



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

**Testimony of Karen G. Mills  
Administrator  
U.S. Small Business Administration**

**Before the**

**Committee on Small Business  
Committee on Financial Services  
United States House of Representatives**

***Small Business and Commercial Real Estate Lending***

**February 26, 2010**

Thank you, Chairwoman Velazquez, Chairman Frank, and Members of both Committees.

Many small businesses continue to have problems getting access to capital. We know this is a situation that must be fixed. Small businesses have created about 65 percent of the net new private jobs over the past 15 years, so we know we need a robust small business jobs plan that addresses these credit gaps

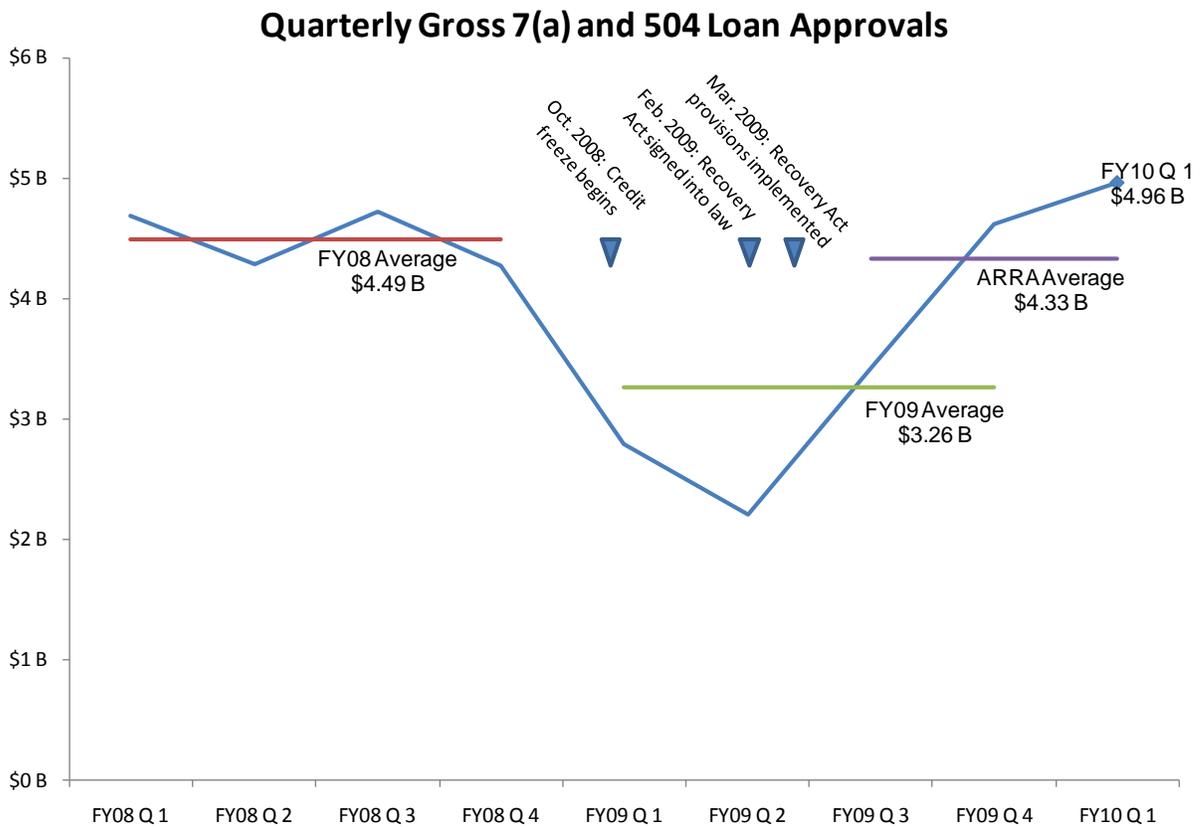
With your help, we've already taken an important step forward. I want to thank Congress for passing the Recovery Act and the subsequent extension of SBA's 90 percent guaranty and reduced fee provisions. Over the past year, this helped us leverage \$500 million in taxpayer dollars into more than \$20 billion for small businesses. This also helped bring back more than 1,100 lenders who hadn't participated in SBA lending since at least 2007. Compared to the depths of the recession in the weeks before the Recovery Act – when lending was at rock bottom – that reflects a weekly volume increase of more than 90 percent.

These provisions have helped, but we know gaps still exist. Small businesses and their lenders are asking SBA to step up in even more ways. We analyzed the issues in today's credit market, and we have constructed a targeted series of proposals that fill the most critical gaps that exist.

The resulting Jobs Plan is guided by three key principles: build on what works, maximize limited taxpayer dollars, and make targeted changes as quickly as possible. The plan has five key components.

The first problem is that some community banks which make the most loans to small businesses don't have the capital to lend. That's why the President proposed a \$30-billion Small Business Lending Fund to provide community banks low-cost capital with incentives to increase their small business loans beyond 2009 levels.

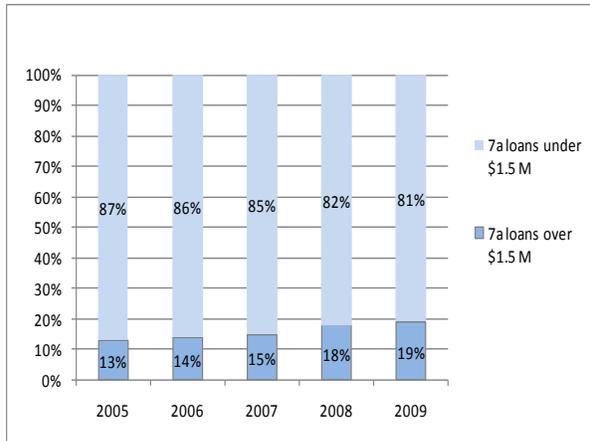
The second problem is that many banks are still having trouble taking risk even with creditworthy small businesses. That's why the Administration and small businesses have spoken out in support for extending the 90 percent guaranty and reduced fees through this fiscal year. These funds ran out this week and we are working with Congress to secure additional funding for an extension through September. Since Monday, there are about 250 loans totaling more than \$90 million in our queue awaiting this possibility.



