

S.B.A. Aide Tells House Panel Of Thousands He Got in Loans

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WASHINGTON, Nov. 29 — "merit promotion system," The head of the Richmond office of the Small Business Administration told a House subcommittee today how he incurred almost \$500,000 in financial obligations, much of it with banks doing business with his office during the time his office has been accused of possible questionable loan activities.

The director, who is now on temporary assignment in Washington, said the alleged questionable loan practices were "unfounded and untrue."

The director, Thomas F. Regan, appeared before the Small Business Subcommittee of the House Banking and Currency Committee. The subcommittee, headed by Representative Robert G. Stephens Jr., Democrat of Georgia, is investigating possible corruption in the loan agency.

Loans to Brother-in-Law

Mr. Regan has been under investigation for potential wrongdoing in the granting of \$11.6-million in S.B.A. loans and guarantees to his brother-in-law, Joseph Palumbo, over the last two years.

Today, Mr. Regan rebutted charges that he had made "bad loans" that would result in millions in losses to the Federal Government. "I am proud of my record," he said.

But in explaining some of his private financial dealings Mr. Reagan left some of his questioners seemingly puzzled.

Mr. Regan told the subcommittee that he bought a 54-acre farm in August for \$335,000 without a down payment. He secured three bank loans to obtain an "unpretentious" three-bedroom house with eight acres of land. He plans to sell the remaining acreage.

One loan arranged with the First Citizens Bank and Trust of Raleigh, N.C., and guaranteed by Mr. Palumbo, was for \$300,000. The bank was used "primarily" by Mr. Palumbo in his financial dealings, Mr. Regan said.

The monthly interest payments on his house loans are \$2,600, Mr. Regan told the subcommittee. Mr. Regan, who worked his way up to the top of the Richmond office by the

merit promotion system, makes about \$32,000 a year.

In other financial dealings, Mr. Regan explained how he had co-signed a note for \$51,000, along with a former Congressional aide, from the Virginia National Bank. The bank, according to Mr. Regan, is the largest bank in Virginia participating in the small business program.

Mr. Regan said he had also signed other notes from \$20,000 to "as low as \$1,500." These revelations prompted Representative Frank Annunzio, Democrat of Illinois, to describe Mr. Regan as a "fairy godfather." "Do you consider yourself a wheeler dealer?" Mr. Annunzio asked. "Hardly," Mr. Regan answered.

Denied He Aided Loans

Mr. Reagan denied that he had helped Mr. Palumbo obtain more than \$350,000 in small business loans "at any one time." He contended that Mr. Palumbo had not been a principal, but only acted as "incorporator" for many of the businesses.

Burt Curtis Prins, a committee investigator who testified on Monday, said that Mr. Palumbo had been listed on official incorporating papers as a director of the companies that received directly or indirectly almost \$12-million.

Asked by Representative Stephens if he thought he had violated the principles of the S.B.A., Mr. Reagan replied negatively. Mr. Reagan said his biggest "mistake" had been telling everyone that the S.B.A. was "the greatest agency ever created by Congress."

"The only unfortunate thing was that Mr. Palumbo believed the good things I told him and referred his clients to us," Mr. Regan said.

Ship Captain Arrested

SAN JUAN, P. R., Nov. 29 (AP)—The captain of a German cruise liner was arrested yesterday for failing to appear in San Juan district court earlier this month, the police reported. Capt. Peter Deitz had been charged in connection with the collision of his ship, the *Boheme*, and a British freighter here on Oct. 23.