Mr. MOOT. That is right, sir.

The CHAIRMAN. I think these hold great promise.

Proceed.

Mr. HENDRICKS. During 1967, 23.4 percent of these loans were placed in depressed areas such as Appalachia. Some were used to assist communities in diversification of their industries. Others were used to expand businesses to stimulate economic growth in the community. Forty-one percent of the funds loaned in 1967 went into new business.

The 338 projects financed in 1967 covered a wide range of industries: Manufacturing, 189; transportation, 12; wholesale-retail, 45; services, 83; construction, recreation and other, nine.

Among the domestic problems that confront us today are the mass exodus of young people from the small rural communities of our Nation and the plight of ghetto area residents of our big cities. Realizing this, our local development company policy is more lenient in these two cases. For example, in communities having a population of 5,500 or less and in a ghetto or depressed target area of a big city, all the local development company needs to raise toward the total cost of the project is 10 percent of its cost.

Because of the involvement of the community in these 502 loans, we have a very low rate of delinquency. If a small business concern that benefits from a loan to a local development company should fail, the community usually goes into prompt action to find a substitute small business concern. The soundness of these loans can best be illustrated by the fact that losses as of December 31, 1967, were one-fifth percent of funds advanced, and that projected losses including those actually taken are only ninety-three one-hundredths of 1 percent.

With its proven capacity to stimulate economic growth at the local level, this program will continue to be given a high priority in our operations. We have recently revised our criteria to encourage greater private participation in the program. A new flexible first mortgage plan has been instituted which permits a bank to participate with as little as 20 percent and up to 40 percent (depending upon the size of the community) in our loans and obtain a first mortgage position on the property. This new plan has stimulated active participation: In 1967 only 16 first mortgage loans were made; in the first half of 1968 we have already approved 34 such loans.

Our program goal for fiscal year 1968 is to approve 413 projects with a total cost of $79 million exclusive of local development company contributions. For fiscal year 1969 the comparable goals are: 479 projects costing $84.7 million.

The CHAIRMAN. Thank you, Mr. Hendricks. The committee has always been impressed with the 502 local development company program as a means of stimulating the local economy, providing for local capital and participation, and I notice in your statement here that you state that less than one-fifth of 1 percent of the funds advanced have represented a loss. That is probably the lowest ration of any of your programs.

Mr. HENDRICKS. This is correct, sir. That is against the total funds disbursed. One reason that we think accounts for this is the active community interest in the particular project.

The CHAIRMAN. If a local development company begins to look a little bit shaky, the local community pride in it will sometimes cause the community to inject new management or new capital to keep the industry surviving.