

FISHERIES LOAN FUND

fiscal year 1959



FISH AND WILDLIFE CIRCULAR 113

UNITED STATES DEPARTMENT OF THE INTERIOR
FISH AND WILDLIFE SERVICE
BUREAU OF COMMERCIAL FISHERIES
WASHINGTON 25, D. C.

ANNUAL REPORT OF FISHERIES LOAN FUND FISCAL YEAR 1959

The Fisheries Loan Fund was authorized by Section 4 of the Fish and Wildlife Act of 1956 (16 U.S.C. 742c), and operations were begun during fiscal year 1957. Background and historical information regarding the Fund can be found in the "Annual Report of Fisheries Loan Fund, Fiscal Year 1957," published as Circular 103, and for "Fiscal Year 1958" (Circular 106).

Conditions in most of the fisheries in fiscal year 1959 were poorer than in the previous year. The upsurge in value of the catch in the latter half of 1958 was followed by lower prices of shrimp and tuna during 1959. Loan applications during this fiscal year were received at a lower rate (both in number and value) than in either of the 2 previous fiscal years.

catch of fish and shellfish rose to 5.10 billion pounds, second only to the 5.25 billion pounds landed in 1956. The large increase in menhaden caused landings of industrial fish to exceed the catch of food fish for the first time. There were increases in landings of shrimp, halibut, and Pacific mackerel, and decreases in landings of groundfish, tuna, Pacific sardines, salmon, and sea herring. The fishermen and vessel owners received over \$342 million for the catch which was \$31 million less than in 1958 and \$11 million less than the average of the previous 10 years. Low shrimp prices contributed to this decline. Fish freezing, which has been rising for several years, reached a new peak of 337 million pounds.

STATISTICS OF THE COMMERCIAL FISHERY, 1959

During the calendar year 1959 the

A summary of the number of fishing craft and fishermen is shown in Table 1.

TABLE 1.--Vessels, boats and fishermen--United States, 1959

Area	Vessels		Boats	
	Number	Fishermen	Number	Fishermen
North Atlantic.....	2,542	11,434	25,963	37,757
Southeast.....	4,897	16,278	15,001	20,865
Pacific Northwest.....	2,099	6,568	3,741	7,522
California.....	1,420	6,022	1,332	2,186
Great Lakes and Mississippi River.....	511	1,497	10,304	12,348
Hawaii.....	64	343	263	345
Alaska.....	1,999	6,345	4,053	5,121
Total, exclusive of duplication.....	12,109	42,920	60,620	86,065

OPERATIONAL CHANGES

As a result of the recommendations of the committee appointed to review

the operations and administration of the fund during fiscal year 1958, a number of changes were made. The application form was revised (Appendix A).

Revised regulations (Appendix B) were adopted and published in the *Federal Register*. Changes in internal and Small Business Administration procedures helped to reduce the average processing time and enabled all program employees to understand better the principals followed in reaching final decisions.

ORGANIZATION AND STAFF

The organization of the Office of Loans and Grants was changed during fiscal year 1959 by transferring line supervision of field employees to the Regional and Area offices of the Bureau of Commercial Fisheries. As a result

of this action, the number of field offices remained the same, but their physical locations were changed in certain instances. Four full-time and one half-time professional employees and two full-time clerical employees conducted field operations. Three professional and three clerical employees continued to staff the central office. During the last half of the fiscal year a financial specialist, detailed from the Small Business Administration, worked on a review of outstanding loans and on the anticipated Fishing Vessel Mortgage Insurance Program. An organizational chart (fig. 1) shows the organization of the office at the end of the fiscal year.

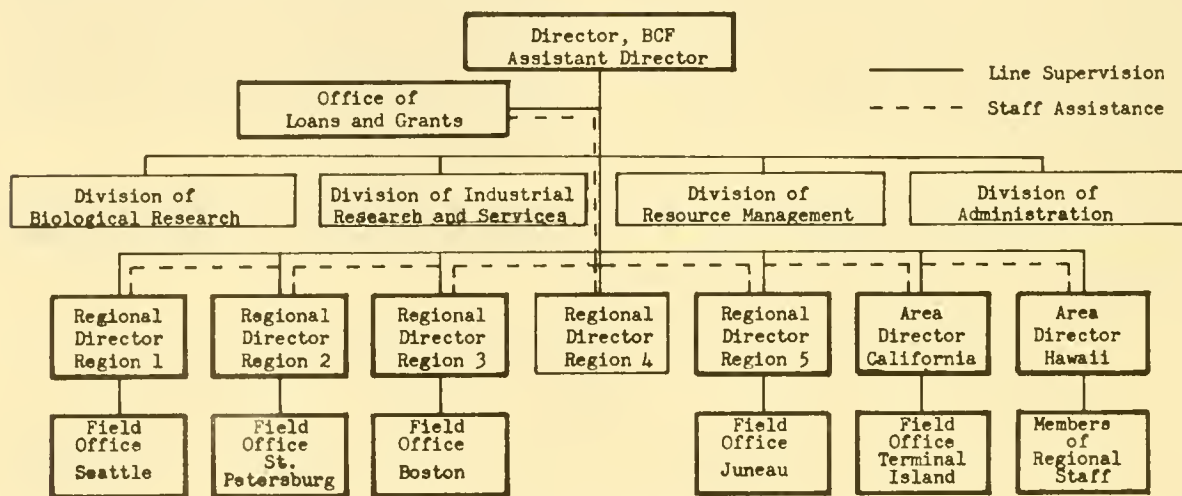


Figure 1.--Office of Loans and Grants organization chart, June 30, 1959.

STATUS OF THE LOAN FUND

During fiscal year 1959, 135 applications totaling \$2,879,000 were received. This made a total of 586 applications for \$18,902,000 received since the program began. During the year 76 loans totaling \$1,455,000 were approved, 43 for \$712,000 were declined, 13 for \$246,000 were declared ineligible, 13 for \$184,000 were withdrawn, and 24 for \$3,102,000 were being processed or were held in a deferred status at the request of the applicants. From the beginning of the program 318 loans totaling \$7,722,000 have been approved, 150 for \$4,251,000 have been declined, 52 for \$1,191,000 were declared ineligible, and 42 for

\$1,679,000 were withdrawn by the applicants. Figures 2, 3, 4, and 5 show the number and value of applications received and loans approved by areas during fiscal year 1959. Figures 6, 7, 8, and 9 show similar cumulative information for fiscal years 1957 to 1959, inclusive.