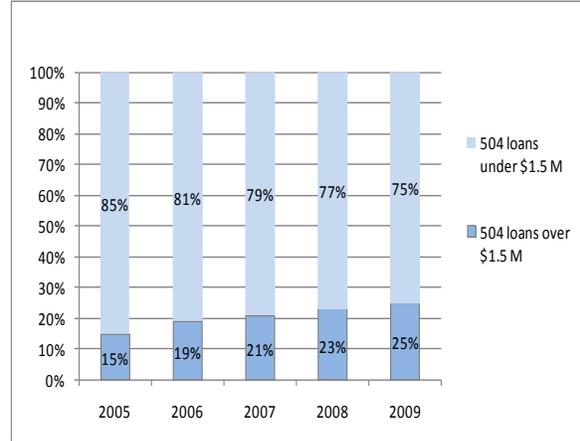
The third problem is that many small businesses need bigger SBA loans, including franchisees, manufacturers, exporters, and others. By increasing our top loans from \$2 million to \$5 million, we can help them create jobs quickly.

**Percentage of SBA Loans Over \$1.5 Million  
(FY 2005 - FY 2009)**

**7(a) Program**

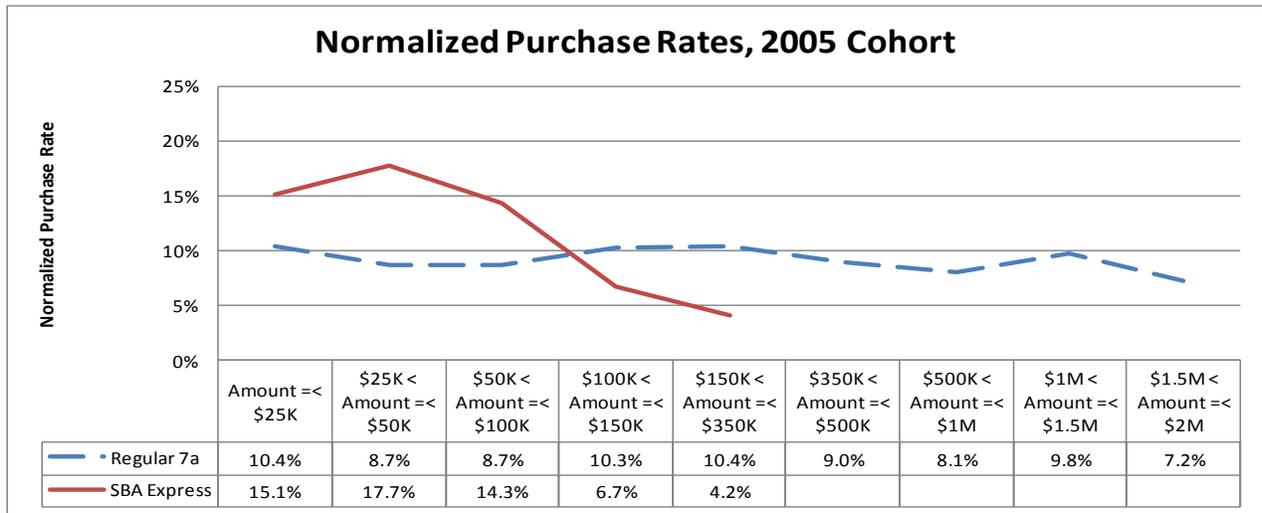


**504 Program**



The fourth problem is that small businesses can't find access to working capital. Many small firms are seeing an uptick in sales and need to make hires or restock shelves quickly. By temporarily raising SBA Express loans from \$350,000 to \$1 million, we can help them regain traction and growth.

**Comparison of SBA Express and Overall 7(a) Loan Program**



The fifth problem is commercial real estate mortgages are set to mature in the next few years for many owner-occupied small businesses. It's important that we prevent creditworthy firms from facing unnecessary foreclosure and lost jobs. That's why the President proposed temporarily opening up SBA's 504 program for refinancing. This will allow small businesses that are current on existing debt to lock-in stable, long-term financing in the face of declining real estate values, while freeing up banks to make even more small business loans.

We know that a critical part of our job at SBA is to facilitate the connections from entrepreneurs and small business owners to private lenders – we call this approach Direct Access. We need to make sure that creditworthy small businesses can find their way to banks that are lending. For example, we are working to get all of you the names and contact information for SBA lenders in your areas – and to make this information more readily available to your constituents online, in our offices, and through our resource partners.

And when an entrepreneur or small business owner is not creditworthy, we are committed to providing free counseling services through our extensive network of volunteer and affiliated counselors. Each year, they help thousands of small business owners refine their business plans and strategies not only to become more creditworthy, but also to be more successful and create more jobs in the long run.

Again, our principles are these: build on what works, maximize limited taxpayer dollars, and make targeted changes as quickly as possible. We know that problems in the credit market still exist, but we are confident that – with this plan, and hard work and outreach from our SBA infrastructure and throughout the Administration – we can fill those gaps and meet the needs of small businesses.

I look forward to your comments and questions about the Jobs Plan and SBA's efforts to help ensure that small businesses can continue to lead America to full economic recovery.

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