

**Statement of William Manger  
Associate Administrator  
Office of Capital Access  
U.S. Small Business Administration**

**before the  
U. S. Senate Committee on Small Business and Entrepreneurship  
at Morgan State University, Earl G. Graves School of Business and Management  
Hearing on “Strengthening Access to Capital for Minority-Owned Small Businesses”  
September 14, 2018**

Thank you to members of the Senate Committee on Small Business for having me testify today. I would also like to thank Ranking Member Cardin for the opportunity to answer questions in his home state about SBA’s loan programs and how they assist minorities with access to capital. Additionally, I would like to thank our hosts at Morgan State University for providing the venue.

As Associate Administrator for the SBA Office of Capital Access, it is my job to administer programs that make capital available to small business entrepreneurs who would otherwise be unable to access capital to start or expand a business through conventional means. SBA’s loan programs have been helping small businesses get on their feet and grow for decades. Many of SBA’s lending partners are community based and have a particular focus on providing loans to veterans, women-owned businesses, minority-owned businesses and businesses located in rural communities.

SBA has several programs that help minority entrepreneurs obtain access to capital, but the most common and widely known is the 7(a) loan program. The 7(a) loan program is a powerful tool for helping create and retain jobs for American workers. This loan program offers guarantees on loans to small businesses of up to \$5 million on reasonable terms and conditions that can be used for almost anything including: acquiring land, purchasing or constructing a building, purchasing equipment, or working capital. On loans up to \$150,000, the guarantee is 85% of the value of the loan. For loans over \$150,000, the guarantee is 75%.

The SBA has established credit criteria and terms and conditions for loans made by its partnering lenders, including national banks, community banks, credit unions and other financial institutions. The SBA reduces risk for lenders and makes it easier for small businesses to get loans.

For small businesses that need longer-term loans for fixed asset acquisition, such as: property, a building, or heavy equipment, SBA offers the 504 Loan program. These loans are made available through Certified Development Companies (CDCs), which are SBA's community-based partners. The 504 Loan program is a powerful economic development loan program that offers small businesses another avenue for business financing, while promoting business growth, and job creation. 504 Loans are typically structured with a lender providing 50% of the cost of the project, the CDC providing the next 40% (that’s the 504 loan), and the

borrower contributing the remaining 10% of the project cost. The advantage of this program is that it provides terms of 10 years, 20 years, and, just introduced in April, 25 years, all at fixed interest rates. This is especially important in a rising interest rate environment. The addition of the 25 Year term for the 504 Program offers borrowers an extra 60 months of financing, freeing up cash flow for the small business. An example of a recent 504 loan being made to a local business owner right here in the Baltimore area is the three and a half million dollar loan that went to Laundry City West in June. The owner currently has plans to increase the number of his employees over the next two years.

SBA Administrator McMahon and I understand how important access to capital is for a budding entrepreneur and how difficult obtaining small dollar loans can be. That is why we continue to stress to our lending partners that we want to see more small-dollar loans being made – and I'm pleased to report that we have seen that in the numbers. Under Administrator McMahon's leadership, there has been growth in our smaller loans, including record volume of dollars lent in our Microloan and Community Advantage Programs. Both the Microloan and Community Advantage programs are designed to provide access to capital to traditionally underserved communities through mission-oriented lenders.

The SBA's Microloan Program offers small businesses loans of up to \$50,000 from not-for-profit lending intermediaries. SBA makes capital available directly to the intermediaries which, in turn, lend to small businesses. The average size of a microloan in the program is just under \$14,000.

The program has been very successful in filling a need for small loans. For example, in Fiscal Year 2017, the Microloan Program provided loans with reasonable interest rates to almost 5,000 small businesses. Year-over-year, we have seen a 5.6% increase in these loans, which created and/or retained an estimated 17,648 American jobs year to date. Realizing the success of the program, Congress recently passed a law that increases the maximum ceiling for the SBA loan to microlending intermediaries from \$5 million dollars to \$6 million dollars. I would like to note here that over 8% of our microloan small business borrowers return to SBA when seeking larger amounts of capital from one of our other loan guarantee programs.

In our Community Advantage program, mission-oriented lenders can make SBA-guaranteed 7(a) loans of up to \$250,000 for those small businesses that have capital requirements above the Microloan limit of \$50,000.

Currently, my office has implemented new collaborative efforts with our Office of Field Operations to increase the number of loans in both inner cities and rural areas. We have a goal to increase the number of loans by 5% in HUBZones and rural areas, and beginning October 1<sup>st</sup>, we are offering fee relief for 7(a) loans of up to \$150,000 made in these areas. We view this initiative and others such as the launch of our Lender Match tool last year as valuable ways to provide access to capital for minority entrepreneurs looking to attain the American dream. Lender Match is a technology platform that allows entrepreneurs to complete a quick online form, without registration or cost, in order to be connected with an approved SBA lender within 48 hours. To date, Lender Match has generated over 3.5 million leads on behalf of small businesses to our lenders; and over 146,000 unique borrowers have been contacted by lenders

with financing options. Lender Match is an extremely useful tool to protect small businesses from non-regulated predatory lenders. Another electronic platform we have developed for our lending partners who do not make a large number of SBA loans is SBAOne, which provides a step by step process for submitting a loan with an SBA guarantee.

Additionally, my office is working in collaboration with our Office of Field Operations to train our Lender Relations Specialists on how to better support our lending partners, encourage more lenders to use our programs and provide first-class customer services. It is important to Administrator McMahon and me that the SBA provides our lenders with a unified and consistent experience across the country.

As you can see, there is a lot of work being done at the SBA to help aspiring entrepreneurs everywhere. Our agency stands committed to help advance opportunities for the millions of American small businesses that contribute so much to our economy. These businesses bring economic development that makes an immeasurable difference in their communities. They hire American workers, and transform the landscape by invigorating entire neighborhoods or even entire industries. I am very proud of the work we are doing at SBA and the strides we have made to make our programs run as effectively and efficiently as possible.

Thank you for inviting me to testify here today and I look forward to answering your questions.