The largest increase in applications came from the Pacific Northwest and the shrimp fishery of the South Atlantic and Gulf States. In California the loan emphasis shifted to albacore vessels as clipper (bait boat) operations were unprofitable due to lower prices and labor troubles. A few clippers were converted to purse seiners by the use of private financing and substantially

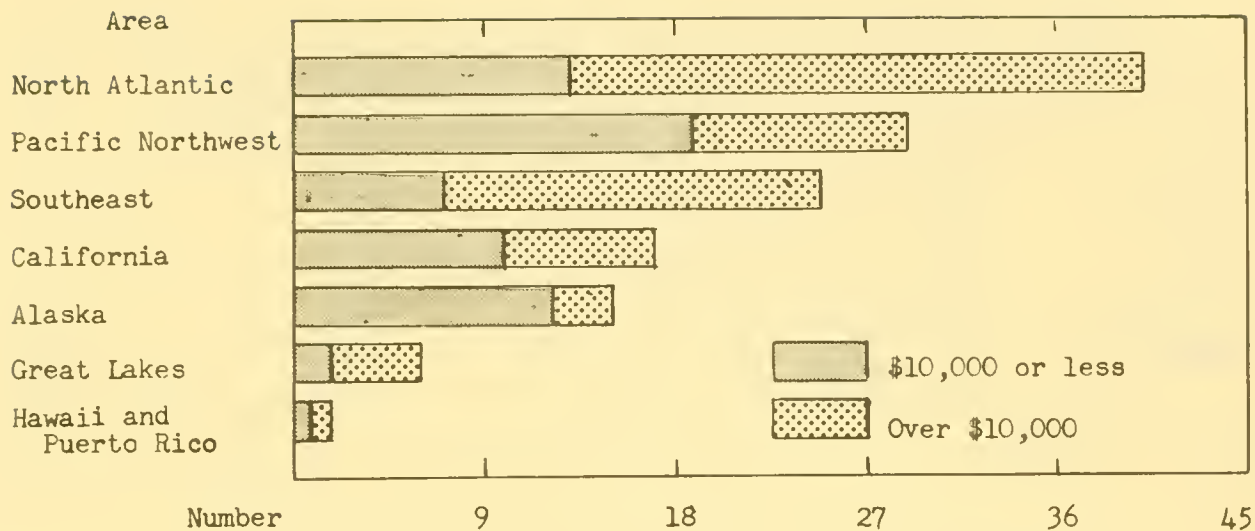


Figure 2.--Number of loan applications received by area, fiscal year 1959.

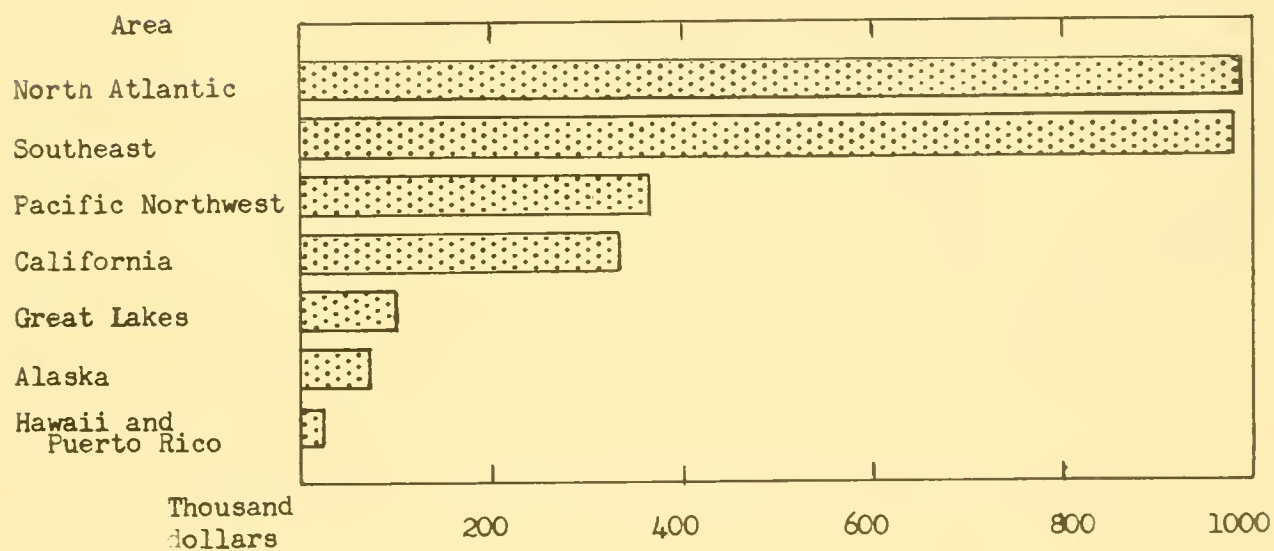


Figure 3.--Value of loan applications received by area, fiscal year 1959.

