

with a severe disability made up 2.8 percent of the total and those with a disability that was not severe made up 10.6 percent). The proportion of employed persons who had difficulty seeing was 2.0 percent, 3.2 percent had difficulty hearing, and 2.4 percent had difficulty walking. The proportion who needed personal assistance with an ADL or IADL was 0.7 percent, the proportion using a wheelchair was 0.1 percent, and the proportion who had used a cane, crutches, or a walker for 6 months or longer was 0.2 percent.

Employment issues concern more than the fact of whether a person is employed or not employed. The level of earnings and other job characteristics are also of prime concern. Tables 26 and 27 provide information on earnings by disability status and table 28 provides some occupational data.

It ought to be noted again that the SIPP sample size makes it difficult to analyze issues such as earnings differences in great detail. When the number of workers with a specific disability is small, earnings estimates will be characterized by relatively large standard errors.

The data in table 26 do show evidence of a negative association between earnings and disability status. For example, among persons 35 to 54 years of age, persons with no disability had mean monthly earnings of \$2,446, persons with a disability that was not severe had earnings of \$2,006, and persons with a severe disability had earnings of \$1,562. Table 26 follows the usual convention of presenting earnings data for persons classified by age by years of school completed. The implication is that earnings comparisons should be made only after controlling for education. Users might recall, however, that there is a strong negative association between education and disability status. That is, one of the ways disability may affect earnings is through its effect on levels of education and training.

Table 27 shows data on earnings by type of disability. Because of sample size constraints, there is no attempt to cross classify the data by age and schooling. Many of the earnings figures shown in the table are characterized by relatively large standard errors.

The data in table 28 show some relationships between occupation and disability status. For example, if we consider the first six occupations listed (from "executive and administrative occupations" to "physicians, dentists, and other health diagnosing occupations") the proportion of employed persons in that group was 15.0 percent among persons with no disability, 11.9 percent among persons with a disability that was not severe, and 10.1 percent among persons with a severe disability (the latter two figures are not statistically different from each other).

HEALTH INSURANCE COVERAGE STATUS AND DISABILITY

Disability status is associated with certain patterns of health insurance coverage status. Persons 15 to 64

years of age with disabilities are less likely to be covered by private health insurance than are persons in the same age group with no disability. Among persons 15 to 64 years old with no disability, 80.0 percent were covered by private health insurance, 5.2 percent were not covered by private health insurance but were covered by a government plan, and 14.8 percent were not covered by any health plan. Among those in the same age group with a disability that was not severe, 74.1 percent were covered by private health insurance, 7.2 percent were not covered by a private plan but were covered by a government plan, and 18.7 percent were not covered at all. The effect of disability on private health insurance coverage was strongest for persons with a severe disability. Of those persons 15 to 64 with a severe disability, 48.1 percent were covered by a private plan, 36.2 percent were not covered by a private plan but were covered by a government plan, and 15.7 percent had no health insurance coverage (the noncoverage rates for persons with a severe disability and persons with no disability were not statistically different from each other).

CONDITIONS CAUSING DISABILITIES

The data in table 29 show the number of times that selected conditions were named as the cause of a physical, ADL, or IADL limitation. Respondents were asked to select the condition(s) causing the difficulty from a card containing a list of 30 conditions. Respondents could report up to three conditions. The question about conditions was not asked for persons whose only reported difficulty was with the functional activities of seeing, hearing, or having speech understood.

The number of persons 15 years old and over reporting one or more conditions was 27.3 million; 10.1 million persons reported at least two conditions and 4.6 million reported three conditions. Among the specific conditions most frequently mentioned as a cause of disability were arthritis or rheumatism (mentioned by 7.2 million persons), back or spine problems (5.7 million), heart trouble (4.6 million), lung or respiratory trouble (2.8 million), high blood pressure (2.2 million), stiffness or deformity of the foot, leg, arm or hand (2.0 million), diabetes (1.6 million) and blindness or vision problems (1.5 million) (the latter two numbers are not statistically different and the frequency with which high blood pressure was reported as a cause was not statistically different from the frequency with which stiffness or deformity of the foot, leg, arm, or hand was reported as a cause).

DISABILITY STATUS OF CHILDREN

Questions about the disability status of children were asked of parents or guardians of children less than 22 years of age. Questions about "any limitations at all in

the usual kind of activities done by most children their age" and "received therapy or diagnostic services designed to meet their developmental needs" were asked about children 0 to 6 years of age. A question about "limitations in their ability to do regular school work" was asked about children 6 to 21 years of age, and a question about "a long lasting condition that limits their ability to walk, run, or use stairs" was asked about children 3 to 14 years of age.

The disability rate among children 0 to 2 years old was 2.2 percent (see table 34). The proportion with a limitation in usual kind of activity was 1.3 percent, and 1.6 percent had received therapy or services for developmental needs (the latter figure is not statistically different from either of the two preceding figures). The proportion identified as having a severe disability (a limitation caused by autism, cerebral palsy, or mental retardation) was 0.4 percent.

The disability rate among children 3 to 5 years was 5.2 percent. The proportion with a limitation in usual kind of activity was 2.6 percent and 4.3 percent had received therapy or services for developmental needs (the latter figure is not statistically different from the overall figure of 5.2 percent). The proportion identified as "limited in their ability to walk, run, or use stairs" was 1.3 percent. The proportion with a severe disability was 0.7 percent, not statistically different from the rate for children 0 to 2 years old.

Children 6 to 14 years of age had a disability rate of 6.3 percent. The proportion who were limited in their ability to do regular school work was 5.4 percent, and 1.6 percent were limited in their ability to walk, run, or use stairs. (This latter figure is not statistically different from the comparable figure for children 3 to 5 years old.) The proportion with a severe disability was 1.3 percent (the latter figure is not statistically different from the preceding figure).

The disability status of persons 15 to 21 years of age was measured by direct questions about functional limitation, ADL limitations, IADL limitations, and the use of special aids. If the person lived with a parent or guardian, disability status was also measured by a question asked of the parent or guardian concerning the child's ability to do regular school work. The overall disability rate among persons 15 to 17 years of age (as determined both by the direct questions and the questions asked of parents) was 9.3 percent. The proportion identified as having a limitation in their ability to do regular school work was 4.4 percent.

