

posed of and funds used to alleviate disaster losses. Where time is needed to liquidate, the proceeds, when obtained, must be applied to reduce the principal amount of the loan made.

5. In addition to insurance recovery, cash and securities convertible to cash, owned by the business or by a firm controlled by applicant, must be used to the extent that the total available is in excess of funds needed to meet normal payroll requirements for a period of 30 days.

GENERAL—APPLY TO BOTH HOUSEHOLDS AND BUSINESS

1. No funds will be provided to repair, replace, or rebuild, which will increase the size or capacity of any structure, except as may be required by applicable ordinances.

2. No funds will be provided to repair or replace household goods or machinery and equipment which would upgrade the quality, size, or capacity of the repaired or replaced item.

3. Where a firm or individual uses its own labor to restore property, funds may be approved for materials only. Whenever a controlled or affiliated contractor is used, funds shall be approved only for the actual labor and materials used for the work. No profit or overhead costs shall be allowed.

4. Disbursements will be made only based on submission to SBA of bills and cost records covering work completed and/or materials and equipment delivered except, up to \$1,000 can be disbursed in advance of purchase, to householders to buy items of replacement furnishings and equipment costing not more than \$50 each.

ECONOMIC INJURY LOANS

Loans to small firms for economic injury where there is an agriculture, Presidential, or SBA disaster products declaration will be made on the same basis as previously, except that the use of available resources and credit shall apply and the loans shall be limited to \$100,000 to any one firm or group of affiliated firms for combined injury under any one disaster.

This concludes my formal statement. If there are further questions, I will try to answer them.

The CHAIRMAN. Mr. Hendricks, maybe we can get at this by a few pointed questions.

The disaster loan program is available to businesses and to individuals who have been damaged by a disaster, a flood, or a tornado. Is this basically the statutory authority?

Mr. HENDRICKS. This is basically true.

The CHAIRMAN. And we can never predetermine the number or the extent. What is the maximum amount that can be loaned on a disaster loan?

Mr. HENDRICKS. The maximum amount of loan that may be made to a business is \$100,000, as was indicated earlier this morning. The maximum amount to a homeowner or a householder would be either \$20,000 or \$10,000, respectively, but not more than \$25,000. In other words, \$10,000 would be for personal property, for a loss by a householder.