

issued in the past 22 months. During that period 28 proposals were received.

The 1967 amendments to the SBI Act provided that the Administration, prior to licensing, would give due regard to the need for a licensee in the particular area, the business reputation and character of the proponents, and the probability for financial soundness and profitable operations. We feel that these amendments provide useful guidelines with regard to the issuance of licenses.

We have previously indicated the extent of our overall regulatory activities.

Our new regulations, which became effective on January 9, 1968, better enable us to take action against licensees who are not carrying on active operations. The new regulations provide a presumption of inactivity where SBIC's with large amounts of idle funds do not invest a significant portion of them within a year.

Whereas conflicts of interest and overline violations represented 13 percent of all indicated violations in fiscal year 1967, this figure was reduced to 8 percent during the first 9 months of fiscal year 1968.

The conference report incident to the SBI Act Amendments of 1967 indicated that the House and Senate Banking and Currency Committees would review the overall industry involvement in real estate investments prior to June 30, 1968. SBI was directed to prepare a study involving the entire spectrum of the real estate problem. That report has been recently submitted to the Congress.

Pending the study completion and congressional review, SBIC's who are approved real estate specialists and who are not otherwise in violation of the act or regulations have been accorded the same benefits and privileges as other nonproblem licensees.

Following the hearings in June of 1966, a study was undertaken to establish a uniform and consistent method to estimate what would be a conservative reserve for losses. As of September 30, 1966, 682 licensees were indebted to SBA for \$284,389,052. We established a reserve against this amount of \$50,571,607 as of December 31, 1966, or 17.8 percent. The latest figure indicates that \$285.9 million is owed by SBIC's and the loss reserve established as of September 30, 1967, was \$44.5 million, or 15.6 percent.

SBA has established an early warning system in order to ascertain SBIC's encountering serious financial difficulties. In addition, the licensees themselves have been provided guidelines which help them to evaluate initially and on a continuing basis the viability of their small business borrowers.

The latest available consolidated financial report for the industry, dated September 30, 1967, indicates, for the 478 reporting companies, that industry assets are \$659.6 million.

This includes \$481.8 million in outstanding loans and investments in small business. The private investment in these reporting licensees is \$358.8 million as compared with outstanding Government funds of \$232.1 million. Loans from private sources are \$47 million.

Thus, for every outstanding dollar of Government financing, small business has received approximately \$2.07.

Profits represented 4.7 percent of invested capital.

The average interest rate to SBIC's was just over 8 percent.

From the inception of the program, through September 30, 1967, SBIC's made 28,367 separate financing transactions to small businesses