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WASHINGTON, D.C. Nov. 6---"The rural telephone bank proposal is an example of how an industry itself can solve problems without continued reliance on public funds, " U.S. Senator Bob Dole (R-Kans.) said today. "This is important to rural America and will assist in bringing the benefits of our economy to all America."

Dole, a member of the Agricultural Credit and Rural Electrification subcommittee, made his comment during the subcommittee hearing on a bill he introduced in the Senate to create the telephone bank.

The proposed bank would be similar to the Federal Land Bank and would initially be under the supervision of the Secretary of Agriculture. It would ultimately be converted to non-federal ownership with operation and control by its borrowers.

Currently, rural telephone companies borrow funds directly from the Government, through funds specifically appropriated for them. Eligible borrowers pay a 2% interest rate. Such loans are part of the Rural Electric Association Act which was passed in 1936 and was extended to include rural telephone loans in 1949.

Dole said he was gratified that the Department of Agriculture has given a favorable report on the proposal.

"The original loan program has meant much to rural America," he said. "The nation's farms receiving telephone service have risen from 38% in 1949 to approximately 82% today. The loans have helped build and improve over half a million miles of telephone service to approximately 2,400,000 subscribers in rural areas.

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While telephone borrowers have received loans for over \$1.6 billion since the beginning of the program, they will need more than twice this amount in the next 15 years.

"The number of loan applications has steadily increased to meet this need, but budget demands make it impossible to approve the pending applications. By September 30 of this year, the backlog of applications had reached \$364 million. Other sources of financing must be found to meet the credit needs of rural telephone companies and cooperatives."

Under the proposal, telephone systems which could afford to pay higher interest rates would borrow directly from the Telephone Bank. Smaller systems unable to pay higher interest rates would be eligible for the 2% financing.

Junior L. Clark, President of the Kansas Telephone Association and Manager of Wamego Telephone Company, Wamego, was among the witnesses today.