

**“Small Business: Driving America’s Economy”
National Small Business Week
May 24, 2010
Washington, DC**

**Keynote Remarks As Prepared for:
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Administrator
U.S. Small Business Administration**



Thank you for that introduction, Scott. Congratulations on the success of Zipcar. Good morning everyone. I want to start by recognizing a very important group. Since the Recession hit, we've had some tough times for small businesses. Despite that, many small business owners have overcome the odds to grow their business and create jobs. Could all of our state award winners please stand? Congratulations to all of you.

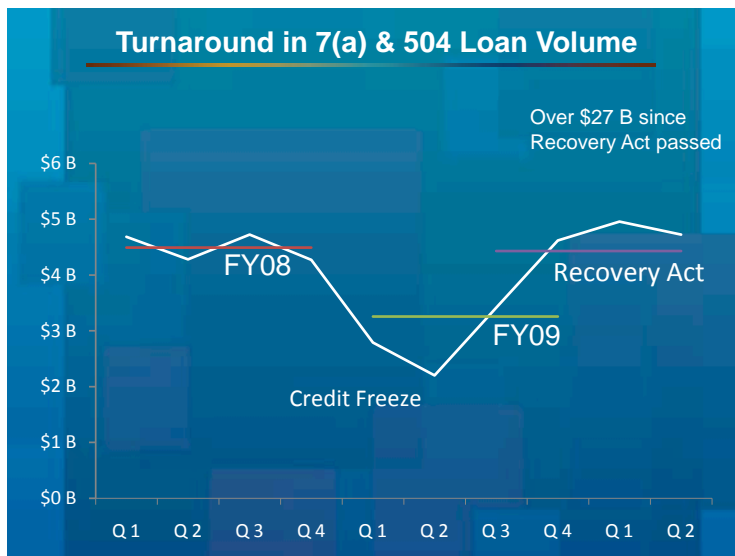
Everyone here knows the facts: Small businesses create about 2 of every 3 new jobs in America each year. More than half of working Americans own or work for a small business. And small businesses drive American innovation and competitiveness.



In my first year as Administrator, one of the things that has impressed me most about America's entrepreneurs and small business owners is their vision. They see potential to grow their businesses and create jobs. And they're determined to overcome the barriers in their way.

A restaurant called the Boathouse at Rocketts Landing in Virginia is a great example. Back in the early 1900s, this building was a steam power plant. At that time, they dug a tunnel of water from the James River to underneath this building. And they built a smokestack for the steam engines that were inside. The electricity they produced helped move the trolley cars around the city of Richmond.

A century later, after lying dormant for decades, Kevin Healy thought that this power plant could be much more. So, with the help of an SBA Recovery loan – he made his vision a reality.



I'll come back to his story later, but – suffice it to say – Kevin and his employees are just one of tens of thousands of businesses that got the capital they needed because of the Recovery Act's enhancements to SBA loans.

18 months ago, lending was completely frozen and credit lines were cut. Today, conventional small business lending is still very tight, but the SBA has helped fill the gap in credit.

Specifically, the raised guarantee and lowered fees from the Recovery Act have helped engineer a turnaround in our top two lending programs – 7(a) and 504. We're back at pre-recession levels.

Altogether, we've taken about \$680 million in taxpayer dollars... and turned it into more than \$27 billion in lending support for about 63,000 Recovery loans. That's nearly double our weekly loan volume compared to the weeks before it passed.

And here's the headline: Our borrowers report that they've been able to save and create hundreds of thousands of jobs as a result.

We didn't stop there...

We also helped small businesses get Recovery Act contracts. With the Vice President's support and the help of SBA's field staff and counseling partners, we reached out to small businesses across the nation. We've given them the knowledge, the training, and the matchmaking opportunities to compete for those contracts. As a result, so far, we've helped drive nearly \$8 billion – or about 29% - of Recovery Act contracts into their hands.

Also in contracting, we're in the process of implementing a strong rule that will drive more contract dollars into the hands of small businesses owned by women. When I graduated from business school, only 5% of America's small businesses were owned by women. Today, it's nearly 30%. They're one of the fastest growing segments of our economy, so we need to give them the tools to grow, create jobs, and maximize their impact on our economy.

And I simply can't overstate the importance of our SBA counselors in helping put this capital and these contracts in the hands of all small business owners. Last year, our field staff, our Small Business Development Centers, our Women's Business Centers and our SCORE chapters served over 1 million clients.

Those are our 3 Cs. Capital, contracts and counseling. That's the core of the SBA mission and they've played a major role in economic recovery.

But over the last few weeks, we've seen just how important the SBA mission is, not just to economic recovery – but also to recovery in the wake of disaster.



