

# United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

April 10, 2014

The Honorable Tom Udall  
Chairman  
Subcommittee on Financial Services  
& General Government  
Senate Appropriations Committee  
The Capitol, S-131  
Washington, D.C. 20510

The Honorable Mike Johanns  
Ranking Member  
Subcommittee on Financial Services  
& General Government  
Senate Appropriations Committee  
The Capitol, S-131  
Washington, D.C. 20510

Dear Chairman Udall and Ranking Member Johanns:

As you consider the Fiscal Year 2015 (FY15) funding bill for Financial Services and General Government, we respectfully request that you provide the Small Business Administration's (SBA) 7(a) Loan Guaranty program with an authorization level of \$19 billion.

The Administration has requested a program level of \$17.5 billion for the 7(a) loan program, but we are concerned that it will not be sufficient given the current lending trends. Last year, the demand for 7(a) loans exceeded the program level of \$17.5 billion and lending for this year is on pace to surpass that amount. As of March 31, 2014, based on year-to-date lending compared to the same time in 2013, 7(a) lending was up more than 4 percent nationwide, in spite of the fact that the program was shut down for half of October 2013 and that, historically, the first six months of lending in a fiscal year is typically the slowest for the program.

On top of increased lending this year, SBA has announced plans to further increase access to capital in fiscal year 2015. Specifically, the SBA's "priority goal" for capital in its fiscal year 2015 budget request is to "expand access to capital by adding 325 new and returning lenders to SBA's flagship 7(a) program each year for FY2014-2015." For these reasons and more, the SBA's lending partners estimate the need for a higher 7(a) loan program level. Their recommendation to the Senate Committee on Small Business and Entrepreneurship is that Congress authorize a program level of \$19 billion for the next fiscal year. This level should give the program room for increased lending and mitigate market fears that there will be a shutdown or rationing of credit, as has happened in past years.

Quite simply, this capital is very important to the American economy and job creation. The SBA 7(a) Loan Guaranty program is one of the largest sources of long-term capital in this country, helping small businesses that have repayment ability but for some reason have limited or no access to traditional capital markets at affordable rates. Last year, 7(a) lenders helped more than 40,000 small business owners secure more than \$17.5 billion in capital to start or grow a business, which the SBA estimates supported nearly 484,000 jobs.

The 7(a) Loan Guaranty program is not only a key source of long-term credit and a job creator, but it is also a good value for the taxpayer. The 7(a) Loan Guaranty program is funded entirely

through fees paid by borrowers and SBA lenders who make the loans. SBA and OMB have reviewed the impact of increasing the authorization level to \$19 billion and estimate that there would be no cost. In other words, the subsidy rate will remain at zero and therefore the program will not require any appropriation. We believe our request is reasonable as well as an important investment in our economy, and we urge the Appropriations Committee to provide a program level of \$19 billion for the 7(a) Loan Guaranty program for FY2015.

Thank you for your consideration of this request.

Sincerely,

Maria Cantwell Joe & Kinch

Max Baucus Coburn

Janet Staben Edward J. Markey

Tommy Baldwin Benjamin L. Cardin

Al Franken Mazie Hirono

C. Men Patrick Leahy

J. A. B. Cliphatchman

Brian Schaefer Bob Bony

Chuck Sch Shirrod Brown