OTHER SOURCES OF DATA ON DISABILITY STATUS

Since 1981, the March Supplement to the Current Population Survey (CPS) has contained a question that identifies persons with a health problem or disability that prevents work or limits the kind or amount of work that

can be done. Based on this question and certain other data items found in the March CPS questionnaire, the Bureau of the Census has periodically published CPS data on the characteristics of persons with a work disability. The first report presented data from the March 1982 survey [McNeil, 1983]. Since then, an updated report has been issued [Bennefield and McNeil, 1989] and data on persons with a work disability have been incorporated into the annual report on persons in poverty.

Questions about work disability, mobility limitations, and self-care limitations were asked in the 1990 census long form and data are published in various U.S. and state volumes. A recent paper presents a discussion of some of the issues concerning the quality of these data [McNeil, 1993].

The National Health Interview Survey (NHIS) collects data on activity limitations and the prevalence of certain impairments. The most extensive report on disability data from the NHIS was prepared by Mitch LaPlante. His report was published in 1988 and is based on a combination of the NHIS samples for 1983, 1984, and 1985.

In addition to core questions about activity limitations and impairments, the NHIS contains supplements designed to provide detailed information concerning special topics. Two recent reports contained data on serious mental illness [Barker, et al] and assistive devices and home accessibility features [LaPlante, Hendershot, and Moss].

USER COMMENTS

The Census Bureau welcomes the comments and advice of data users. If you have any suggestions or comments, please write to:

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Table 24. **Employment Status of Persons 21 to 64 Years Old, by Sex and Type of Disability: 1991-92**

Numbers in thousands]

Characteristic	Both sexes			Males			Females		
	Total	Employed		Total	Employed		Total	Employed	
		Number	Percent		Number	Percent		Number	Percent
PERSONS 21 TO 64 YEARS OLD									
Total	144,778	108,684	75.1	70,923	58,975	83.2	73,855	49,709	67.3
With no disability	117,194	94,347	80.5	57,506	51,045	88.8	59,688	43,301	72.6
With a disability	27,584	14,337	52.0	13,418	7,930	59.1	14,167	6,408	45.2
Severe	12,568	2,921	23.2	5,549	1,327	23.9	7,019	1,594	22.7
Not severe	15,016	11,416	76.0	7,869	6,603	83.9	7,148	4,814	67.3
With a functional limitation	18,098	8,789	48.6	8,503	4,781	56.2	9,596	4,008	41.8
Severe	6,397	1,766	27.6	2,595	733	28.3	3,802	1,033	27.2
Seeing words and letters	4,576	2,086	45.6	2,078	1,107	53.3	2,497	979	39.2
Unable	563	144	25.6	268	83	30.9	296	61	20.8
Hearing normal conversation	5,241	3,335	63.6	3,467	2,385	68.8	1,774	951	53.6
Unable	324	189	58.2	221	139	62.8	103	50	48.4
Having speech understood	1,346	469	34.9	786	300	38.1	560	169	30.3
Unable	122	30	24.4	79	22	27.2	43	8	19.4
Lifting and carrying 10 lbs	7,606	2,436	32.0	2,656	867	32.7	4,949	1,569	31.7
Unable	3,028	674	22.3	1,036	186	18.0	1,992	488	24.5
Climbing stairs without resting	7,852	2,359	30.0	3,123	1,027	32.9	4,728	1,332	28.2
Unable	3,516	722	20.5	1,366	293	21.4	2,150	429	20.0
Walking 3 city blocks	7,720	2,426	31.4	3,308	1,145	34.6	4,413	1,281	29.0
Unable	3,182	660	20.8	1,291	260	20.2	1,891	400	21.2
Number of functional limitations:									
1	9,273	5,911	63.8	4,729	3,376	71.4	4,544	2,535	55.8
2	3,812	1,779	46.7	1,739	918	52.8	2,074	860	41.5
3 or more	5,013	1,099	21.9	2,036	486	23.9	2,978	613	20.6
Number of severe functional limitations:									
1	3,520	1,271	36.1	1,471	535	36.3	2,049	736	35.9
2	1,566	357	22.8	632	157	24.8	934	200	21.5
3 or more	1,311	139	10.6	491	42	8.6	820	97	11.8
With an ADL limitation	3,336	841	25.2	1,474	412	27.9	1,862	429	23.1
Needs personal assistance	1,455	263	18.1	652	123	18.9	802	140	17.5
Getting around inside the home	1,253	173	13.8	556	79	14.2	697	94	13.5
Needs personal assistance	555	57	10.3	254	27	10.5	301	30	10.1
Getting in or out of bed or a chair	2,327	582	25.0	1,033	295	28.6	1,294	286	22.1
Needs personal assistance	841	151	17.9	387	68	17.6	454	83	18.2
Taking a bath or shower	1,540	254	16.5	606	80	13.2	934	175	18.7
Needs personal assistance	856	109	12.8	381	40	10.4	475	70	14.7
Dressing	1,275	233	18.3	565	104	18.5	710	129	18.1
Needs personal assistance	739	119	16.1	353	57	16.3	386	61	15.9
Eating	405	88	21.7	184	43	23.2	220	45	20.4
Needs personal assistance	138	22	15.8	68	14	20.5	71	8	11.4
Using the toilet, including getting to the toilet	690	122	17.7	295	60	20.2	395	62	15.8
Needs personal assistance	363	48	13.3	160	30	18.7	203	19	9.2
Number of ADL limitations:									
1	1,535	520	33.9	713	287	40.2	822	234	28.5
2	682	170	24.9	288	59	20.7	394	110	28.0
3 or more	1,118	151	13.5	473	65	13.7	676	85	13.2
Number of ADL's for which personal assistance needed:									
1	566	139	24.6	224	67	30.1	342	72	21.0
2	360	61	16.8	193	27	13.9	167	34	20.3
3 or more	528	63	11.9	235	29	12.3	294	35	11.9

Table 24. **Employment Status of Persons 21 to 64 Years Old, by Sex and Type of Disability:**
1991-92—Continued

Numbers in thousands]

