EXHIBIT B

SEPTEMBER 8, 1967.

Mr. ROBERT C. MOOT,
Administrator, Small Business Administration,
Washington, D.C.

DEAR MR. MOOT: I am writing to express my concern about the apparent decline in the SBA's direct loan program and to offer some suggestions which I believe will strengthen the program.

The statistics which your office furnished me on August 15th reveal the following:

(1) The number of section 7(a) small business loans—nationwide—dropped from 10,404 in fiscal 1966 to 8,086 in fiscal 1967. Even if Economic Opportunity loans are added, the total number dropped from 12,093 to 11,124.

(2) In Nassau County, New York, the number of 7(a) loans dropped from 66 to 13.

(3) In New York State the number of 7(a) loans dropped from 1473 to 225.

(4) Of the more than $386 Million in 7(a) loans approved by SBA in fiscal 1967 only 13.7 Million went to businesses in New York State and only 2.5 percent of the total number of 7(a) loans approved were spent in a State with 9 percent of the population of the United States and which contributed 19% of the federal tax revenues.

In light of these statistics on September 5, 1967, I requested the House Select Committee on Small Business to inquire as to the reasons for this decline in the number of 7(a) loans.

Because of my concern over the decline in loans, I would like to suggest the following changes in procedure which I believe would benefit the Small Business program and the Congress. They are:

(1) Elimination or modification of the present priority system under which preferences are given to defense oriented industries; loans resulting in substantial increase in employment; loans to businesses contributing to reduction in balance of payments through export sales; businesses contributing to reduction in air and water pollution; and loans based on local economic needs. While I recognize the need for guidelines, these categories of priorities must not become exclusive.

The intent of Congress in creating the SBA was not to single out particular industries for priority but to foster competition and strengthen the small business community in general. The priority system has violated the intent of Congress and should be modified or eliminated.

(2) A change in SBA's reporting system to include in its annual report to the Congress more realistic statistics regarding the total number of loan requests received by SBA.

SBA officials have admitted in congressional hearings that SBA's application statistics are meaningless since many loan requests are turned down before applications are processed and these are not reported to the Congress. Congress should have this information in order to effectively exercise its watchdog functions. I urge you to change the reporting procedures of SBA accordingly.

(3) Review and revise the allocation system employed by SBA to assure a more equitable distribution of loans throughout the 50 States. It is certainly strange that New York State with 9 percent of the total population of the United States received only a little more than 2 percent of the small business loans approved this year. If this is a result of the priority system then I am more convinced that SBA has strayed far afield from the intent of Congress in creating the SBA.

I make these suggestions because of my concern for providing to the small businessman, who is the backbone of American industry, an effective independent agency which will carry out the intent of Congress. I urge you to review these proposals and invite your comments.

Sincerely yours,

HERBERT TENZER, *Member of Congress.*