

## Capital Access for Main Street: Meeting Opportunities of Growth along the Lower Columbia

U.S. Senate Committee on Small Business & Entrepreneurship

Field Hearing

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Testimony of

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My name is Gregg Swanson and I would like to thank Senator Cantwell for giving me the opportunity to speak on the behalf of Evergreen Business Capital and hope I can help demonstrate the good work that the SBA loan programs do for Small Businesses not only in Washington State but across the country and that also I can help show where the SBA can perhaps do more to help small businesses. I have 7 years' experience working on SBA 504 loans for Evergreen Business Capital and prior to that I managed US Bank's 7a SBAExpress lending department for 5 years.

Evergreen Business Capital is a not-for-profit Certified Development Company or CDC with a mission of economic development and job creation based in Seattle Washington. In addition to our Seattle headquarters we have offices in Portland, Oregon and Palmer, Alaska and loan officers in Eastern and Central Washington and Central and Southern Oregon. We purposely have people located in each area in order to understand the challenges present in each community.

We were founded 34 years ago and are the largest CDC in the Northwest. CDC's are non-profit organizations authorized by the SBA to underwrite and service SBA 504 loans. By utilizing the SBA 504 loan program Evergreen has helped small businesses create more than 37,000 jobs and make more than \$2 billion in capital improvements. We have advanced small-business development by providing loans totaling upward of \$800 million.

We do this by partnering with third party lenders, typically local banks to provide up to 40% of the financing for a small businesses purchase of long term fixed assets. This participation with the SBA lowers the risk for the lender, by giving them priority lien position and lower loan amounts. Most of our loans involve the purchase or construction of real estate. For the majority of our customers in SW Washington we end up helping these small businesses move into a larger and more efficient space for their business which allows them to grow. For many of our borrowers the purchase or construction of their own building allows them to stabilize their occupancy expense so that they can use funds for expansion rather than for rent payments. Because of the long-term fixed interest rate, many borrowers

find that they are building equity in by purchasing their property for not much more than their prior monthly rent payments.

The types of businesses that we help in SW Washington range from manufacturers to retailers to medical providers including other hard to finance industries like hotels, construction contractors and restaurants. Evergreen Business Capital has helped to create or retain over 3,000 jobs in Southwest Washington.

A good example of one of the small businesses that we have been able to help using the SBA 504 loan program is located not far from where we are today in downtown Vancouver. This business provides IT solutions to other small businesses in the area. With the help of the 504 program the small business owner was able to secure a mortgage payment that was less than their current rent payment and move into a larger space which allowed for the creation of four new jobs. These are the types of success stories we see created by this program every day.

Our clients typically find the SBA 504 product to be advantageous because of the smaller down payment this loan program provides. For many small businesses still recovering from The Great Recession the importance of being able to get a loan while only putting 10% cash down whereby allowing the small business to preserve their working capital cannot be understated. Many businesses exhausted all their working capital during The Great Recession and simply could not take advantage of growing their small business during this slow recovery unless they had the SBA 504 loan program. Currently under the 504 loan program not all businesses qualify for the low 10% down payment option. The SBA should consider the 10% down option to all businesses regardless of the type of property or experience of the owner-operators.

The SBA would also help many small businesses that have found it hard to recover from The Great Recession if they would reinstate the 504 Refinance program. Furthermore, reinstating the 504 refinance program with a simpler set of rules would also prove advantageous toward helping more businesses. During the short time period that refinance was available, Evergreen was able to help more than 45 borrowers with their refinance projects, for a total of \$44 million in SBA loans, with 28 jobs created and over 1,000 jobs retained. We had at least 3 loans in the queue when the clock ran out at fiscal year-end 2012, including 2 from here in the Southwest Washington/Portland metropolitan area. Demand continues to be high for this program to return, and it is something that our loan officers and management get asked about each time they go out to call on their customers.

In recent years the SBA has made great strides in advancing their technology platform for applications. New rules have also just been implemented in an attempt to streamline and simplify the 504 product. In order to reach more small businesses the SBA will need to continue both these initiatives in order to make the 504 product easier and less time consuming for small business owners. The SBA has many hurdles to jump to meet all of their regulatory requirements, but they also need to keep in mind that their "end users", the small business owners, need care, customer service and simple courtesy when dealing with the maze of ever-changing rules. This is what Evergreen tries to provide and as with all CDC's we have 'boots on the ground' and understand the different environments that our small business

owners work in, but the SBA must also work towards making themselves a user-friendly environment as well as keeping capital safe and secure for the taxpayers and its investors. We believe it is possible to do both.

Finally, as a not-for-profit organization Evergreen has created a Foundation for reinvesting in our community. Through our Entrepreneurial Initiative we have provided funding to organizations such as Small Business Development Centers (SBDC's) and SCORE that provide business owners with free and low-cost technical assistance on managing and growing their businesses. We also support high school business clubs to help teach our next generation of small business owners, and we give over \$80,000 in university scholarships for business students every year. Over the years through our Green Initiative we have promoted green building, biofuels, and energy efficiency audits for local small businesses. Evergreen hopes that through a continued strong relationship with the Small Business Administration and the 504 loan program that we can continue this good work for many years to come.

Thank you