

B. First mortgage plan

(1) Size of community:	Percent
0 to 10,000	20
10,001 to 25,000	25
25,001 to 50,000	30
50,000 or over	40

(2) The location of the SBC shall determine the percentage of allowable First Mortgage money.

(3) It is very hard to believe with the liberal policy above, and with our Guarantee and regular participation plans that we should have any direct 502 loans at all. Before any direct 502 loans are approved, the Area Administrator shall carefully review same to determine:

(*a*) That our Bank Relations Office has been contacted to encourage either participation or First Mortgage money, and

(*b*) That he (the Area Administrator) is completely satisfied that this loan should be approved on a direct basis.

NOTE.—The above should be in writing, placed in the file and Form #603 noted as such.

C. No community may receive SBA loan funds in excess of $1,000,000 in any one Fiscal Year, unless project is located in those areas described in paragraph A–(3), above. This limitation applies to SBA funds only and does not apply to obligations of SBA under the Guarantee Loan Program.

The CHAIRMAN. Mr. Horton, do you have a question at this point?

Mr. HORTON. The gentleman from North Carolina covered my question, thank you.

The CHAIRMAN. Very good.

Proceed, Mr. Hendricks.

Mr. HENDRICKS. At this time I would like to briefly report on another of this committee's recommendations arising from the 1966 hearing.

The reorganization under the team concept has been fully implemented. Under this organization, all field specialists have been assigned to teams and each team is assigned a specific geographical area. Each team is a self-contained unit and each member through cross-training develops capability of performing all functions of the lending program. Within its assigned territory, each team handles loan inquiries, processes loan applications, provides counseling and management assistance, closes and disburses loans, and services them.