Characteristic	Both sexes			Males			Females		
	Total	Employed		Total	Employed		Total	Employed	
		Number	Percent		Number	Percent		Number	Percent
With an IADL limitation	4,834	1,106	22.9	2,093	517	24.7	2,741	589	21.5
Needs personal assistance . . .	3,395	661	19.5	1,397	258	18.5	1,998	402	20.1
<i>Going outside the home, for example to shop or visit a doctor's office</i>	2,764	417	15.1	1,164	172	14.8	1,600	246	15.4
Needs personal assistance . . .	1,896	248	13.1	777	101	13.0	1,119	147	13.2
Keeping track of money and bills	1,464	285	19.5	741	155	21.0	723	130	17.9
Needs personal assistance . . .	1,263	220	17.4	658	122	18.5	605	98	16.2
Preparing meals	1,576	229	14.5	638	89	14.0	938	140	14.9
Needs personal assistance . . .	1,237	177	14.3	521	64	12.2	716	114	15.9
Doing light housework, such as washing dishes or sweeping a floor	2,459	425	17.3	934	147	15.8	1,525	278	18.2
Needs personal assistance . . .	1,689	260	15.4	628	75	12.0	1,061	185	17.5
Using the telephone	1,044	298	28.5	624	204	32.6	419	94	22.4
Unable to use	334	90	27.1	202	51	25.0	288	54	18.8
Number of IADL limitations:									
1	2,432	765	31.5	1,060	361	34.1	1,372	404	29.5
2	1,108	196	17.7	465	85	18.2	643	111	17.2
3 or more	1,294	145	11.2	569	71	12.5	726	74	10.2
Number of IADL's for which personal assistance needed:									
1	1,711	443	25.9	669	155	23.1	1,042	288	27.6
2	797	135	17.0	330	67	20.3	467	68	14.6
3 or more	888	83	9.3	398	37	9.3	489	47	9.6
Uses a wheelchair	495	91	18.4	230	46	20.2	265	44	16.8
Does not use a wheelchair but has used a cane, crutches, or a walker for six months or longer	1,108	195	17.6	563	118	21.0	545	77	14.1
Needs personal assistance with an ADL or IADL	3,701	763	20.6	1,566	329	21.1	2,136	434	20.3
With a mental or emotional disability	4,529	1,947	43.0	2,353	1,066	45.3	2,177	880	40.5
Mental retardation	860	265	30.8	526	165	31.3	334	100	29.9
With a work disability	17,252	7,340	42.5	8,468	4,096	48.4	8,784	3,244	36.9
With a housework disability	9,377	3,021	32.2	4,185	1,418	33.9	5,193	1,603	30.9
Unable to do housework	1,193	165	13.8	667	104	15.6	526	61	11.6

BRIEFING

matched data from more than 130,000 real estate deeds with census data. Neighborhoods were classified by race and income using census information. The data were also run through a computer model which the Post used to determine the relationship between race and credit.

Reactions In the wake of the series, Senate Banking Committee Chairman Donald W. Riegle, Jr. (D.-Mich.) wrote the *Post*:

"In effect, a dual banking system seems to exist, depriving low-income and minority communities of the capital and services necessary for survival. Unfortunately, this is a national problem."

The Justice Department launched its own investigation after the series appeared. And House Banking Committee Chairman Henry B. Gonzalez (D.-Texas) announced plans to hold hearings this summer regarding the Washington situation.

ABA response ABA Executive Vice-President Donald G. Ogilvie sent a letter to the *Post* in the wake of the series.

Ogilvie wrote that bank lending is not a random process, but one based on standards of creditworthiness.

"And based on those standards, loans are being made to disproportionately fewer minorities than non-minorities," wrote Ogilvie. "Is this discrimination? Or are banks, like society itself, only slowly coming to grips with a dramatically changing American demographic?"

Ogilvie insisted that banks know more must be done to put credit into the hands of creditworthy minorities. "That's why many of them are redefining the traditional standards of bank lending, so that more minorities, women, and people of low- and moderate income can own a home, afford a college education, and participate as full members of society," he wrote.

ABA ACTIONS

Wait on market-value disclosure.

"The ABA believes that fair value disclosures, with the exception of those that are currently being provided to the agencies, should not be required," the association wrote in a June comment letter. It was responding to an April proposal by the interagency Federal Financial Institutions Examination Council that would require supplemental market-value disclosures of bank assets and liabilities. (Fair value is another term for market value.) The regulators were required to explore the issue and adopt a system "to the extent feasible and practical" by the Federal Deposit

Mortgage discrimination: Regulators mean it

Some have speculated that Washington's push on mortgage lending discrimination and fair lending enforcement is the issue of the moment, or, at least, only an issue for banks located in urban areas.

That's far from what staff officials speaking at ABA's recent National Regulatory Compliance Conference said in speeches and interviews.

"I don't think this is a fad," Stephen M. Cross, deputy comptroller-compliance, told *ABA BJ*. Regulatory attention to equal lending opportunity "is something that has been building."

Bankers who think the Comptroller's Office's interest is temporary, or who think it won't be applied to all sizes of banks, "are behind the curve," said Cross.

However, Cross said bankers shouldn't take OCC's attention to this issue to mean "that all banks are discriminating." He said the revised procedure—comparing marginally approved white applicants to marginally denied minority applicants—is intended not only as a tool for OCC's own improvement, but also as a means of self-analysis for banks.

Cross said the testing program was proving too detailed to implement by the end of this year. He said he expects the program to be launched in 1994 instead. (See this department's "Regulatory Beat" section and "FYI" for more information.)

FDIC has aimed its recently revised fair lending examination procedures at all customer classes protected by fair credit laws, including not only minorities, but also women, veterans, and the disabled, according to Janice M. Smith, director of the agency's Office of Consumer Affairs.

In an interview, Smith stressed to bankers that even if they do business in a rural area, "this affects you as much as it affects others."

Smith also drew a distinction between FDIC's exam guidelines and those of the Comptroller's Office. While OCC's are designed to be used in cases where members of a minority group have been rejected for mortgage credit at least five times in a year, FDIC's procedures apply to every bank the agency supervises.

Smith also said FDIC was hiring an additional fair lending specialist in Washington and in each region. Glenn E. Loney, associate director of the Fed's Consumer and Community Affairs Division, warned that pressure was growing on regulators to expand fair lending scrutiny to include not only mortgage loans, but also small business credit. He also predicted that branch closings, which "have been a dormant issue," would receive more attention from Washington. (See related comments from the same conference by Fed Gov. Lawrence Lindsey, next page.)