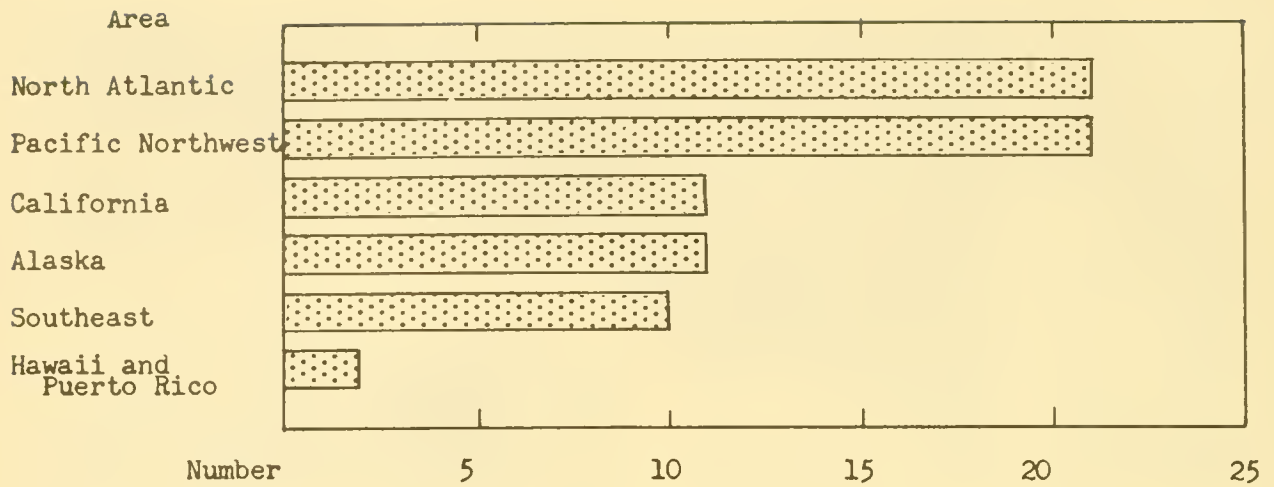


Figure 4.--Number of loans approved by area, fiscal year 1959.

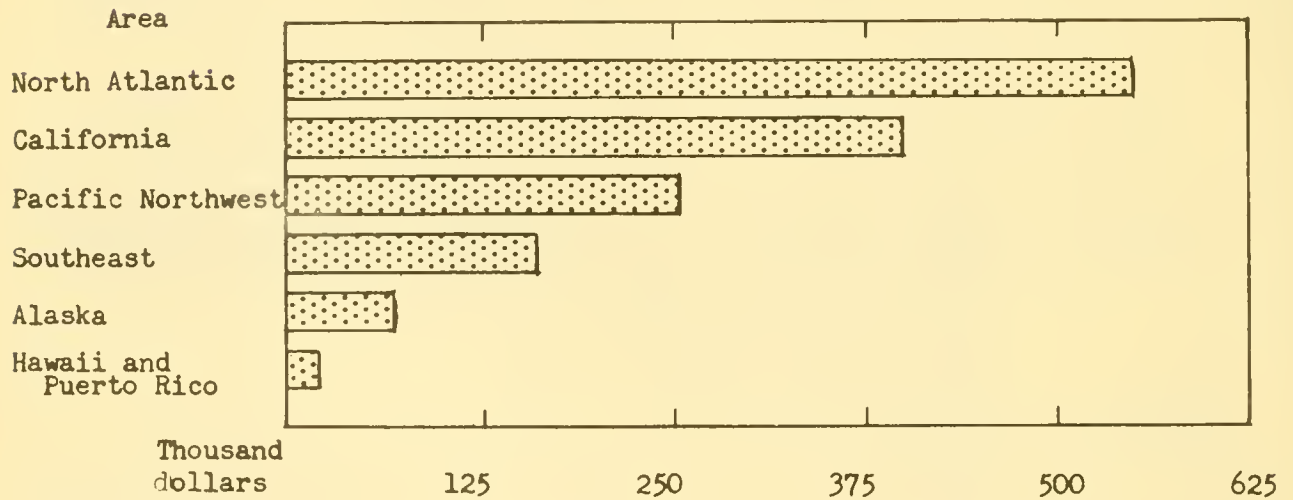


Figure 5.--Value of loans approved by area, fiscal year 1959.

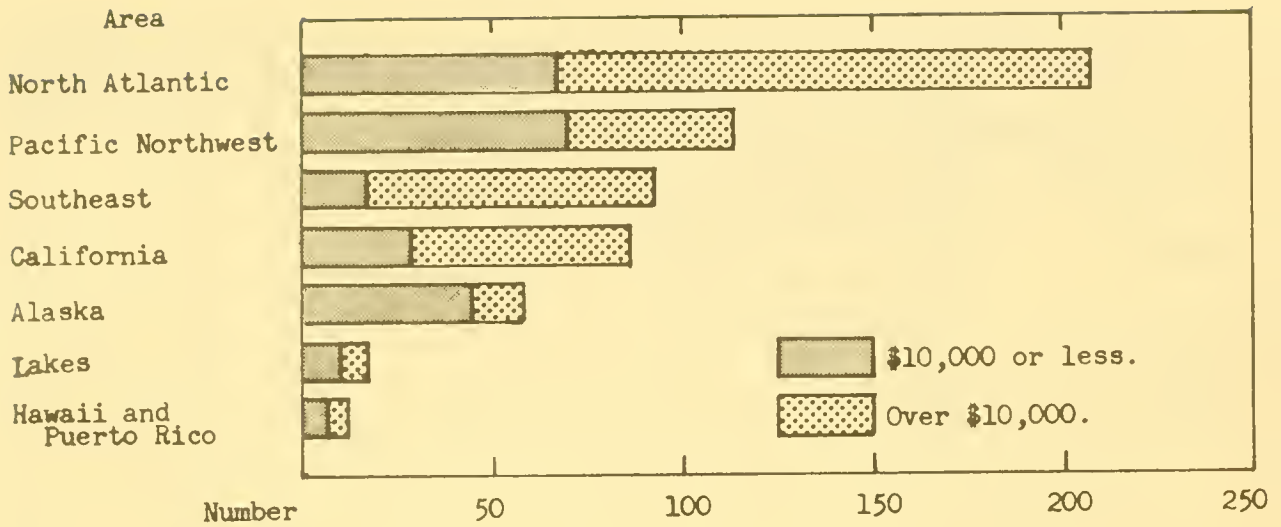


Figure 6.--Number of loan applications received by areas, fiscal years 1957-1959 inclusive.

