

the guarantee until such effort has been made and such escrow funds have been exhausted;

(3) that any guarantor of the lease will become a successor of the lessor for the purpose of collecting from a lessee in default rentals which are in arrears and with respect to which the lessor has received payment under a guarantee made pursuant to this section; and

(4) such other provisions, not inconsistent with the purposes of this title, as the Administrator may in his discretion require.

POWERS

SEC. 402. Without limiting the authority conferred upon the Administrator and the Administration by section 201 of this Act, the Administrator and the Administration shall have, in the performance of and with respect to the functions, powers, and duties conferred by this title, all the authority and be subject to the same conditions prescribed in section 5(b) of the Small Business Act with respect to loans, including the authority to execute subleases, assignments of lease and new leases with any person, firm, organization, or other entity, in order to aid in the liquidation of obligations of the Administration hereunder.

FUND

SEC. 403. There is hereby established a revolving fund for use by the Administration in carrying out the provisions of this title. Initial capital for such fund shall consist of not to exceed \$5,000,000 transferred from the fund established under section 4(c) of the Small Business Act: *Provided*, That the last sentence of such section 4(c) shall not apply to any amounts so transferred. Into the fund established by this section there shall be deposited all receipts from the guarantee program authorized by this title. Moneys in such fund not needed for the payment of current operating expenses or for the payment of claims arising under such program may be invested in bonds or other obligations of, or bonds or other obligations guaranteed as to principal and interest by, the United States; except that moneys provided as initial capital for such fund shall be returned to the fund established by section 4(c) of the Small Business Act, in such amounts and at such times as the Administration determines to be appropriate, whenever the level of the fund herein established is sufficiently high to permit the return of such moneys without danger to the solvency of the program under this title.

Mr. MITCHELL. Mr. Hendricks, this is concerning the premiums that will be charged to small business concerns—

Mr. HENDRICKS. Yes, sir.

Mr. MITCHELL. I believe the act provides that in no case shall such amount exceed, on the administration's share of any guarantee made under this title, 2½ percent. I understand your interpretation is that on the portion that SBA guarantees, it cannot charge a premium of more than 2.5 percent.

Mr. HENDRICKS. Yes, sir.

Mr. MITCHELL. I believe also that you have explained here that as a result of your actuarial studies, it has been determined that an adequate fee of 2½ percent would not be a large enough fee to sustain a policy of less than 15 years.

Mr. HENDRICKS. This is our finding to date.

Mr. MOOT. It is about 13 years where it breaks, Mr. Mitchell.

Mr. MITCHELL. As a result I gather from your statement that SBA will not make a direct guarantee for less than 15 years.

Mr. HENDRICKS. This is our position to date, Mr. Mitchell.

Mr. MITCHELL. And on any period under 15 years it must be either in participation with or reinsuring an insurance company.

Mr. HENDRICKS. Yes, sir.

Mr. MITCHELL. I believe you state in setting these fees that the insurance company may charge, which you reinsure, fees running from the smallest, about 2.1 percent on a 20-year lease, up to around 6.5 percent on a 5-year lease?