Insurance Corp. Improvement Act.

ABA insisted in its letter that the regulators not go beyond the disclosures on the fair value of financial instruments mandated by Statement of Financial Accounting Standard 107.

Supporting tax fairness. In mid-June ABA testified before the House Ways and Means Subcommittee on Select Revenue Measures. It addressed tax relief measures that would help banks help the economy improve.

(1) ABA supports reintroduction of measures that would permit common trust funds to be converted into mutual funds without triggering a "taxable exchange."

(2) ABA supports measures already introduced (H.R. 2065) to simplify tax treatment of securitization of nonmortgage assets, such as business loans. Such legislation would be necessary to the

launching of an expanded secondary market in small business loans.

(3) ABA supports measures introduced that would raise the maximum municipal debt issuance limit for "small issuers" to \$20 million, from \$10 million. Tax legislation of the 1980s eliminated the breaks for holding all but the small issuers' municipal debt. ABA believes the \$10 million cap, set in 1986, is outdated.

(4) ABA also supports easing tax treatment of various aspects of handling other real estate owned—including equalizing treatment of foreclosures by banks and thrifts.

THE REGULATORY BEAT

TIS commentary coming. It's said in compliance circles that you can't read Truth in Lending regulations without reading the accompanying sections of

MARYLAND SMALL BUSINESS DEVELOPMENT FINANCING AUTHORITY'S EQUITY PARTICIPATION INVESTMENT PROGRAM

Stanley W. Tucker
Catherine D. Lockhart

INTRODUCTION

Franchising is one of the most creative of the various marketing techniques to have emerged in this century. Franchising increases the probability of success and longevity of small businesses, resulting in greater employment and tax generation in the business community. Franchise operations can attract capital more readily since they have a much higher rate of retention than other small businesses.

The rising demand for a variety of business services, baby-boomers pushing to open new businesses at the fastest rate ever, and the expanding economy are creating numerous opportunities in the business service field.

By encouraging minority business development through franchising, the State of Maryland has begun to build a base of minority entrepreneurs with strong business skills. Such a reserve has a positive impact on the state and local economies for the purpose of business development.

Studies by the U.S. Small Business Administration and U.S. Department of Commerce indicate that 80 percent of all new independent businesses fail in the first year, and 92 percent of them fail in the first five years. Conversely, only 20 percent of all new franchises fail in the first five years of business. This is attributable to franchising mitigating many of the stumbling blocks of small business ownerships, such as 1) the lack of managerial expertise, 2) undercapitalization, 3) lack of marketing, research and financial advisory support, and 4) the inability of smaller businesses to compete with larger conglomerates in the industry.

EQUITY PARTICIPATION INVESTMENT PROGRAM

Maryland House Bill 1297 (the "Bill") established the Equity Participation Investment Program (EPIP) to be administered by the Maryland Small Business Development

Financing Authority (the "Authority"). The Authority may provide equity financing for the establishment, development, expansion and retention of franchise businesses in Maryland. The Authority is an agency within the Maryland Department of Economic and Employment Development.

In this regard, the Authority may buy, hold, and sell qualified securities; prepare, publish, and distribute, with or without charge as the Authority may determine, technical studies, reports and other materials it considers appropriate; and provide and pay for any advisory services and technical assistance necessary or desirable to carry out the purpose of the program.

The primary objective of the EPIP is to encourage small business formation, create employment, and generate tax revenues for the State of Maryland. EPIP is designed to benefit business development by minorities, women and handicapped individuals through financial and technical assistance. EPIP will utilize investment vehicles that include, without limitation, notes, subordinated debt with and without equity options, preferred stock, limited partnerships and investment guarantees.

EPIP's investment is limited to forty-five (45) percent of the total capital needed or \$100,000, whichever is less. Should other financing sources be required to consummate the transaction, this financing should be investigated and/or secured prior to application to the EPIP program. EPIP is used to complement, not replace, other sources of funds. The Authority may combine EPIP funding with loan guarantees (up to 80%) on loans up to \$500,000 under separate authority.

EPIP expects to make investments and loans with terms ranging from two (2) to seven (7) years. Legislation requires the initial investment be repaid within a five (5) year period. Neither equity nor debt investments will exceed the term of the initial franchise agreement.

FUNDING PROJECTS

The Authority normally approves the funding of:

- working capital requirements,
- purchase of inventory,
- construction or major renovation,
- acquisition of an existing franchise,
- marketing expenses,
- purchase of machinery and equipment,
- leasehold improvements,
- furniture and fixtures, and
- payment of franchise fees.

All applicants for EPIP must meet the following eligibility requirements:

1. be of good moral character;

2. have a reputation for financial responsibility;
3. be unable to obtain adequate business financing on reasonable terms through normal lending channels because the applicant
 - a. belongs to a group that historically has been deprived of access to normal economic or financial resources because of race, color, creed, sex, religion, national origin, or
 - b. has any identifiable physical handicap that severely limits the ability of the applicant to obtain financial assistance or
 - c. has any other social or economic impediment that is beyond the personal control of the applicant. Such physical handicap or social or economic impediment must not limit the ability of the applicant to perform the activity for which the applicant would be receiving financial assistance;

NOTE: If the applicant is other than a sole proprietorship, at least 70 percent of the business must be owned by persons meeting the criteria described above.

4. if applying for a guarantee of a loan, the applicant must have applied for and been denied a loan by a financial institution.

In all transactions, the principals must contribute no less than ten (10) percent of the total investment.

All projects submitted to EPIP are evaluated considering the following factors:

- adequacy of the proposed capital structure,
- the equity contribution of the principals or others,
- safety of principle,
- the perceived level of risk,
- the franchisee's future revenue and earnings potential.
- collateral irrespective of lien position,

- personal guarantees (an EPIP requirement),
- financing structure resulting from other creditors or investors in the transaction,
- the quality of the franchisor and its support programs,
- liquidity of the investment,
- economic impact (the number of jobs created and tax revenues generated), and
- the proposed franchise investment relative to franchise opportunities slated for growth.

STATE SUPPORT

EPIP, a self-sufficient, revolving fund, has received a total of \$1,000,000 in general obligation bond proceeds and is authorized to transfer up to \$2,000,000 from one of the Authority's existing funds. Certain operating costs are shared equally by the four (4) programs (including EPIP) that the Authority administers. Total operating costs for EPIP in fiscal year 1988 are \$59,212.

