up through the 12-month period, when SBA would then take 80 percent of the loss.

Now, how can an insurance company lose in a matter like this?

Mr. MOOT. Well, I think the answer, Mr. Mitchell, is that unless you expect, which we do not, that there are going to be periods of sharp recession or economic depression, and therefore long-term sustained vacancies, that the recurring losses will be predominantly the insurance company's loss, as will the administrative costs of the program. The complete servicing of the program is going to be the insurance company's cost, so that we are expecting actually that this will be a program which we would consider in a few years, perhaps even shorter than a few years, depending upon our experience, that we would be recommending to ourselves thar we reduce the Government's premium cost actually rather than its proportionate share. We would expect that this is going to be a very fine program for the taxpayer.

Now, we think it is also going to be very good for the small businessman or we wouldn't be advocating the program or trying to promote it as we are. He doesn't have any alternative. He can't get in the space these days. So we believe that to the extent that we can show him that he is going to gain, and that we can do a good risk rating job so that we pick viable sites that are not going to dry up or die through stagnation, that everybody is bound to gain on this program, and we would hope that we could, as we have with the private banking institutions, we can convince the insurance industry that it can do this kind of thing on its own, that it doesn't need a Government program.

Mr. MITCHELL. Then you mean your position is that a small businessman can in effect, on top of his other costs, pay 11 to 12 percent on his rental money, and do business that way successfully, and compete?

Mr. MOOT. We wouldn't give him an up-check or a go signal on this kind of a risk rating unless we thought so. As a matter of fact, when we risk-rate this man, and if the landlord does not elect to pay the premium in advance, and if it looks like a good situation, we are perfectly willing to lend the man the money to pay the premium. Now, this may look as though it is out of one pocket into the other; but if we reach the situation where we think it is good for this community, for this particular facility to be encouraged with small business properly balanced, then we are willing to invest the Government's money in the program.

Mr. MITCHELL. It would appear, would it not, that it would be better to lend him the money for his rent at 5½ percent if he is that good a credit risk.

Mr. MOOT. But Mr. Mitchell, he can't get this space today. The reason for the legislation is because the man is shut out of this space. We are providing him in effect with this guarantee. We are providing him the equivalent of triple-A credit, which he cannot get unless he was a large business.

Mr. MITCHELL. Of course the question is not concerning his need to get in the space. Congress has decided that, and you are very properly implementing it.

The question arises as to the cost, and whether a small businessman that is in that position can put up $2,000 to get a 5-year lease.