



U.S. Small Business
Administration

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before the
Senate Committee on Small Business and Entrepreneurship

Hearing on “Reauthorization of the SBA’s Access to Capital Programs”
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Thank you, Chairman Rubio, Ranking Member Cardin, and members of the committee for inviting me to testify this afternoon. I look forward to building a strong and collaborative relationship with this committee to ensure we are serving America's small businesses and entrepreneurs to the best of our abilities.

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. Before assuming my role as the Associate Administrator for the Office of Capital Access, I had the honor to serve at the agency as the Regional Administrator for Region 2, based out of New York, from 2005 to 2007, and then as the Associate Administrator for the Office of Field Operations in Washington, D.C. from 2007 to 2009. From the beginning of my time with SBA, I have been able to witness the positive impact our programs have on small businesses across this country.

The Office of Capital Access has several programs that help small businesses 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 for working capital. On loans up to \$150,000, the guarantee is 85% of the amount of the loan. For loans over \$150,000, the guarantee is 75%.

For small businesses that need longer-term loans for the acquisition or improvement of fixed assets such as land, 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 tool 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 25 years, all at fixed interest rates. This is especially important in a rising interest rate environment.

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 intermediaries which, in turn, lend to small businesses. The average size of a microloan is just under \$14,000. The program has been very successful in filling a need for small loans and technical assistance to small businesses that cannot secure credit from conventional lenders or SBA guaranteed loans. The program has also been effective in providing capital to traditionally underserved communities, including small businesses owned by minorities, women, and veterans. For

example, Microloans to African-American owned small businesses have risen to almost 38% thus far in FY19.

At SBA, we are continuing to modernize and streamline our programs and are revamping our website to be more user-friendly. It is crucial that SBA continues to innovate and keep up with an increasingly digital credit marketplace. As you may know, both our 7(a) and 504 applications are now done entirely electronically, and our SBA One Platform has really simplified our loan process for so many of our lending partners. I think it's important to share with you how our process improvements have vastly improved turn-times for SBA loans. For example:

- Over the last two years, Small Loan approval times, which are loans of less than \$350,000, have decreased from 6 days down to 2.
- 7(a) Regular Loans, which are loans of \$350,000 and over, have also drastically improved their approval times from an average of 15 days to 8 days, a significant gain in efficiency over the last two years.

An aspect of our consumer outreach is Lender Match, which my office launched 18 months ago. 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. Our Lender Match Tool serves as a perfect example of how the government can use technology to improve our public-private partnership. To date, Lender Match has produced over 4 million email leads for small business borrowers in search of financing assistance. These leads have resulted in over 185,000 small business borrowers receiving a "lending match" with an approved SBA lender.

Currently, we are exploring new Lender Match features, which would allow lenders to turn leads into loan applications seamlessly without leaving SBA's system. Lenders would be able to request additional loan application data from the prospective borrower. SBA would begin validating the loan thus increasing the certainty of both parties' financing expectations.

In addition to these innovative steps, OCA's Office of Credit Risk Management, known as OCRM, continues to make changes to the staffing and methodology it employs to provide lender oversight and portfolio monitoring. As you know, the Small Business 7(a) Lending Oversight Reform Act of 2018 codified OCRM and established several requirements for the division. One of these requirements calls for development of a new regulation to define OCRM's authority in supervision and enforcement of 7(a) Lenders. This rulemaking has been drafted and is in review. It incorporates for the first time the option for a civil monetary penalty for egregious lender activity.

As the committee reviews our Office of Capital Access programs and services, I wanted to mention a few items for your consideration that were outlined in the agency's Fiscal Year 2020 budget submission:

- The authority for the SBA to increase the Express Loan limit from \$350,000 to \$1,000,000. This cap has been set in statute for 15 years, with the exception of one year

following the Small Business Jobs Act of 2010, when it was increased to \$1 million. This loan product, with only a 50% guaranty, is used by many small businesses that need a revolving line of credit. The increase will go a long way to helping them.

- The authority to introduce an annual fee not to exceed .05 percent per year of the outstanding balance of pool certificates. This provides the SBA with additional flexibility to manage expected costs of the 7(a) Secondary Market Guarantee Program.
- The authority to increase the total maximum dollar amount that a small manufacturer may borrow, per project, in 504 loans from \$5.5 million to \$6.5 million. Increasing the maximum loan amount would greatly benefit America's manufacturing industry and help small manufactures access credit to re-enter the marketplace.

Mr. Chairman and Ranking Member Cardin, as you can see, a lot of great work is being done at SBA and our agency remains committed to help advance opportunities for the millions of American small businesses that contribute so much to our economy. Thank you again for the opportunity to testify today, to share an overview of our capital access programs, and to outline a few policy recommendations. I look forward to answering your questions.