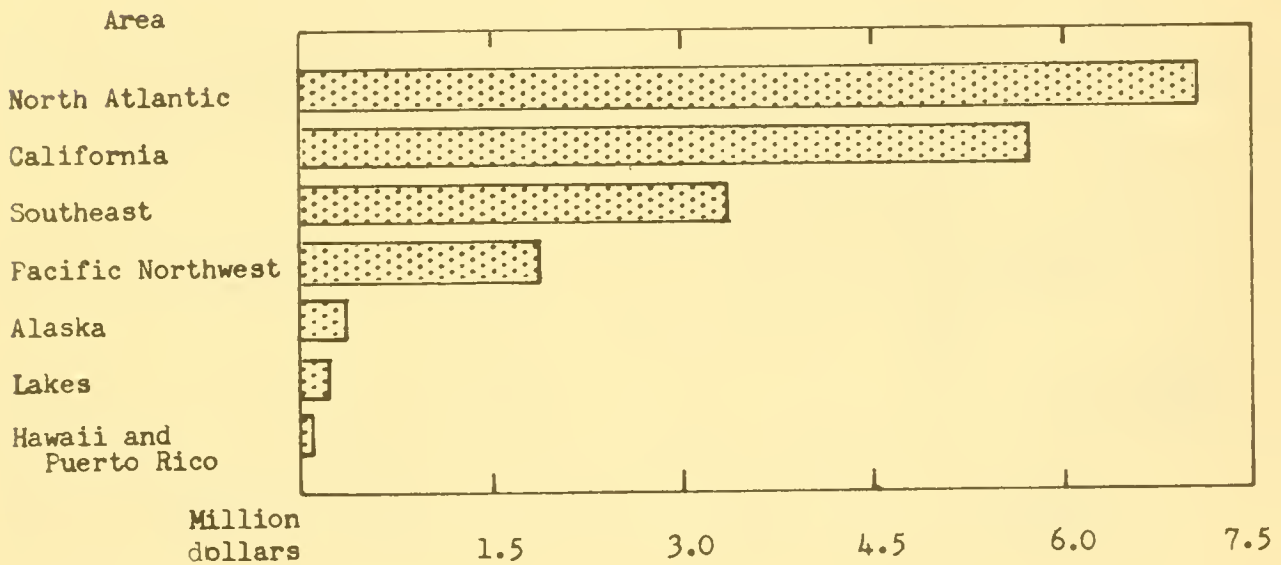


Figure 7.--Value of loan applications received by areas, fiscal years 1957-1959 inclusive.

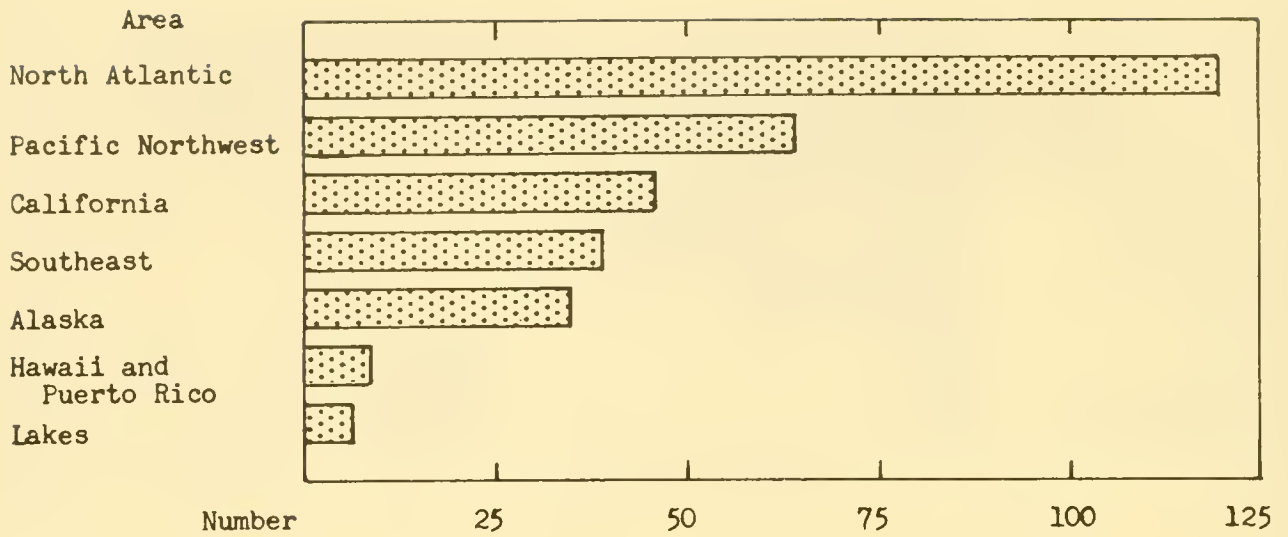


Figure 8.--Number of loans approved by areas, fiscal years 1957-1959 inclusive.

