AUGUST 24, 1974

Office of the White House Press Secretary

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## NOTICE TO THE PRESS

The President has signed S. 3331 which provides increased ceilings and authorities for SBA's loan programs, requires that SBA make a minimum of $400 million in direct loans during fiscal year 1975, clarifies and amends certain provisions applicable to SBA's loans, transfers certain authorities from the Economic Opportunity Act to the Small Business Act, prescribes a new reporting requirement by SBA and a special GAO audit of SBA, and creates two new positions within SBA.

The main provisions of the bill are discussed in more detail below.

Section 2(a) of the bill increases from $4.875 billion to $6 billion the total amount of loans, guarantees, and other obligations and commitments which may be outstanding at any one time from the business loan and investment fund established by section 4(c) of the Small Business Act ("the ACT"). Presently SBA has no unused authority within the existing limitation and can make loans only to the extent of repayment of existing loans.

Section 2(b) transfers to the Small Business Act the authority to render financial assistance to socially or economically disadvantaged persons now embodied in title IV of the Economic Opportunity Act.

Section 3(1) provides that when SBA is required to purchase a financial institution's share of a guaranteed loan, it may continue to charge the borrower up to the rate of interest that the financial institution charged. At present, SBA can charge only 5 1/2 percent or the Treasury rate in such cases; this creates an incentive for a borrower to default on an SBA guaranteed loan in order to obtain a lower interest rate.

Section 3(2) clarifies the provision of the Act relating to the rate of interest applicable to loans under SBA's handicapped assistance program.

Section 6 expands SBA's authority to carry out its lease guarantee and surety bond guarantee programs.

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Section 9 authorizes disaster-type loans with terms of up to 30 years for small business concerns affected adversely by energy shortages whenever SBA determines that such firms have suffered or are likely to suffer substantial economic injury without such assistance.

Section 4 of the bill requires SBA to submit annual sealed reports to the House and Senate Banking Committees concerning (a) complaints alleging illegal conduct by SBA employees and (b) investigations undertaken by SBA, including external and internal audits and security and investigation reports.

Section 5 attempts to clarify section 18 of the Act, which currently prohibits SBA from duplicating the work of any other Federal department or agency.

Sections 7 and 10 create the position of Associate Administrator for Minority Small Business and require designation of an existing SBA employee as Chief Counsel for Advocacy. The former will be basically responsible for formulating policy and reviewing the execution of programs relating to the agency's minority enterprise programs. The latter will be a focal point for (a) handling small business complaints, proposals, and issues concerning the relationship between public and private organizations, (b) counselling small businesses in these areas, and (c) representing their views before other Federal agencies.

Section 8 removes the statutory interest rate of 5 1/2 percent for SBA's regular direct business loans and substitute the Treasury rate plus one-fourth of one percent.

Section 11 requires SBA to conduct a study of the surety bond guarantee program and submit a report to the Congress within one year after enactment.

Section 13 directs the GAO to conduct a complete audit of SBA and report to the Congress within six months from the date of enactment.

Section 12 requires SBA to make direct loans under its regular business loan program in an aggregate amount of at least $400 million during fiscal year 1975. The 1975 Budget provides for only $40 million in direct loans for this program. Thus, in the absence of reprogramming, the effect of Section 12 would be in increase 1975 outlays by $360 million.

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