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Testimony: Joint Hearing of the House of Representatives  
Committee on Small Business and Committee on Financial Services  
"Condition of Small Business and Commercial Real Estate Lending in Local Markets"  
Friday, February 26, 2010 10:00 am Room 2128 Rayburn House Office Building

Thank you for inviting me to Washington to testify this morning.

My name is Steve Gordon and it's an honor to deliver this testimony before the people's Congress. I speak for millions of SMALL business owners who through the years have been the largest creator of jobs in our Country. We are all struggling to stay afloat and create jobs in this difficult recession.

I also represent those small businesses who are frustrated because we can create JOBS immediately but are unable to get the financing we need.

Wall Street was lent money direct from the Federal government, AIG was lent money direct, the automobile companies were lent money direct and so were the banks. Small businesses needs the same opportunity as the big guys. We want Congress to create a level playing field.

Most Jobs are created by new start-up companies or existing small businesses that want to expand their operations. Start-ups and growth can only occur with capital. American companies have been going out of business or laying workers off because we have been operating in a capital vacuum for the past three years.

It's time to start thinking of small business in America as an endangered species. The reason is credit. Not only is it impossible to obtain new credit, but the banks are compounding the problem by taking away existing credit. They are implementing blanket credit reductions, without regard to the effect it is having on our economy and jobs.

Low Credit scores are preventing a huge number of companies from obtaining the necessary working capital to stabilize their company, prevent additional layoffs and create jobs

All across America, the same banks and credit card companies that were bailed out, are reducing the credit lines of prime borrowers. My close friend with an excellent credit score recently had his business line of credit cut by American Express without cause. That one credit reduction led to a drop in his credit score. With a lowered credit score, the other banks followed suit and reduced their credit lines, further impacting his credit rating. Without operating capital, he has been unable to buy equipment, and had to lay off employees. The banks simply do not care about the real world consequences of their predatory practices.

We are now in the middle of the worst job crisis since the great depression. Millions of Americans struggle every day just to pay their expenses, put gas in their cars and feed their kids.

This jobs crisis cannot and will not be solved by the banks. The Banks can't even solve the foreclosure problem. The job crisis can only be solved by American businesses either starting up or expanding that's what creates jobs which can only occur when there is capital available through business loans.

If we depend on the Banks to make business loans then we are in for a long recession. Millions of Americans will remain unemployed or underemployed.

The banking system is NOT working for small business. We need immediate action to end the suffering of millions of Americans.

Any money approved for small business loans should be kept in a separate account managed by the SBA. NO more money should be given directly to the banks. Congress should remember how the banks used the TARP money and avoid repeating the same mistake. We don't have any more money for the banks to open new branches, buy new signs or to give out more bonuses.

It is our government's responsibility to solve the jobs crisis NOT the banks. I am requesting the Congress to pass legislation to make the SBA a direct lender to small business. It will be much more effective to direct government employees to take on a new, extremely important mission than to plead with the banks and hope that they listen.

Most businessmen would much rather work with the professional staff of the SBA than with a bank officer who just views you as another credit score.

To move ahead and create the most jobs possible there must be a move away from using the FICO score as the sole determining factor in obtaining business loans.

I am the owner of INSTANT-OFF. We make water saving devices for faucets. INSTANT-OFF replaces the aerator on any faucet and each unit can save up to 10,000 gallons a year. Our market potential in the US is estimated at 50 million units and globally between 100 and 200 million units.

We can create 25 green jobs right now and 25 per cent of those jobs will be for people with disabilities. By 2015 we estimate that we will have as many as 150 employees and will have created approximately 200 more jobs through our suppliers and distributors. None of these jobs will be created without capital. YET I CAN'T GET A LOAN.

For these reasons it is important to expand the lending criteria so that every company who can create jobs has a fair opportunity to receive a loan.

I propose a 15 point system for the SBA to review in granting a direct small business loan:

1. Is the business plan well thought out and viable?
2. What product or service does the company provide or want to provide?
3. How many years has the company been in business?
4. What is the market potential for this product or service?
5. Does the management team have the experience to be successful?
6. Is there a good potential that the company will be successful?
7. How many jobs can be created with the loan?
8. Will any jobs be created for disabled Americans?
9. Is this a product or service that helps protect the environment or conserve natural resources?
10. What percentage of the business operation is made, assembled or packaged in the U.S.?
11. Is this a product or service that can be exported to other countries?
12. Is the company a start-up or an existing business?
13. Is there sufficient profit margin to pay the loan back in seven years?
14. What is the credit rating of the individual applying for the loan ?
15. Was this person's credit rating affected by the real estate crash or the current recession?

As a small business owner, we want close to the same DEAL that Wall Street got. Remember those 2 per cent loans? Small Businesses should not be charged more than 3% interest.

Again, I urge Congress to pass legislation to make SBA a direct lender so that any company who wants to can apply directly to the SBA for a loan. I'm not suggesting that all banks are bad or that banks should be prevented from making SBA loans. I am proposing that loans approved by the SBA would be closed and serviced by the community bank chosen by the borrower.

Please move faster to solve this critical issue. Capital is the tool that drives American businesses – and Small Business has been the backbone of new job creation in America.  
**DO NOT** let America's future be stuck in a bank loan committee!!!

Thank you for allowing me the opportunity to be heard on this very important issue.