

would be used to effect a change of ownership. Now, are you going to bump into an adverse ruling of the Comptroller General if you persevere. The agency's prior policy, I believe, was in reflection of the then interpretation of the Small Business Act?

Mr. SAMUELS. I have reviewed this with our counsel. And our counsel has given me written indication that we will have no trouble in this execution.

Mr. JACQUES. I haven't seen a new regulation published. Has there been—

Mr. SAMUELS. Bill?

Mr. GENETTI. We haven't changed our regulation at all in that regard. If you will recall, the regulation does have words to the effect—may I read it to you?

Mr. JACQUES. Did I misstate the former policy?

Mr. GENETTI. The exact words of the regulation are:

Unless such a change will promote the sound development or preserve the existence of a small business concern.

Mr. JACQUES. Oh, yes, there has always been that exception, to preserve an existing entity. That is not the test today, as I understand it.

Mr. GENETTI. Our attitude is, particularly in this Project Own, where we are primarily concerned with the transfer of businesses, we feel that the majority of these cases will fall under the exception.

Mr. JACQUES. You mean the business world otherwise disappear?

Mr. GENETTI. That is right.

Mr. GREENBERG. Or would be prevented from expanding.

Mr. JACQUES. But you don't intend to limit it to that?

Mr. GENETTI. For the time being we have. We have no instances where we have not. Of course, if we come to the point where we have to expand beyond that point we will have to have a change in the regulation.

Mr. JACQUES. Would the law permit it?

Mr. GENETTI. We think so.

(A letter from Mr. Samuels regarding this matter follows:)

SMALL BUSINESS ADMINISTRATION,
Washington, D.C., October 9, 1968.

HON. JOE L. EVINS,
Chairman, House Select Committee on Small Business,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: At the recent hearings before your Committee this Agency was asked to explain its policy for loans to effect a change in ownership, particularly as it relates to Project OWN.

The present regulations provide that business loans under Section 7(a) of the Small Business Act may be made where a change in ownership will promote the sound development or preserve the existence of a small business concern (§ 120.2(d)(2) of Part 120). As to loans under the Economic Opportunity Act, the regulation provides that a loan may be made where the change in ownership will further the objectives of the economic opportunity loan program, i.e., loans to low-income individuals or loans to small business concerns located in areas with high proportions of unemployed or low-income individuals (§ 119.21(c) of Part 119).

Under Project OWN, loans that have been made to inner-city applicants to effect a change in ownership have been within the policies published in the outstanding regulations, namely, to promote or preserve the continued existence of the small business concern, or to achieve the objectives of the EOL loan program.

We are considering, however, broadening the policy position for business loans under the Small Business Act, that is loans made to Project OWN applicants which are in excess of \$25,000. Section 7(a) of the Act authorizes loans "as may