

August 6, 1975

Office of the White House Press Secretary

NOTICE TO THE PRESS

The President has signed S. 555 -- Emergency Loan Program -- which changes the Department of Agriculture's emergency loan program to simplify the procedures under which loans are made to victims of natural disasters and make additional credit assistance available to them. It also increases the interest rate for certain Small Business Administration disaster loans.

S. 555 will amend the emergency loan provisions of the Consolidated Farm and Rural Development Act to:

- broaden program eligibility from traditional agriculture operations and "oyster planters" to include persons engaged in aquaculture such as shrimp producers and fish farmers;
- require, after July 8, 1975, that applicants be unable to get credit elsewhere before being considered for an emergency loan;
- extend emergency loan coverage for amounts in excess of the actual loss caused by the disaster, but at the prevailing market interest rate;
- authorize less than 100 percent collateral support for loans when the Secretary has confidence in the applicant's repayment ability;
- provide, with respect to disasters occurring after January 1, 1975, for loan repayment periods of from 7 to 20 years based on the Secretary's determination of the loan applicant's need for a longer repayment period;
- permit the Secretary to delegate to State FHA Directors the authority to make emergency loans without a formal designation when twenty-five or less operations in an area are affected by a natural disaster;
- tighten emergency loan eligibility criteria by requiring that the applicant sustain at least a 20 percent loss of normal production in one or more of the "basic single enterprises" and
- authorize subsequent (refinancing) emergency loans annually for up to 5 years at the prevailing private market interest rate.

(more)

The bill also contains a provision which will change the current 5 percent interest rate for the Small Business Administration's physical disaster, product disaster and economic injury disaster loan programs. This interest rate formula is currently applicable to some of the SBA's nonphysical disaster loan programs and is currently set at 6-5/8 percent.

#