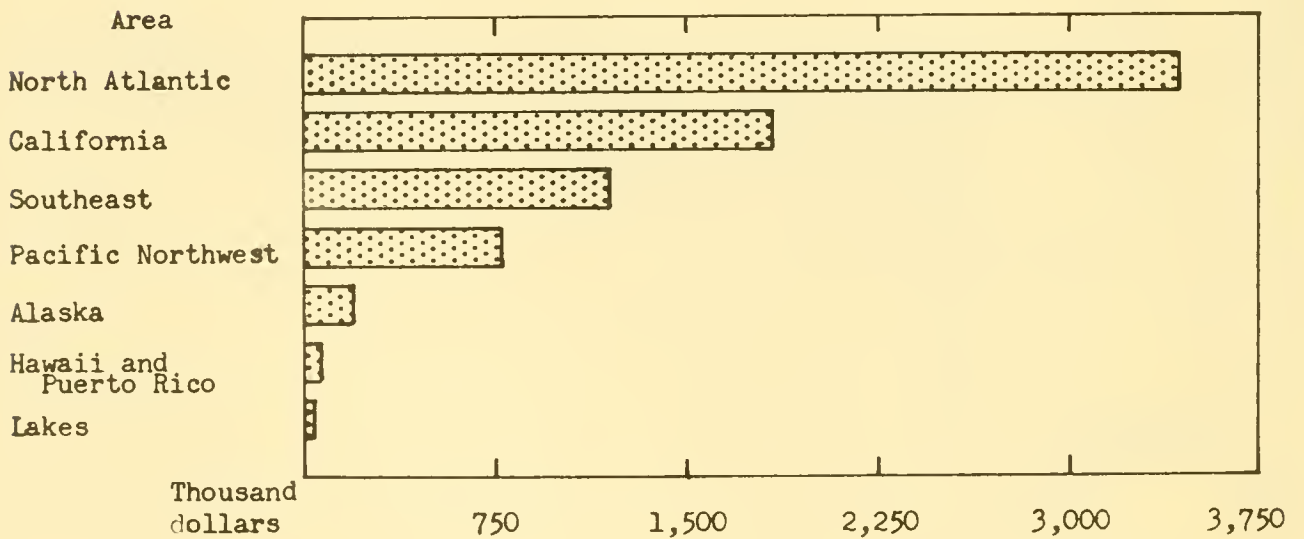


Figure 9.--Value of loans approved by areas, fiscal years 1957-1959 inclusive.

increased their landings. No loan applications were received during fiscal year 1959 for conversion of tuna clippers to purse seiners although most vessel owners were watching the results obtained by the early conversions. Since the program started nearly 50 percent of the applications received were for loans of \$10,000 or less while 61 percent were for amounts of \$20,000 or less. Most of the small loan applications came from Alaska and the albacore fishermen of California, with a small number from the New England lobster fishermen.

The status of the fund as of June 30, 1959, was as follows:

Appropriated	\$10,000,000
Interest collected	327,715
Principal collected	890,999
Total available	<u>\$11,218,714</u>
Administrative expenses	485,215
Net loans authorized ¹	<u>6,531,512</u>
Total obligations	7,016,727
Amount available for loans	4,201,987
Applications being processed	3,101,534

¹ Net loans authorized represents the total loans authorized minus authorizations which were cancelled after approval on request of the applicants.

Five percent interest is charged on all fisheries loans. All principal and interest are returned to the revolving fund and become available for future loans or administrative expenses. Administrative expenses are paid from the fund. A limitation on the amount which can be spent each year for this purpose is carried in the Department of the Interior Appropriations Bill. During fiscal year 1959 this limitation was \$313,000. Expenditures for administrative expenses during the year amounted to \$266,618.

During this fiscal year four loans were declared in default. Two of these were turned over to the Department of Justice for collection. The other two as well as two earlier cases had their defaults remedied. From the beginning of the program 14 cases

have been declared in default. Five of these defaults have been remedied leaving nine requiring further legal action. As legal action has not been completed in most of these cases actual loss figures are not available. The estimated cumulative loss to principal to June 30, 1959, is \$120,000.

DISCUSSION AND CONCLUSION

During the past 3 fiscal years the Fisheries Loan Fund has provided long-term financing for approximately 350 vessels. Some of the loans provided aid for more than one vessel. One of the requisites for obtaining a loan from this fund is a showing that the desired financing is not available on reasonable terms from any other source. It can be assumed that most, if not all, of these vessels would have been in serious difficulties if these loans had not been available. Not only did these loans keep the vessels operating, but the fact that the Federal Government had sufficient faith in the fishing industry to make the loans also encouraged banks and suppliers to extend limited credit to other vessels. The loans from the Fisheries Loan Fund enabled vessel owners to pay off long-standing debts which assisted the general economy of those areas largely dependent on fishing. In addition, mortgage foreclosures were prevented in many instances.

Since the start of the program approximately 50 percent of the loans have been used for refinancing mortgages and lienable debts--47 percent for repairs, improvements and replacements, and 3 percent for operating expenses. During the early stages of the program a larger portion of the funds were used for refinancing with smaller amounts used for repairs and improvements. The proportion used for refinancing has been declining, and this trend is expected to continue. As more of the funds go into vessel improvements, the efficiency of the vessels and also the prospects for repayments will improve. The estimated catch of fish and shellfish of these 350 vessels in fiscal year 1959 was approximately 230 million pounds.

APPENDIX A

FORM NO. 3-1954
(NOVEMBER 1953)

UNITED STATES DEPARTMENT OF THE INTERIOR

BUDGET BUREAU NO. 42-R1295,2
FORM APPROVED

APPLICATION FOR LOAN

Pursuant to Section 4, Fish and Wildlife Act of 1956, Approved August 8, 1956 (70 Stat. 1119)

1. Full name and address of applicant (Print)
(Street, City, Zone, and State)

Date of Application:

Amount of loan requested:

\$ _____
Maturity (period of loan) requested:

2. Type of business (attach brief history of business on separate sheet):

Date business established:

3. Purpose of loan (Give brief but clear general statement of need and purpose of loan--See instructions and use separate sheet.)

4.	NATURE OF EXPENDITURES TO BE MADE	AMOUNT
<p style="text-align: right; margin-top: 10px;">Total (This should agree with amount of loan requested)</p>		

5. Have you requested a loan from the Government during the past 5 years? If yes, explain:
(Yes) (No)

6. Recent efforts to obtain credit.

The Department of the Interior is authorized, as prescribed by the Fish and Wildlife Act of 1956, to make loans to qualified members of the fishing industry only when the financial assistance is not otherwise available on reasonable terms. Applicant must furnish evidence that efforts were made within 90 days preceding the filing of this application to obtain credit from banks or other sources. Letters declining to extend credit must be obtained from the bank, banks or institutions in which the applicant has a bank account, or accounts. It is essential that these letters contain (1) date of application; (2) amount of loan and terms requested; and that they be attached to this application.

7. Give two credit references:

(A) _____ (Name) _____ (Address)

(B) _____ (Name) _____ (Address)

8. Collateral offered by applicant as security for loan:

	DATE ACQUIRED	COST (Omit Cents)	BOOK VALUE (Net)	APPRAISED VALUE (Fixed Assets)
Property now held and nature of title: *				
To be acquired (Complete 1st and 2nd columns only):			X	X

Appraised by:

Name _____ Title _____ Date _____
*Describe existing liens, if any, on property listed above. Attach photograph of property if available.

