



U.S SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

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BEFORE THE SENATE SMALL BUSINESS COMMITTEE
CLOSING THE GAP: EXPLORING MINORITY ACCESS TO CONTRACTING OPPORTUNITIES
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Chairwoman Landrieu, Ranking Member Snowe, and Members of the Committee,

Thank you for inviting me to testify today. It is truly an honor to be speaking before you on this important issue. As an African-American woman, a former small business owner, and most importantly, an American citizen, I greatly appreciate this Committee's commitment to ensuring that minority-owned companies have the same opportunities as all small businesses across the country.

Core to our mission at the Small Business Administration (SBA) is expanding opportunities for companies in traditionally underserved communities, including those owned by minorities, women, veterans, people with disabilities, and people from rural areas. These businesses typically have a harder time accessing the tools they need to grow and create jobs in their communities.

The SBA is well poised to reach these businesses. For example, our lending programs support companies that struggle with access to conventional capital. One study by the Urban Institute showed that women- and minority-owned small businesses are three-to-five times more likely to receive SBA loans than conventional loans¹.

We are proud of the work we have done supporting underserved communities, but as always, we know we can do more. This is especially true since many of these communities have been hit disproportionately hard by the recession.

As a result of a tight credit market over the last two years, the *overall* share of SBA loans going to small business in underserved communities has decreased significantly. From Fiscal Year 2008 to FY10, overall SBA 7(a) lending to small businesses in underserved communities dropped nearly 5 percent—and that decline has been greater in some communities. This equates to a drop of \$780 million in loans to the businesses that need them the most.

This drop in lending has been a call to action for all of us at the SBA.

¹ *Competitive and Special Competitive Opportunity Gap Analysis of the 7(A) and 504 Programs*, Urban Institute, January, 2008.
http://www.urban.org/UploadedPDF/411596_504_gap_analysis.pdf.

We found that lower dollar loans were significantly important to helping entrepreneurs in underserved communities start and grow their businesses. Often, a small business does not need a \$1 million or \$2 million loan. They need \$50,000 to buy new equipment, or \$100,000 to renovate their building. However, we have heard from our lending partners that the paperwork and processing time involved frequently means that it is not cost effective to make a low dollar SBA loan.

To address this, we recently announced two new loan initiatives, **Small Loan Advantage** and **Community Advantage**, which are designed to get lower dollar loans into the hands of small business owners.

These initiatives streamline the application process and cut down on the paperwork, while still offering our standard guarantee.

Small Loan Advantage is open to lenders in our Preferred Lending Program. And I am happy to report that the SBA began accepting applications for Small Loan Advantage loans on February 15th—a full month ahead of schedule.

Meanwhile, **Community Advantage opens our 7(a) lending program to “mission lenders,”** such as Certified Development Companies (CDCs), Community Development Financial Institutions (CDFIs), and SBA-certified microlenders. We are very excited about bringing these non-bank lenders on as partners because of the proven track record they have in underserved communities, including providing effective technical assistance that many borrowers may need.

The SBA has also begun accepting applications from mission lenders to become SBA lenders. Once approved, these lenders will immediately be able to offer Community Advantage loans.

The SBA also works to help small businesses compete for and win government contracts, which are an important source of revenue in many industries.

Our **8(a) business development program** has been critical in helping these small businesses win contracts, grow, and create jobs. To strengthen the 8(a) program even further, the SBA recently undertook the first regulatory review process in over a decade.

The agency actually began the process back in 2007. Once we had a draft proposal for new regulations, SBA officials went on an extensive listening tour where we gathered over 1500 comments. After much hard work, the new 8(a) regulations and guidelines were posted this month.

These new rules cover a variety of areas of the program, from clarifications on determining economic disadvantage, to tightening the requirements on Joint Ventures contracts. Overall, our goal was to strengthen the program, while eliminating opportunities for waste, fraud, and abuse, and ensuring that program benefits flow to their intended recipients. I believe that the new regulations go a long way toward achieving this goal.

The SBA also recently finalized and released the Women’s Contracting Rule. The rule is a critical step toward giving women-owned small businesses better opportunities to compete for federal government contracts. Women business owners can now log on to our website to begin

the certification process. We expect everything to be up and running by the all-important 4th quarter of FY 2011, which is when the majority of federal agency purchasing takes place.

While, I am proud of what the SBA has accomplished under the leadership of Administrator Mills alongside this committee, I believe we must continue to be diligent in our work with underserved communities. We know that with the right tools in hand, entrepreneurs and small businesses in these communities can have a significant impact in driving economic growth and creating jobs where they are needed most.

Thank you.