EPIP has a statutory limitation of \$1,000,000 in equity investments in any twelve (12) month period. Because of the overwhelming success of the program, the Department of Economic and Employment Development is sponsoring "emergency" legislation which seeks to remove the \$1,000,000 cap during the 1988 Maryland General Assembly.

BENEFITS

Social and economic benefits of the program include:

- successful small/minority businesses,
- the generation of a base of minority entrepreneurs with strong business skills,
- greater employment opportunities for Maryland youth (creates jobs that typically require little or no acquired skills),
- help to create "role models" in the minority communities,
- promotes economic empowerment in minority communities.

EXHIBIT 5

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Disabled
Businesspersons
Association

Urban Miyares
President

Directors

Katherine Mann
Secretary

Fredric I Mann
Treasurer

JoAnn M Miyares

David M Szumowski JD

Bruce M White

September 7, 1994

Sean Beatty
LAW OFFICE OF RICHARD S. MYERS
Suite 908
1030 Fifteenth Street, NW
Washington, DC 20005

Dear Mr. Beatty:

Thank you for calling the DISABLED BUSINESSPERSONS ASSOCIATION and requesting information about our services and those we serve.

The DISABLED BUSINESSPERSONS ASSOCIATION (DBA), founded in 1985 as the national self-employment pilot-program for disabled veterans and incorporated in 1991 as a 501(c)(3) nonprofit public charity and education organization serving all enterprising persons with disabilities (veteran and non-veteran alike), helps entrepreneurs and professionals with disabilities maximize their potential in the business world, and encourages the participation and enhances the performance of the disabled in the workforce.

While there are many organizations that champion the needs and promote better understanding of people with disabilities, the DBA is the first to target the role of the disabled in business and is recognized as America's leading and most quoted authority in this field.

As the national and largest business organization for the enterprising disabled, the DBA is staffed by an outstanding group of dedicated, business-wise men and women, and advised by a Board of Directors drawn from virtually all areas of business activity--experienced small business owners, professionals, and corporate executives sensitive to and knowledgeable about the needs and unique challenges of the disabled.

Today, the DBA receives thousands of inquiries per year, provides free services to many, and assists hundreds of enterprising Americans with disabilities evaluate, start, and manage their own business operation.

Government, business, education, medical and rehabilitation professionals, nationwide, also contact the DBA for assistance and information.

please continue...

Programs

DISABLED
ENTREPRENEUR
PROGRAM

CHALLENGED
AMERICA™

Suite 207
9625 Black Mountain Road
San Diego California
321-264-554

619 586-1199
619 578-3558
619 578-6637 fax

Regarding your interest in identifying the unique challenges confronting a person with a disability in business, one of the major barriers is the discrimination in lending practices.

Depending upon the type of disability and how long the individual has had the disability, an individual, generally, has little or no prior work-experience, is poor and has few assets. Couple this with their higher cost in capitalizing a venture, directly due to the disability, and you have a potential borrower who doesn't meet acceptable lending-guidelines or conforms to industry norms for like ventures.

Additionally, many lenders shy away from borrowers with disabilities who pledge personal assets (i.e., home equity) as lenders are aware of the difficulty in foreclosing and evicting a (severly) disabled individual from their home--potentially endangering their life and well-being.

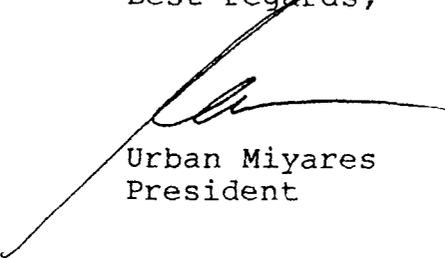
And, add the general attitude on "How competitive in business can a person with an (obvious) disability be?" and you have a discrimination situation that far exceeds those claimed by other ethnic and disadvantaged group.

The disabled borrower is often turned down on business loan applications with little recourse.

Also, disabled entrepreneurs pay more in taxes as they traditionally: hire more employees, purchase more costly equipment and fixtures (to accommodate the disability), pay higher business-property tax (directly related to the higher cost of equipment and fixtures), etc.

I hope this and the enclosed information helps you. Please do not hesitate to contact us if you have any questions or need additional information.

Best regards,



Urban Miyares
President

THE DISABLED ENTREPRENEUR

By Urban Miyares, President
DISABLED BUSINESSPERSONS ASSOCIATION (DBA)

August 4, 1994

Americans with disabilities make up the largest, fastest growing, poorest, least educated, least employed, least self-employed, most under-represented minority and disadvantaged group on the nation today.

Yet, having a disability does not qualify an individual for entitlement to or participation in minority and disadvantaged programs which benefit many others.

However, when given an equal opportunity to achieve, compete and succeed, enterprising individuals with disabilities become contributing, productive, active, self-sufficient, tax-paying members of society.

Studies show that person with disabilities are almost twice as likely to be self-employed because of their frustration in getting work from others...and, tend to be more successful in business.

NOTE: About 20% of the DBA's inquiries for information and assistance are from individuals who became disabled after they began their venture.

This entrepreneurial desire and achievement for independence by disabled entrepreneurs, despite unique challenges and needs not confronted by non-disabled competitors, comes at a high price.

Depending upon the disability, such a business owner generally hires more employees, purchases more in fixtures and equipment, spends more in rent, equipment and other expenses, pays more in taxes,...all at the expense of the bottom-line.

This higher capitalization and operating costs requirement, as well as a weak financial and work experience record due to the disabled lifestyle, attitudes and (mis-) beliefs by the public on the ability of the disabled in business, places the majority of disabled entrepreneurs at a borrowing disadvantage...above industry-norm financial needs, failure to qualify for minority or disadvantaged programs, and the inability to pledge personal assets (i.e., real estate, etc.) as collateral to business loans--most lenders won't accept such collateral due to the difficulty in foreclosing on the pledged property and evict the individual with a disability.

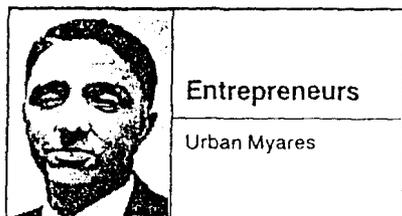
Non-disabled competitors--including those of any ethnic minority or disadvantaged group--are not confronted with these barriers.