9. Give names and experience of key personnel, with length of service or similar information, who manage and operate vessel or gear for which the loan is proposed. (Use separate sheet)

10. Is vessel or gear now in operation? If not, explain why:

11. Proposed method of repayment of loan. (State sources of funds and proposed schedule of repayment on separate sheet.)
12. Are there now, or have there been in the past 5 years, any judgments or compromise settlements obtained against you or your corporation relating to your business? _____ . If so, state nature and present status on separate sheet.
13. Have you been involved in any bankruptcy proceedings at any time, or made an assignment for benefit or creditors, etc.? Give full details and other pertinent information relating to these matters. (Use separate sheet.)
14. NAMES OF ATTORNEYS, ACCOUNTANTS AND OTHER PARTIES. The names of all attorneys, accountants, appraisers, agents and all other parties (whether individuals, partnerships, associations or corporations) engaged by or on behalf of the applicant (whether on a salary, retainer or fee basis and regardless of the amount of compensation) for the purpose of rendering professional or other services of any nature whatever to applicant, in connection with the preparation or presentation of this application or with any loan to applicant which the Department of the Interior may make, or in which the Department of the Interior may participate, as a result of this application, or such loan or participation; and all fees or other charges or compensation paid or to be paid therefor or for any purpose in connection with this application whether in money or other property of any kind whatever; by or for the account of the applicant, together with a description of such services rendered, are as follows:

NAME AND ADDRESS	DESCRIPTION OF SERVICES RENDERED AND TO BE RENDERED	TOTAL COMPENSATION AGREED TO BE PAID*	COMPENSATION ALREADY PAID

APPLICANT SHOULD IMMEDIATELY NOTIFY THE DEPARTMENT OF THE INTERIOR OF ANY CHANGE IN OR ADDITION TO THE INFORMATION SET FORTH ABOVE

* Subject to the Department of the Interior approval.

15. NAMES OF ANY DEPARTMENT OF THE INTERIOR OR SBA* EMPLOYEES who have any relationship or direct or indirect interest whatsoever in applicant (such interest to include any direct or indirect financial interest in any other business entity or enterprise which is, in any way, connected with applicant):

NAME AND ADDRESS	INTEREST IN APPLICANT

16. AGREEMENT ON NONEMPLOYMENT OF DEPARTMENT OF THE INTERIOR OR SBA* PERSONNEL. In consideration of the making by the Department of the Interior to applicant of all or any part of the loan applied for in this application, applicant hereby agrees with the Department of the Interior that applicant will not, for a period of two years after disbursement by the Department of the Interior to applicant of said loan, or any part thereof, employ or tender any office or employment to or retain for professional services any person who, on the date of such disbursement, or within one year prior to said date, (a) shall have served as an officer, attorney, agent of the Department of the Interior or SBA and (b) as such, shall have occupied a position or engaged in activities which the Department of the Interior or SBA shall have determined, or may determine, involve discretion with respect to the granting of assistance under the Fish and Wildlife Act of 1956, or said act as it may be amended from time to time.

17. CERTIFICATION: I hereby certify that:

- (A) The applicant has not paid or incurred any obligation to pay, directly or indirectly, any fee or other compensation for obtaining the loan hereby applied for, and has not paid or will not make any payment for services in connection with this application, without the consent of the Department of the Interior.
- (B) All information contained above and in exhibits attached hereto are true and complete to the best knowledge and belief of the applicant and are submitted for the purpose of inducing the Department of the Interior to grant a loan, or to participate in a loan by a bank or other lending institution, to applicant. Whether or not the loan herein applied for is approved, applicant agrees to pay or reimburse the Department of the Interior for the cost of any surveys, title or mortgage examination, appraisals, etc., performed by non-Department of the Interior personnel with consent of applicant.

_____	_____
If A Corporation	(Name of Applicant)
(SEAL)	By _____
Attest _____	Title _____
(Title)	

Whoever makes any statement knowing it be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Department of the Interior, or for the purpose of obtaining money, property, or anything of value, under the Fish and Wildlife Act of 1956 shall be punished as prescribed by law.

* Small Business Administration.

SCHEDULE A - (To be filled in if application is for more than
\$10,000 or if applicant is a partnership or corporation)

18. Balance sheet statement of _____, 19_____, fiscal year ends _____, 19_____.
(Statement must be dated within 60 days of the filing of this application. Omit cents.)

(The applicant may submit in lieu of the balance sheet statement prescribed below a copy of a statement dated within 90 days of the filing of this application provided he also supplies the supplementary detail called for on items marked with an asterisk.)

ASSETS	LIABILITIES
Cash on hand and in banks.....\$ _____	*Notes payable to vendors.....\$ _____
*Notes receivable	*Notes payable to banks.....
*Accounts receivable.....\$ _____	*Notes to officers, directors, and stockholders.....
Less reserve for doubtful accounts.....	*Notes to others.....
Inventories (indicate kind and how valued):	*Accounts payable to vendors.....
_____ \$ _____	Income taxes.....
_____ \$ _____	Other accruals.....
_____ \$ _____	*Other current liabilities.....
* Other current assets.....	Total current liabilities.....\$ _____
Total current assets.....\$ _____	*Mortgage debts.....
* Due from affiliates or subsidiaries.....	*Other liabilities.....
* Due from officers, directors, and stockholders... _____	Total liabilities.....\$ _____
Life insurance (CSV).....	Capital stock..... \$ _____
Land.....	Surplus and undivided profits.....
Buildings..... \$ _____	Capital account (if individual or partnership).....
Vessels and gear.....\$ _____	Total liabilities and net worth..... \$ _____
Machinery and equipment... _____	
Furniture and fixtures.....	
Autos and trucks.....	
Less reserve for depreciation.. _____	
* Other assets.....	

* Itemize on a separate sheet all items marked with an asterisk. If any of the liabilities shown in the above balance sheet statement are secured, state the amount and to whom owed and itemize the collateral pledged as security. (See instructions)

CONTINGENT LIABILITIES: Accounts or notes receivable discounted or sold with endorsement or guarantee and all other contingent liabilities, including terms of any leases, should be explained on a separate sheet. Also describe any pending litigation.

