

U.S. Senate Committee on Small Business

Recovery Act Update

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October 6, 2009

Thank you Chair Landrieu, Ranking Member Snowe, and members of the Committee. I appreciate the opportunity to report on progress the SBA has made in the implementation of the Recovery Act.

We know these are tough times for small businesses, making the SBA's mission more important than ever. The Recovery Act, which passed with your help, provided us with \$730 million, mostly targeted to address the needs small businesses faced in accessing capital during the credit crunch. This money has successfully been put to work in the place where it can make the biggest impact – the hands of entrepreneurs and small business owners. As we discuss how these programs and funds have helped small businesses during these difficult economic times, it is also important to think about what comes next as we build on this success and continue providing small businesses with the tools and resources to lead us toward economic recovery.

As you know, more than half of SBA's Recovery Act funds went to temporarily reduce or eliminate SBA loan fees for small business borrowers in our top two guaranteed loan programs, and to increase the SBA guaranty amount on 7(a) loans. The reduced fees lowered the cost of the loan to small business borrowers. The Recovery Act also enabled us to increase the federal guaranty on 7(a) loans up to 90%, which allows banks, credit unions, and other lending partners to feel more confident to make loans to credit-worthy businesses by reducing their risk exposure.

I'm glad to report that this investment of \$375 million has already supported lending volume of more than \$11.3 billion through more than 30,000 SBA-backed loans. Since the Recovery Act passed, SBA weekly loan volume has increased more than 60% compared to the period before the Recovery Act (January and February 2009). And we have seen a substantial increase over the past few months, with dollar volume for September (\$1.9 billion) at the highest monthly lending level since August 2007. In addition, more than 1,200 lenders who had not issued SBA loans since October 2008 have once again started issuing SBA loans, and over half of these lenders had not issued SBA loans since 2007. Obviously, this provides more points of access to capital for small businesses.

We have also implemented the SBA's America's Recovery Capital —or ARC —loan program. This program was designed by Congress for a specific purpose and a unique

time, to assist struggling but viable small businesses. We have approved nearly 3,000 SBA ARC loans, providing about \$90 million in support to small businesses in 49 states and right here in the District. Over 700 lenders have participated so far, with about 50 new lenders joining each week. All told, we expect to be able to support about 10,000 SBA ARC loans.

And in the past year, we have also worked closely with the Treasury Department on the TALF and TARP programs, and over the past months we have seen a strong rebound in the secondary market volume for 7(a) loans. Over the past five months, the average monthly loan volume settled from lenders to broker-dealers in the 7(a) secondary market has been \$348 million, which is above pre-recession averages. As you know, secondary market activity is critical in helping to provide liquidity for our lending partners.

There are several other SBA Recovery Act programs, nearly all of which have been rolled out. I should note that a big factor in our success is our network of people and partners. For example, we have nearly 1,000 employees at 68 district offices who help with outreach and lender training for these Recovery Act programs. Throughout the Recovery Act implementation, we have reached out to lenders for feedback to help ensure that these programs will work in the marketplace and meet the needs of small businesses. In the SBA ARC program alone, we trained lenders from about 1,300 institutions before the program even began.

While balancing the need to quickly implement the Recovery Act, we also made a strong effort to conduct proper risk management and lender oversight. Our teams in each program area conducted rigorous and extensive risk assessments throughout the planning and implementation phases. Our Inspector General worked collaboratively with us to finalize the initial plans, and these plans continue to evolve and adapt as we make progress and as program risks change. Overall, our staff has worked diligently to design, implement, and oversee these programs with a high level of discipline, responsibility, transparency, and accountability to taxpayers.

We know we have more work to do. Despite our best efforts, many viable small businesses still struggle to obtain access to capital in this challenging environment, and we will be working hard to help them. With that said, we are here to listen, and we look forward to working with the distinguished members of this Committee in how to continue to ensure that SBA's guaranteed loan programs continue to provide small businesses important access to capital.

Madam Chair, I thank you again for the opportunity to speak on behalf of the SBA, and I welcome any questions, concerns and comments from the Committee.