

The CHAIRMAN. Let us now take up displaced business disaster loans, Mr. Hendricks.

(The legislative authority for displaced business disaster loans was received into the record at this point:)

SECTION 7(b)(3) OF SMALL BUSINESS ACT

DISPLACED BUSINESS DISASTER LOANS

(3) to make such loans (either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred basis) as the Administration may determine to be necessary or appropriate to assist any small business concern in reestablishing its business, if the Administration determines that such concern has suffered substantial economic injury as a result of its displacement by a federally aided urban renewal or highway construction program or by any other construction conducted by or with funds provided by the Federal Government; and the purpose of a loan made pursuant to this paragraph may, in the discretion of this Administrator, include the purchase or construction of other premises whether or not the borrower owned the premises from which it was displaced;

Mr. HENDRICKS. Yes, sir. Displaced business disaster loans—section 7(b)(3) Small Business Act.

Section 7(b)(3) was added to the Small Business Act in 1961. This legislation authorizes loans to assist small business concerns in reestablishing their businesses if they suffered substantial economic injury as a result of physical displacement by a federally aided urban renewal or highway construction program or by any other construction program conducted by or with funds provided by the Federal Government.

This authority was expanded by the 1964 legislation which provided for the purchase or construction of other premises “* * * whether or not the borrower owned the premises from which it was displaced.”

This displaced business disaster loan authority provides for: (1) no limit on the maximum amount of a loan; (2) a formula for annually computing the interest rate on the Government's share of the loan—currently 4- $\frac{1}{4}$ percent for fiscal year 1968; (3) a maximum maturity of up to 30 years; and (4) no specific collateral requirements.

As required by our legislation, we establish early contact with small businesses that are to be displaced. Close liaison is maintained with Housing and Urban Development's Office of Relocation assistance and the Department of Transportation's Bureau of Public Roads, as well as State highway departments.

Business displacement is basically a small business problem, particularly in urban areas. Its greatest impact is expected to be felt in the next few years when it is estimated that some 13,000 businesses will be displaced annually by Federal and federally assisted programs.

Our regulations permit displaced business disaster loans to be made for: (1) purchase of land, (2) purchase of buildings and cost of necessary improvements, (3) new building construction, (4) purchase of machinery, equipment, and fixtures, (5) moving expenses, (6) increased rental costs or fixed charges in lease quarters in the new location, and (7) working capital. Up to 33 $\frac{1}{3}$ percent upgrading or expansion is permitted on equipment and square footage of building space in the new location. Because of local codes and ordinances, primarily relating to parking space, a 50-percent expansion is permitted in land area.

Displaced business loan approvals have increased substantially. The \$32.7 million of approvals in fiscal year 1967 represents a 78-percent increase over the previous fiscal year of 1966. During the