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INQUIRIES ON AID IN QUAKE DECRIED

Senator Asserts Loans Are
Tied to Applicants' 'Traits'

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WASHINGTON, March 11—

Senator John V. Tunney, Democrat of California, disclosed today that the Small Business Administration was investigating the "qualities and personal traits" of persons applying for disaster relief loans.

He criticized the practice as "an incredible and intolerable extension of the Government's investigative powers and a grievous violation of the right to privacy."

Mr. Tunney, a member of the Subcommittee on Constitutional Rights, said at a hearing that "this bureaucratic snooping was brought to my attention by an understandably irate Californian who wanted a rather modest loan to rebuild after the earthquake" that struck in January.

An assistant administrator of the agency, Howard E. Russell, defended the policy as necessary to safeguard the taxpayers' money that goes out in loans. "Character is a basic element to be considered in making any business loan," he said in response to an inquiry.

Mr. Russell said that the policy was a direct result of criticism in 1969 when the agency was found to have backed more than \$1-million in loans to a Bronx trucking concern that was allegedly connected with the Mafia.

As with other activities described in the three weeks of hearings before the subcommittee headed by Senator Sam J. Ervin Jr., the practice of the Small Business Administration illustrates the potential threat to privacy that some people find inherent in even well-intentioned information gathering.

In testimony today, Secretary of Transportation John A. Volpe defended his department's com-

Mr. Volpe noted that information from the data bank had been improperly passed to the Federal Aviation Administration in 1965 and to the National Institute of Mental Health in 1968. Since then, he said, strict controls have limited dissemination to those state or Federal authorities checking on applications for driver licenses.

Wiesner Asks Review

Another witness, Dr. Jerome B. Wiesner, the newly elected president of the Massachusetts Institute of Technology, urged that a watchdog authority "review regularly the public and private information gathering and processing activities within the country."

In his statement on the Small Business Administration, Senator Tunney declared, "Abruptly, the purpose of the Disaster Relief Act to permit swift reconstruction following a natural cataclysm is perverted into a vague and menacing litmus test of the morality of the victims."

He said, "Such totally subjective and personal judgment as to the qualities and traits of a person should not be left to the agents of the S.B.A.—or, for that matter, any other governmental agency."

Senator Tunney referred to the agency's Form 912, which says, "It is against S.B.A.'s policy to provide assistance to persons not of good character and therefore consideration is given to the qualities and personality traits of a person, favorable and unfavorable, relating thereto, including behavior, integrity, candor and disposition toward criminal actions."

Mr. Russell of the agency said that the information on the form was given to the Federal Bureau of Investigation and to state and local police agencies to check on the applicants. He said that the agency did not send its investigators on such missions.

Senator Tunney said, "There seems only one valid question

worthy in that ample collateral is offered the the ability to repay is demonstrated. Nevertheless, the application must be denied if the applicant is not of good character or if not in the best interests of the United States."

Senator Tunney asked who in the agency evaluated good character and what the criteria were. Mr. Russell replied that a loan officer and his immediate superior, a supervisory loan officer, decided whose loans would be approved. There are no written criteria on measuring character, but decisions are based on the experience and judgment of the loan officers, he said.

The Small Business Administration does not maintain computerized records of loan applicants but keeps files for two years to show that a check was made. If the information there is derogatory, the files are kept indefinitely.

The Federal Bureau of Investigation, Internal Revenue Service, Secret Service and organized crime and racketeering section of the Justice Department have obtained information on individuals from the agency's files.