



SENATE COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

Opening Statement for
*“Reauthorization of SBA Finance Programs and the Impact of the Small
Business Provisions in the Recovery Act”*
October 1, 2009 at 10:00 a.m.
Room 485 of the Russell Senate Office Building

(As Prepared)

Good morning. Thank you for joining us for this roundtable. I apologize for stepping in late.

Before I continue, I would like to welcome two participants from my home state of Louisiana:

- Ray Moncrief, Vice President and Chief Operating Officer for the Kentucky Highlands Development Corporation. Though now living in Kentucky, Ray is originally from Louisiana and attended Louisiana Tech.
- Andre’ Fruge, President and CEO of Louisiana Capital CDC, from Lafayette, Louisiana. Prior to running Louisiana Capital, he was a commercial banker for 15 years.

I have called this roundtable today for two reasons, to hear directly from participants in small business finance programs on:

- What impact the Recovery Act has had on the SBA’s financing programs;
- What should be changed within these programs as we prepare to reauthorize them.

SBA loan programs are vital to the strength of our nation’s entrepreneurs, representing 40 percent of all long-term financing. But with only 5 percent of small businesses receiving some funding from these programs, the programs need to be more attractive to both small businesses and lenders. In the past year we have seen the worst economic conditions since the great depression, making it more critical than ever for small business owners to have easy access to capital to buy inventory and keep their workers employed.

To address this concern, President Obama passed the American Recovery and Reinvestment Act, which included several provisions Senator Snowe and I fought for. The Act:

- Temporarily eliminated fees for SBA-backed loans;
- Raised the guarantee on these loans to as much as 90 percent;
- Stimulated new lending to businesses with 10 or fewer workers through \$50 million in microloans and management assistance;
- Addressed issues with the clogged secondary market and bolstered funding for the surety bond program to increase the number of small businesses competing for Federal contracts.

These changes are working. How do we know? The answer is in the numbers:

- Since the President signed the Recovery Act, loan volume has increased about 71 percent for the 7(a) program and 56 percent for the 504 program;
- More than 1,000 lenders who had not made a loan since the credit crunch have begun making SBA loans;
- And, with the help of these programs, small businesses have created or retained about 325,000 jobs.

However, because of the success of these programs, the money allotted to them is quickly running out. We should consider ways to preserve the most effective provisions from the Recovery Act and make changes to these programs that will ensure small businesses have access to the size and type of loans they need and, equally important, to encourage lenders to participate in the programs.

The last long-term reauthorization of the SBA finance programs was in 2004 and ran for 4-years, through the end of 2006. Since 2006 we have had a series of – eight -- short-term extensions. This has kept the Agency alive, but not as muscular as we need it to be today. The programs need to be current to meet the needs of small businesses that can't access traditional financing. We need a vibrant and strong SBA with modernized programs to give small businesses – the engines of our economy – the tools they need to grow, create jobs, be successful and help dig our country out of this recession. I understand you have already begun discussing the SBA's two largest and most-used loan programs – 7(a) and 504.

Together these programs helped to create or retain more than 824,000 jobs in 2007.

Unfortunately, their success since then has been tempered by both the recession and some provisions within the programs that need to be updated.

Committee members have proposed several changes:

- Our Ranking Member, Senator Snowe, introduced legislation in August – S. 1615, “The Next Step for Main Street Credit Availability Act” – which would increase the loan size for the 7(a), 504 and microloan programs and create an online lender platform to allow borrowers to compare rates between lenders.
- Senator Levin has a proposal that has passed this Committee at least twice in the past that would create an intermediary lending program to assist businesses that need more than the \$35,000 a microloan can provide, but less than the \$200,000 loan level that many 7(a) lenders are able to make.
- Senator Kerry, responding to the lack of childcare facilities in our country, has proposed creating a pilot program that would allow the 504 program to be used to lend to non-profit child-care providers. This too has passed the Committee at least twice in the past.

And I'm sure many of you here today have your own ideas. I will be interested to hear from my staff what recommendations you have had so far and look forward to hearing others.

Building on the changes proposed today, I plan on introducing legislation shortly that will reauthorize these finance programs. My goal is to have something to markup and pass in Committee before we break for the year. I would also like to quickly move a smaller, targeted bill that would make technical corrections to the small business Recovery Act provisions, and tailor some of the existing programs. We continue to hear that small

businesses can't get credit, and I think we need to go a step further to continue the momentum we've seen so far.

Small firms pump almost a trillion dollars into the economy each year, create two-thirds of our nation's new jobs annually and account for more than half of America's workforce. But they can't do any of this without sufficient access to capital. I am committed to doing everything I can to ensure we set the SBA finance programs up for success, so these programs can in turn set our nation's 27million small businesses up for success. I hope we can use this roundtable to dig a little deeper into what we can do – legislatively and through other means – to get capital into the hands of the business owners and workers who will continue to lead this nation back toward economic prosperity. The record for this roundtable will be open for two weeks, and I encourage you to submit any follow-up materials you feel necessary for the record. I will stay here as long as my schedule permits and after that, I will be turning it back over to Edward Mills and Kevin Wheeler of my staff and Chris Lucas and Matthew Berger of Senator Snowe's staff.