NOTE--Submit a copy of last available audit or of balance sheet statement at close of last fiscal year (if such date differs from date of above statement).

19. Operating statement for vessel or vessels offered as collateral for which application is made.

ITEM	19	19	19	19 TO DATE
Total Sales.....	\$	\$	\$	\$
Trip Expense.....				
Owner crew shares, if any.....				
Hired crew shares.....				
Boat Share.....				
Owner Captain commission, if any.....				
Hired Captain commission, if any.....				
Repairs.....				
Gear and Supplies.....				
Insurance.....				
Interest.....				
Depreciation.....				
Other expenses.....				
Net Profit from vessel operation (before taxes).....				
Other net income of owner.....				
Income taxes.....				
Balance after income taxes				

20. If a corporation, also fill in consolidated operating statement for all activities of the corporation below (include figures given above).

ITEM	19	19	19	19 TO DATE
Total sales.....	\$	\$	\$	\$
Officers salaries.....				
Depreciation.....				
Other expenses.....				
Net profit or loss.....				
Income taxes.....				
Dividends paid.....				

APPENDIX B

The revised regulations are hereby adopted without change and are set forth below.

Dated: August 7, 1958.

FRED A. SEATON,
Secretary of the Interior.

FEDERAL REGISTER

Wednesday, August 13, 1958

RULES AND REGULATIONS

TITLE 50—WILDLIFE

Chapter I—Fish and Wildlife Service, Department of the Interior

Subchapter J—Fisheries Loan Fund

PART 160—LOAN PROCEDURES

Notice was published in the FEDERAL REGISTER on June 26, 1958 (23 F. R. 4700) that pursuant to the authority vested in the Secretary of the Interior by section 4 of the Fish and Wildlife Act of 1956 (70 Stat. 1119, 1121; 16 U. S. C. sec 742c), it was proposed to adopt the regulations set forth below as a revision of Part 160—Loan Procedures. Interested persons were invited to submit in writing any comments, suggestions or objections relating to the proposed regulations within thirty days of the date of publication of the notice in the FEDERAL REGISTER. No comments, suggestions or objections were submitted within the thirty day period.

The purpose of this revision is to clarify the meaning of several sections of the regulations, to include fishery marketing cooperatives as qualified loan applicants, to delete the provision allowing a person using a fishing vessel or fishing gear under his control on a lease or share basis to be a qualified applicant for financial assistance, and to specify additional purposes for which applications for financial assistance cannot be considered.

Sec.	
160.1	Definition of terms.
160.2	Purposes of loan fund.
160.3	Interpretation of loan authorization.
160.4	Qualified loan applicants.
160.5	Basic limitations.
160.6	Applications.
160.7	Processing of loan applications.
160.8	Approval of loans.
160.9	Interest.
160.10	Maturity.
160.11	Security.
160.12	Books, records, and reports.
160.13	Penalties on default.

AUTHORITY: §§ 160.1 to 160.13 issued under sec. 4, 70 Stat. 1121; 16 U. S. C. 742c.

§ 160.1 *Definitions of terms.* For the purposes of this part, the following terms shall be construed, respectively, to mean and to include:

(a) *Secretary.* The Secretary of the Interior or his authorized representative.

(b) *Administrator.* Administrator of the Small Business Administration or his authorized representative.

(c) *Person.* Individual, association, partnership or corporation, any one or all as the context requires.

(d) *State.* Any State, the Territories and possessions of the United States, the Commonwealth of Puerto Rico, and the District of Columbia.

§ 160.2 *Purposes of loan fund.* The broad objective of the fisheries loan fund created by the Fish and Wildlife Act of 1956 is to provide financial assistance which will aid the commercial fishing industry to bring about a general upgrading of the condition of both fishing vessels and fishing gear thereby contributing to more efficient and profitable fishing operations.

(a) Under section 4 of the act, the Secretary is authorized, among other things:

(1) To make loans for financing and refinancing of operations, maintenance, replacement, repair and equipment of fishing gear and vessels, and for research into the basic problems of fisheries.

(2) Subject to the specific limitations in the section, to consent to the modification, with respect to the rate of interest, time of payment of any installment of principal, or security, of any loan contract to which he is a party.

(b) All financial assistance granted by the Secretary must be for one or more of the purposes set forth in paragraph (a) of this section.

§ 160.3 *Interpretation of loan authorization.* The terms used in the act to describe the purposes for which loans may be granted are construed to be limited to the meanings ascribed in this section.

(a) *Operation of fishing gear and vessels.* The words "operation of fishing gear and vessels" mean and include all phases of activity directly associated with the catching of fish and shellfish for commercial purposes.

(b) *Maintenance of fishing gear and vessels.* The words "maintenance of fishing gear and vessels" mean the normal and routine upkeep of all parts of fishing gear and fishing vessels, including machinery and equipment.

(c) *Replacement of fishing gear and vessels.* The words "replacement of fishing gear and vessels" contemplate the purchase of fishing gear or equipment, parts, machinery, or other items incident to outfitting for fishing to replace lost, damaged, worn, obsolete, inefficient, or discarded items of a similar nature, or the purchase or construction of a fishing vessel to operate the same type of fishing gear as a comparable vessel which has been lost, destroyed or abandoned or has become obsolete or inefficient. Any vessel lost, destroyed or abandoned more than two years prior to the date of receipt of the application shall not be considered eligible for replacement.

(d) *Repair of fishing gear and vessels.* The words "repair of fishing gear and vessels" mean the restoration of any worn or damaged part of fishing gear or fishing vessels to an efficient operating condition.

(e) *Equipment of fishing gear and vessels.* The words "equipment of fishing gear and vessels" mean the parts, machinery, or other items incident to outfitting for fishing which are purchased for use in fishing operations.

(f) *Research into the basic problems of fisheries.* The words "research into the basic problems of fisheries" mean investigation or experimentation designed to lead to fundamental improvements in the capture or landing of fish conducted as an integral part of vessel or gear operations.