Disabled emerge in S.D. business environment

After quietly conducting business for years in the "healthy" world of San Diego business, disabled business owners are gaining recognition

In today's economic climate, it is difficult enough to start a small business, let alone start a venture despite having a disability that limits one or more activities of daily living. Yet, a recent report to the President's Committee on the Employment of Individuals With Disabilities revealed that an individual with a disability is almost twice as likely to be self-employed — primarily due to the frustration in getting employment.

Disabled entrepreneurs have been quietly conducting business and establishing a professional position in the "healthy" world



Entrepreneurs

Urban Myares

of San Diego business for years. They own and operate enterprises in all industries, and their involvement and activity has been relatively unnoticed until recently.

With the passage of the "Americans With Disabilities Act" (ADA) and the media attention to the abilities of the disabled, this once, hidden, segment of the business community is surfacing and being counted.

Percentages Startling

Few realize that, according to the definition of disabled as it applies to Title I of the ADA, one out of every three small business owners could probably be considered disabled. And, of those individuals with a substantially limiting physical or mental impairment that limits one or more activities of daily living, 3 percent to 5 percent of all small businesses are owned or managed by such disabled individuals. One in six small business owners will experience a life-altering disability during the entrepreneurial period; many of them quitting business due to their disability.

As the population gets older and more individuals experience disabilities, so does the number of small businesses owned by individuals with disabilities increase.

But, the disabled entrepreneur is at a definite disadvantage. Census data, national polls and other studies have documented that individuals with disabilities, as a group, occupy an inferior status economically and educationally. Individuals with disabilities have faced many of the same discriminatory obstacles in developing small business as have groups previously recognized as "socially and economically disadvantaged."

Business Starts are Riskier

For the small business owner with a disability, starting and operating a business is riskier and more expensive than like ventures started by able-bodied competitors.

Depending upon the disability, the disabled-owned enterprise often has to employ additional employees, purchase additional and more expensive equipment, and, almost always, pays higher taxes — due to increased operating expenses and the business property tax on special/adaptive equipment (an unfair tax burden) — than a business owned by others not having a disability. Thus, the disabled entrepreneur has higher capitalization requirements and below industry norm profit potential — a financial forecast not looked favorably upon by lenders.

Yet, with all the "doom and gloom," disabled entrepreneurs flourish. He or she looks upon the small business opportunity as a lifestyle that assists in achieving independence, freedom, and a sense of self-worth and contribution to society. Often the individual with a disability is "buying a job" by starting his or her own business — which is more fulfilling than seeking employment or being nonproductive and inactive.

The City of San Diego and the federal government have recognized this segment of the business community and are taking strong steps to provide equal opportunities like other disadvantaged groups.

Identify Discrimination

The City of San Diego's Minority and Woman Business Enterprise (M/WBE) Task Force has identified the discrimination confronting individuals with disabilities in business. And this Task Force's recommendation to the city is to set standards and certification requirements for a Disabled Person Business Enterprise and include it in the city's M/WBE programs. A bold, leadership role by the City Council is needed, as no other city in the nation has

publicly spoken, addressed or accommodated this situation as yet.

A bill, H.R. 5880, introduced by Rep. Jim Ramstad, R-Minn., and Rep. James Bilbray, D-Nev., in the last Congress identifies the previously mentioned disadvantages of the disabled entrepreneur. It also seeks an amendment of the Small Business Act to authorize small business concerns owned and controlled by individuals with disabilities to participate in business development programs established by the ADA, and for other purposes.

The U.S. Small Business Administration has also identified this special need and has a "Handicapped Assistance-Loan" program for individuals with disabilities seeking small business financial assistance. This direct loan program provides a 3 percent interest rate to a maximum of a \$150,000 loan amount.

V.A. Seeks Loan Plan

Even the Department of Veterans Affairs is seeking legislation for a Veteran Business Loan Program that, like the V.A.'s GI Bill Home Loan program, would provide lower interest rates and less collateral for V.A. guaranteed business loans for disabled and able-bodied veterans alike. This program, scheduled to begin Oct. 1, 1993, if approved, will provide V.A. business loan guarantees up to 50 percent of the loan amount to a maximum guarantee of \$100,000.

The disabled small business owner is an emerging economic force. The owner will hire more (able-bodied) employees, spend more money in the local economy, and contribute to the tax and economic base of the community.

The entrepreneurs' performances are measured by the same standards as other businesses, competitors and consumer demands and they are already learning how to successfully manage their ventures in the "able-bodied" and "healthy" business environment.

Miyares, a disabled small business owner, is president of the Disabled Businesspersons Association, a non-profit organization serving the nation's active disabled in the workforce. Miyares is recipient of the 1991 National Veteran Small Business Advocate of the Year award by the U.S. Small Business Administration. He also was awarded the Presidential Points of Light award for his work with the disabled in employment by former President George Bush.

Where there's a will

Entrepreneurs with disabilities succeed by staying tightly focused on their goals.

