

Mr. MITCHELL. Since the policing amendments were passed, in 1966, I believe, has SBA fined any company for failing to report?

Mr. BROWN. Yes, Mr. Mitchell, we have. I believe we indicated in the statement that there have been referrals to the Department of Justice. We have fined more than 20 companies for either late reporting or not reporting at all. That was a result of the 1966 amendments.

Mr. MITCHELL. Then you feel that you have no reporting problem now as far as the companies are concerned?

Mr. BROWN. It certainly has lessened a lot. That legislation has helped tremendously. We are keeping a very close look at it, and we probably will continue to find a few each reporting period. It certainly has a very fine effect on getting them to report and report on time.

Mr. MITCHELL. Has SBA administratively revoked any licensees since the passage of Public Law 89-779 in the 89th Congress?

Mr. BROWN. I believe not, Mr. Mitchell. There have been a good many revoked, there have been several revoked through judicial processes, but none revoked administratively. But we have used the administrative route for some suspensions and cease-and-desist orders.

Mr. MITCHELL. Has SBA issued any cease-and-desist orders against an individual separate from companies since that legislation was passed?

Mr. BROWN. No, Mr. Mitchell, not against individuals, against companies.

Mr. MITCHELL. The next questions I have are concerning interest rates. I believe you mentioned in your statement that the average interest rate is a little more than 8 percent. Is that the interest rate charged by SBIC's to small business concerns?

Mr. BROWN. Yes, Mr. Mitchell.

Mr. MITCHELL. What is the ceiling on interest rates that SBA imposes—this is disregarding the legal interest rate in various States that we know have to be abided by—what is the ceiling that SBA places on interest rates that can be charged to small business concerns by SBIC's?

Mr. BROWN. Fifteen percent, or the maximum allowable cost, as you indicate, under State law, whichever is lower.

Mr. MITCHELL. Now, is that 15 percent the effective interest rate, or is that just a simple stated interest rate?

Mr. BROWN. No, that is effective interest rate.

Mr. MITCHELL. Do you go in behind these matters in your examination of these concerns to determine the manner in which they are abiding by the authorized rate, that is, as to add-ons, discounts, and so forth, to find out what the effective cost is?

Mr. BROWN. We certainly do. They are examined once a year. And the total cost of money is included. And that includes all interest and discounts as well as fees and other kinds of charges. We include all of these things. The only thing that we don't include are consulting services or advisory services when they are duly rendered. But they have to show that these have been duly rendered. So all of these discounts and fees are all included in the effective cost of money.

Mr. MITCHELL. Are these other factors, the effective cost, included in this 8-percent figure when you say that is the average?

Mr. BROWN. No, Mr. Mitchell, that is the stated rate. It is impossible for us when they report these things to us to give anything other than the stated rate. But as I say, by examination we go in there