

Mr. HENDRICKS. Yes, sir.

Mr. MITCHELL. Let us project that in just a moment to what it will cost a small businessman. Let's assume a small businessman had a 5-year lease, wants a 5-year lease in a development center—and many small businessmen do operate on 5-year leases, especially in suburban and rural areas. I believe from what you have testified that the premium would be 6.5 percent. Is that premium on the total amount of the full lease period?

Mr. MOOT. Yes, sir.

Mr. MITCHELL. A small business concern with a \$300 a month lease for 5 years, would have a total lease payment of \$18,000 for the full term. I believe computation would show that his premium on this insurance policy would be around \$1,170. I believe you also state that that full premium must be paid in advance.

Mr. HENDRICKS. Correct.

Mr. MITCHELL. To the insurance company. Now, what is the fee that is charged for the application—

The CHAIRMAN. To the insurance company.

Mr. MITCHELL. Yes, to the insurance company. Now, what is the application fee charged for a small businessman who is applying for a lease guarantee, in addition to the premium, your application fee?

Mr. MOOT. If it is a direct application, Mr. Mitchell, and therefore the Small Business Administration is exclusively involved, there is no application fee.

Mr. MITCHELL. We are speaking of a 5-year lease where the insurance company would be participating.

Mr. MOOT. If the insurance company is involved in the loan on a participation basis or a straight insurance basis, we have allowed in our regulations up to a \$50 processing fee.

Mr. MITCHELL. Then the small businessman on a 5-year lease must put up \$1,170 as a premium?

Mr. MOOT. That is right, sir.

Mr. MITCHELL. He must put up a \$50 application fee. Now, in addition to that, I believe that you provide that the small business concern, to get a lease guarantee, must put up 3 months rent.

Mr. MOOT. In escrow.

Mr. MITCHELL. Which he deposits. It can get it back at the end of the period but it must put it up in cash?

Mr. MOOT. That is right, sir.

Mr. MITCHELL. On the lease that I am talking about here, then they would have to put up an additional \$900 in cash to apply and to get a lease?

Mr. MOOT. That is right, sir.

Mr. MITCHELL. In adding that up, we arrive at a figure of \$2,120 that a small business concern must put up in cash to get a lease guarantee for 5 years, is that correct?

Mr. MOOT. You state it as a must, Mr. Mitchell. It is not either our experience or our expectation that it will be a must situation. There are several alternatives.

In the first place, the cost of the lease guarantee can be, and we are advised frequently will be a part of the rental structure, and the payment will actually be made initially by the landlord, who is looking for this kind of assurance, so that instead of a lump sum payment by