by Patricia W. Hamilton



Fred Rehders of Pegasus Printing

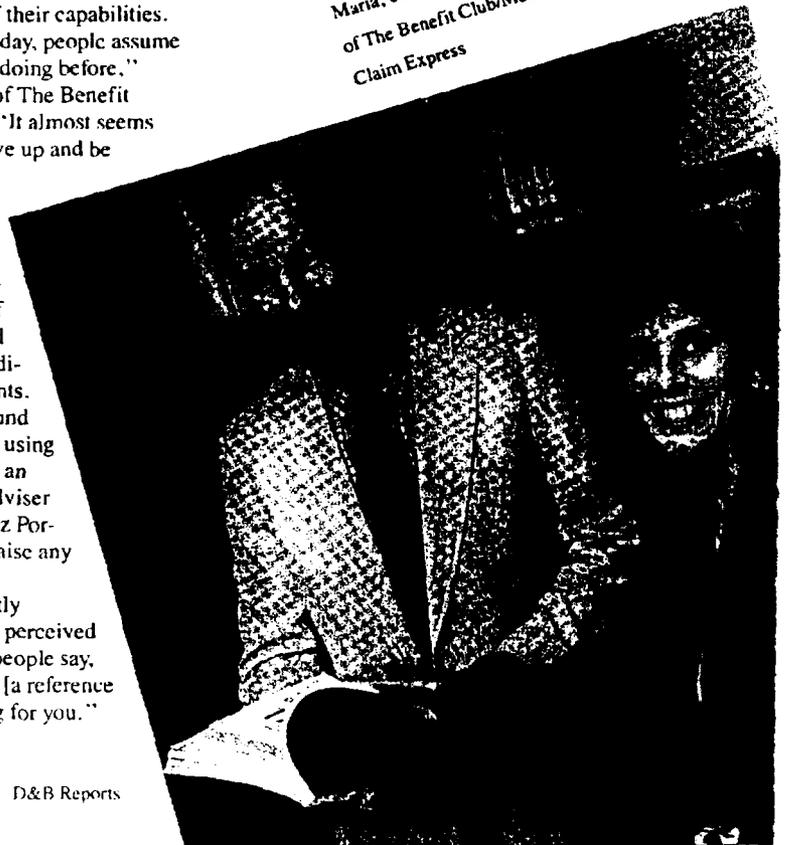
As anyone who's done it knows, starting a business isn't exactly a piece of cake. It's a sweat to raise money, find the right employees, compete for market share, and deal with government regulation and a host of other aggravations. But consider the additional obstacles that entrepreneurs who are disabled face—not the least of which are false public perceptions of their capabilities. “If you have any type of physical handicap today, people assume you are not capable of doing whatever you were doing before,” contends Mark Eidson, co-owner with his wife of The Benefit Club/MedClaim Express in San Marcos, Calif. “It almost seems that our society wants handicapped people to give up and be dependent on someone else.”

In 1988, Eidson was hospitalized for two months, suffering from a cerebral hemorrhage that resulted in a speech impairment and memory problems. While he was undergoing rehabilitative therapy and trying to deal with mounds of bills and complex insurance forms, he conceived the idea for his present business, which files medical claims and does needed follow-up for its clients.

Eidson soon discovered that the only way to fund the company was by borrowing from friends and using his own money. Despite the fact that he had been an entrepreneur for 15 years and had served as an adviser to the government of former President José Lopez Portillo of Mexico for five years, he was unable to raise any money from banks.

“Banks want a good credit risk,” Eidson rightly observes, and with his medical history he wasn't perceived as one. “Besides,” he adds, “I don't care what people say, when you walk into a bank and you speak as I do [a reference to his speech impairment] they won't do anything for you.”

Mark Eidson and wife Maria, co-owners of The Benefit Club/MedClaim Express



Persistence pays

It's easy to be disheartened by such rebuffs, says Eidson, but he refused to give up. His own experience with complicated claims forms convinced him that he had identified a promising niche. And since its inception three and a half years ago, the business has been growing nicely. It currently employs 10 people.

Eidson's clients are mainly senior citizens, but he is frequently retained by sons and daughters who don't have time to help their parents with all the paper work involved in health insurance. The Benefit Club/MedClaim charges a \$25 membership fee plus \$260 per person for handling a year's worth of claims. The company submits the claims to insurance companies and mails clients monthly updates on the claims' status. If a claim requires arbitration, it is referred to an in-house specialist.

Eidson's main difficulty at work is a short-memory problem, stemming from his cerebral hemorrhage. "I could formerly keep about five spreadsheets in order in my head; now I can keep only one," he explains. He also gets bad headaches and sometimes has to leave the office early. "Other than that," Eidson says, "I don't need anything special."

His succinct advice to other handicapped would-be business owners: "You have a choice: Give up or get going."

The courage to do it

"There's a lot of things that are possible, but we all place limitations on ourselves," observes Fred Rehders, a paraplegic who is the general manager of Pegasus Screen Printing in Lewisville, Texas. "Most business is run from a chair," he says matter of factly. "You don't need great mobility. It just takes courage to go out there and do it."

Rehders was previously a traveling jewelry salesman, selling wholesale to the trade. In 1980, he damaged his spinal cord in an auto accident. "I'm what's called a low-level paraplegic," he explains. "That means that I have more mobility in my upper body than most. I'm very fortunate in that respect."

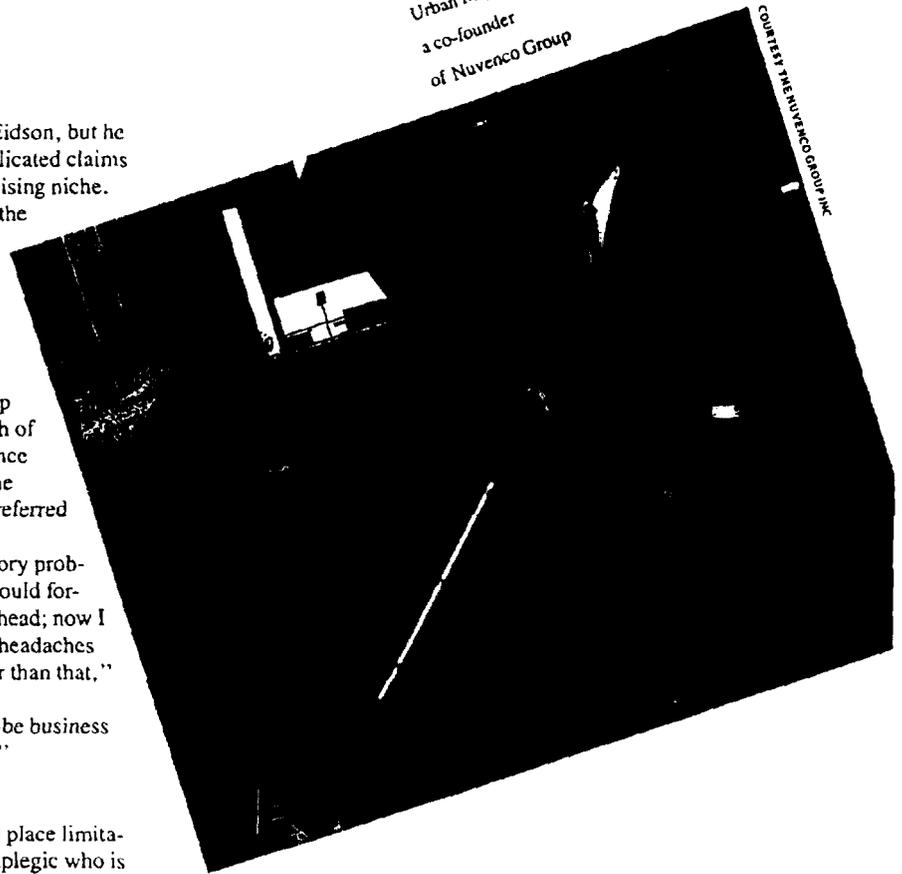
Pegasus Screen Printing, which specializes in signage, was started two years ago, and Rehders describes the business as "flourishing." It has already outgrown its quarters twice, despite a difficult economy. "We've found that recession is a state of mind," Rehders observes. "The business is there; you just have to dig for it. In recessionary times you just need to bear down a little harder." The comment is revealing of his mindset.