§ 160.4 *Qualified loan applicants.* (a) Any person residing or conducting business in any State shall be deemed to be a qualified applicant for financial assistance if such person:

(1) Owns a commercial fishing vessel of United States registry (if registration is required) used directly in the conduct of fishing operations, irrespective of the type, size, power, or other characteristics of such vessel;

(2) Owns any type of commercial fishing gear used directly in the catching of fish or shellfish;

(3) Owns any property, equipment, or facilities useful in conducting research into the basic problems of fisheries or possesses scientific, technological or other skills useful in conducting such research.

(4) Is a fishery marketing cooperative engaged in marketing all catches of fish or shellfish by its members pursuant to contractual or other enforceable arrangements which empower the cooperative to exercise full control over the conditions of sale of all such catches and disburse the proceeds from all such sales.

(b) Applications for financial assistance cannot be considered if the loan is to be used for:

(1) Any phase of a shore operation.

(2) Refinancing existing preferred mortgages or secured loans on fishing gear and vessels, except in those instances where the Secretary deems such

refinancing to be desirable in carrying out the purpose of the Act.

(3) Paying creditors for debts previously incurred, except for marshalling and liquidating the indebtedness of the applicant to existing lien holders in those instances where the Secretary deems such action to be desirable in carrying out the purpose of the Act.

(4) (i) Effecting any change in ownership of a fishing vessel (except for replacement of a vessel or purchase of the interest of a deceased partner), (ii) replenishing working capital used for such purpose or (iii) liquidating a mortgage given for such purpose less than two years prior to the date of receipt of the application.

(5) Replacement of fishing gear or vessels where the applicant or applicants owned less than a 20 percent interest in said fishing gear or vessel to be replaced or owned less than 20 percent interest in a corporation owning said fishing gear or vessel: *Provided*, That applications for a replacement loan by an eligible applicant cannot be considered unless and until the remaining owners or shareholders shall agree in writing that they will not apply for a replacement loan on the same fishing gear or vessel.

(6) Repair of fishing gear or vessels where such fishing gear or vessels are not offered as collateral for the loan by the applicant.

(7) Financing new business ventures involving fishing operations.

§ 160.5 *Basic limitations.* Applications for financial assistance may be considered only where there is evidence that the credit applied for is not otherwise available on reasonable terms (a) from applicant's bank of account, (b) from the disposal at a fair price of assets not required by the applicant in the conduct of his business or not reasonably necessary to its potential growth, (c) through use of the personal credit and/or resources of the owner, partners, management, affiliates or principal stockholders of the applicant, or (d) from other known sources of credit. The financial assistance applied for shall be deemed to be otherwise available on reasonable terms unless it is satisfactorily demonstrated that proof of refusal of the desired credit has been obtained from the applicant's bank of account: *Provided*, That if the amount of the loan applied for is in excess of the legal lending limit of the applicant's bank or in excess of the amount that the bank normally lends to any one borrower, then proof of refusal should be obtained from a correspondent bank or from any other lending institution whose lending capacity is adequate to cover the loan applied for. Proof of refusal of the credit applied for must contain the date, amount, and terms requested. Bank refusals to advance credit will not be considered the full test of unavailability of credit and, where there is knowledge or reason to believe that credit is otherwise available on reasonable terms from sources other than such banks, the credit applied for cannot be granted notwithstanding the receipt of written refusals from such banks.

§ 160.6 *Application.* Any person desiring financial assistance from the fisheries loan fund shall make application to the Fish and Wildlife Service, Department of the Interior, Washington 25, D. C., on a loan application form furnished by that Service except that, in the discretion of the Secretary, an application made other than by use of the prescribed form may be considered if the application contains information deemed to be sufficient. Such application shall indicate the purposes for which the loan is to be used, the period of the loan, and the security to be offered.

§ 167.7 *Processing of loan applications.* If it is determined, on the basis of a preliminary review, that the application is complete and appears to be in conformity with established rules and procedures, a field examination shall be made. Following completion of the field investigation the application will be forwarded with an appropriate report to the Fish and Wildlife Service, Department of the Interior, Washington 25, D. C.

§ 160.8 *Approval of loans.* Loan agreements shall be executed on a form approved by the Secretary. The Secretary will evidence his approval of the loan by issuing a loan authorization covering the terms and conditions for making the loan. Such loan authorization shall be referred to the Administrator who will direct the closing of the loan with the applicant in the field and render services involving the collection of repayments and such other loan servicing functions as may be required. Any modification of the terms of a loan agreement following its execution must be agreed to in writing by the borrower and the Secretary.

§ 160.9 *Interest.* The rate of interest on all loans which may be granted is fixed at five per cent per annum.

§ 160.10 *Maturity.* The period of maturity of any loan which may be granted shall be determined and fixed according to the circumstances but in no event shall the date of maturity so fixed exceed a period of ten years.

§ 160.11 *Security.* Loans shall be approved only upon the furnishing of such

security or other reasonable assurance of repayment as the Secretary may require. The proposed collateral for a loan must be of such a nature that, when considered with the integrity and ability of the management, and the applicant's past and prospective earnings, repayment of the loan will be reasonably assured.

§ 160.12 *Books, records, and reports.* The Secretary shall have the right to inspect such books and records of the applicant as the Secretary may deem necessary. Disbursements on a loan made under this part shall be made only upon the agreement of the loan applicant to maintain proper books of account and to submit such periodic reports as may be required by the Secretary during the period of the loan. During such period, the books and records of the loan applicant shall be made available at all reasonable times for inspection by the Secretary.

§ 160.13 *Penalties on default.* Unless otherwise provided in the loan agreement, failure on the part of a borrower to conform to the terms of the loan agreement will be deemed grounds upon which the Secretary may cause any one or all of the following steps to be taken:

(a) Discontinue any further advances of funds contemplated by the loan agreement.

(b) Take possession of any or all collateral given as security and the property purchased with borrowed funds.

(c) Prosecute legal action against the borrower.

(d) Declare the entire amount advanced immediately due and payable.

(e) Prevent further disbursement of and withdraw any funds advanced to the borrower and remaining under his control.

These regulations shall become effective thirty days after date of publication in the FEDERAL REGISTER.

Issued at Washington, D. C., and dated August 7, 1958.

FRED A. SEATON,
Secretary of the Interior.

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