The CHAIRMAN. Do you have a quota system in the allocation of available funds by SBA to the various regions?

Mr. HENDRICKS. Well, we do allocate funds, but only after a studied approach from each on the individual areas involved as to what their needs would be for the ensuing months.

Mr. MOOT. We do not have, in the sense of a quota, a resource management system, Mr. Chairman. We allocate the total resources we have based on the justified needs of the regions and the areas as they come up to us.

The CHAIRMAN. It is an administrative figure that is not firm—that may be adjusted?

Mr. MOOT. Each area can adjust within its regions, within its total resources. Of course there is an overall limitation which is a legal restriction, which we cannot exceed.

The CHAIRMAN. Gentlemen, are there any questions at this point on the regular business loan program?

Mr. Broyhill.

Mr. BROYHILL. To what extent is the SBA working with the insurance industry on the guaranteed loan program?

Mr. KLUCZYNSKI. No questions.

Mr. MOOT. We are not doing as well as we would like to, Mr. Broyhill. We have talked with the Life Insurance Association of America, which is the executive secretariat for the industry, in an effort to get closer cooperation, and we are making loans in participation with the insurance industry, particularly in our local development company program, where there are facilities involved.

The insurance industry is interested in making relatively long-term property loans, but is not interested in making short-term working capital loans. So obviously the area of interest is somewhat limited.

We are very desirous of working closely with the insurance industry in our rural development program, as well as in our urban development program.

Mr. BROYHILL. Thank you.

The CHAIRMAN. Mr. Kluczynski, any questions?

Mr. KLUCZYNSKI. No questions.

The CHAIRMAN. Mr. Irwin, any questions?

Mr. IRWIN. It is my understanding that SBA will not grant a loan to a small business concern if 50 percent of the net sales is derived from the sale of alcoholic beverages. A letter which I received recently from one of my constituents asserts that there is a need for some modification of this rule, and I ask that this letter be made a part of the record of this hearing.

To this I would like to add that I believe the regulations prohibiting the SBA from lending financial assistance to liquor stores are a little anachronistic and reminiscent of the 18th amendment which was repealed 34 years ago; and today, the drinking of alcoholic beverages is approved, and the sale of liquor is considered by many as a legitimate business. I question, Mr. Administrator, whether it is really proper—or within the responsibilities of the SBA—to discriminate against the legitimate liquor store owner. I believe that consideration should be given to changing the regulation.

The CHAIRMAN. Without objection, the letter referred to will be received into the record at this point.