"We started with limited funds and a little bit of equipment left over from an old business, and we've expanded on that as needed," Rehders explains. "We've stayed out of debt, and I think that's really been the key to our success."

Now, in order to continue to grow, the company needs to invest in some expensive new ink-drying equipment, and Rehders is investigating lease-purchase options. He takes a dim view of government handicapped-assistance loans.

"By the time you get all the paper work done and

Urban Miyares,
a co-founder
of Nuvenco Group



"One of the advantages of being disabled is that we don't waste time."

submit it, and they give it back to you and you resubmit it, and you go through this process three or four times before you get it right, there's no funding left," he charges. "It's a big waste of time."

But despite the problems that disabled people have in raising capital to start a business, Rehders urges them to give it a try.

"There are so many companies that have these preconceived notions about what your capabilities are that you can spend a lifetime trying to break down the barriers," he asserts. "I decided that wasn't what I wanted to do. I didn't want to spend a lot of energy in a negative way, protesting and knocking on doors, trying to convince people that I'm a worthy employee. It's easier to go out there and do it yourself."

Blind ambition

Urban Miyares has done it himself not once but several times.

While serving in the Army in Vietnam, Miyares developed diabetes. When he returned to the United States, he found it very



Frederick Gonzalez,
CEO of Gonzalez Design
Engineering Co.,
with his wife Ricca

difficult to find employment because of his diabetes, and also because he was a veteran of a very unpopular war. So in order to support himself, Miyares started his own business. First a construction company, followed by a hardware business, followed by real estate, followed by a restaurant. "I was looking for a business that I was suited to and that would adapt to my health," Miyares explains. With a partner, he opened a restaurant in Albuquerque, N.M., in 1974 that became very successful.

Then he was hospitalized with severe complications of diabetes. Miyares and his partner sold the restaurant, and he moved to San Diego to try to regain his health and to be near the ocean, which he loved.

Over the years, Miyares' eyesight had been deteriorating because of his diabetes, but in 1984 it went precipitously downhill. He became totally blind within eight months. After he lost his sight, Miyares became deeply depressed, refusing to leave the house or see friends who came to visit. Finally he consented to go to the Veteran's Administration for rehabilitation, and his spirits began to improve.

When Miyares completed rehabilitation, he asked where a blind individual like himself could get help establishing a business and was referred to the Small Business Administration.

"They have a program called Handicapped Assistance Loans, but it's near impossible to qualify for it," says Miyares. He made up his mind then that he would not only get back into business but would help other disabled people do the same.

With several partners, Miyares founded the Nuvenco Group Inc., a business- and product-management company in San Diego. Nuvenco deals with inventions and new products, and often does consulting. Nuvenco also owns an electronics company, an import/export company and an event-planning company. Currently, Nuvenco employs 30 people.

Miyares' particular specialty in the business is intellectual property rights, and he does a lot of "reading" related to patents.

To do this, he makes extensive use of talking computers and optical scanners that he says can "read" anything in print and translate it into sound or enter it into his computer's database. He also employs a woman who scans all kinds of literature, then spends an hour or so a day reading aloud to him selected material that she thinks will be of special interest.

A crowded calendar

Miyares writes a column on inventions for the San Diego *Evening Tribune*, conducts workshops for the Disabled Business Persons Association, an organization that helps the disabled nationwide, and provides a free consulting service to employers to help them comply with the new Americans with Disabilities Act. Oh, yes. Miyares also used to be a downhill skier but gave it up in order to have more time to race on a 33-foot sloop with five other handicapped sailors.

How does he fit it all in? "One of the advantages of being disabled is that we are more focused and don't waste time," Miyares responds. "I think I get more done now being disabled than when I was sighted and able-bodied."

His advice to disabled people who want to start a business: First, evaluate yourself—what you can do well and what you can't. Second, write a business plan; planning is critical. Third, look for a partner who can compensate for your weaknesses.

"A disabled person cannot afford to fail," Miyares says flatly. "It's critical that they do their planning and realize that their net profit before taxes is going to be less." The reason is that a handicapped business owner will have higher expenses than an able-bodied competitor because of a need for special equipment or extra personnel. "You've got to have more in reserve if business slows down," Miyares warns.

Staying focused is the key

Frederick Gonzalez, a paraplegic, echoes several of Miyares' sentiments. "You can do almost anything that you put your mind to when you're handicapped," he says. "It's just a question of focusing and persevering."

Gonzalez is chairman and chief executive officer of Gonzalez Design Engineering Co. of Madison Heights, Mich., a company with 300 employees and annual sales between \$16 million and \$18 million that manufactures automated systems for the automotive, aerospace and boating industries. Even so, "Clients seem to be sort of skeptical about my ability to run a company," he says. "When I go to visit a new customer, it's common to have them ask me how I got there, who drove me, even though it's basically irrelevant to the call. It's indicative of an attitude, a mindset of ignorance."

But, says Gonzalez of his disability, which resulted from an auto accident 25 years ago, "I don't really think about it too much anymore. I've gotten used to dealing with it. There are very few things that I want to do that I don't do."

Like Urban Miyares, Gonzalez stresses the importance of focus. "You must focus on what your goals are," he advises handicapped entrepreneurs. "It's very beneficial to set goals for yourself and to make a plan—to plan what you're going to be and what you're going to do.

"You have to use the power of positive imagery," Gonzalez continues. "You have to pretend that you're there, act like the person you want to be. And as you begin to behave and treat yourself as that successful person, then you become that way." ■