Recently, I traveled to the Gulf Coast where fishermen and many other small business people have been impacted by the BP oil spill. I've also been to Tennessee where flooding has hit thousands of homes and businesses. At the SBA, we've responded quickly to both of these disasters. We've set up dozens of loan processing centers to help small businesses, homeowners and renters get through the months ahead.

And – with hurricane season approaching – we're in a much better position today than we were in 2005. We have more staff, they're better trained, and they have better technology to help those affected.

In 2005, the average processing time was 74 days for disaster home loans and 66 days for disaster business loans. Currently we're on-the-ground in about 40 disaster areas, yet we're still able to turn around applications within about 7 days for disaster home loans and 14 days for disaster business loans.

We'll keep those turnaround times as low as possible, and my commitment today is that we'll stay as long as we're needed in the Gulf Coast, in Tennessee, and all of those areas to get the job done.



And we know that the job isn't done yet when it comes to our country's economic recovery.

Just a few days ago, the President and I went to yet another business that got an SBA Recovery loan – Industrial Support, Incorporated, in Buffalo, New York.

He talked about how we started with tax relief for small businesses last year. We know that one of the best things we can do is help you keep cash that you can invest back into your business. Did you know...

- ✓ you can now get write-offs for investments up to \$250,000?
- ✓ (Did you know) small businesses can carry-back net operating losses for 5 years instead of just 2...?
- ✓ (Did you know) there is now a 75% exclusion on capital gains taxes if an investor wants to invest in your business? and the President wants to make it 100 percent?
- ✓ Have you hired anyone lately? (Did you know) you can get a tax credit up to \$1,000 for hiring someone who's been out of work?
- ✓ (Did you know) the Affordable Care Act will help up to 4 million small businesses start or continue providing health insurance with tax credits of up to 35% toward employee premiums. (That's \$40 billion over the next decade.)

These tax cuts have been a good first step, but we know we need to do more.

Small businesses are still struggling to create jobs and lead us to full recovery because they don't have the capital they need to grow. That's why we're working closely with Congress right now to create a strong Jobs Plan targeted at small business.

A bill passed by the House Financial Services Committee last week includes two key elements of this plan:

First, it includes \$30 billion for a Lending Fund that will provide low-cost capital to smaller banks – your “Main Street banks” down the street. I'm sure that many folks here today used a small or community bank to grow your business. The data proves it. Smaller banks are more likely to lend to small businesses.

These banks didn't contribute to the financial meltdown, even though many of them suffered greatly from it. This Fund will help these banks do even more small business loans, with rates as low as 1% for lending beyond their 2009 levels. That's more money for people like you.

In addition, many small businesses have benefited from state-level capital access programs. That's why the President has asked for even more support for these programs through a State Small Business Credit Initiative. This will help states expand lending at a time when many of their budgets have been cut. And it will give taxpayers a big bang-for-the-buck by supporting 10 dollars in small business lending for every 1 dollar in Federal funding.

SBA's Role in Creating More Jobs

- Longer extension of 90% guaranty and waived fees (Recovery loans)
- Temporarily increase SBA Express to \$1 million
- Temporarily allow owner-occupied small businesses to refinance through 504
- Increase 7(a) and 504 to \$5 million, raise microloans to \$50K

And, most importantly to the SBA, there are a number of critical proposals that will help the SBA itself fill the gaps that we still see.

First, as I said earlier, we've provided about 63,000 Recovery loans with about \$27 billion in lending support. The bad news is we're running out of money for those loan enhancements in the next couple of days. That's why the President called to extend these provisions.

Small businesses also need help with working capital to restock shelves and regain traction. By temporarily increasing our SBA Express loans from \$350,000 to \$1 million, we can help them do just that.

We also know that many owner-occupied small businesses have commercial real estate mortgages that need to be refinanced in the next year or two. Healthy small businesses shouldn't be forced to close their doors just because they can't find refinancing. We can help them avoid foreclosure and continue creating jobs by temporarily opening up SBA's 504 program.

And we know that many of you have been asking for some permanent changes to SBA programs, too. To help you grow and create jobs, the President proposed increasing the maximum size in SBA's top two loan programs from \$2 million to \$5 million. Many of you in fields like manufacturing and franchising can use these bigger loans to create more jobs. And we know that this extra capital could come in very handy for those of you who are ready to break into contracting, exporting, or other growth strategies.



Overall, we know that more access to credit means more jobs for Main Street. For example, our Vermont Small Business Person of the Year is Katy Lesser. Is Katy here? Katy used two SBA loans over the past 25 years to grow her store – Healthy Living Foods – from one employee to 130 employees today. She went from \$300 in daily sales to \$50,000 today.

We'll continue to provide access to capital to make sure that Main Street stays vibrant for these businesses that are the fabric of our daily lives – the food stores, the restaurants, the dry cleaners, the auto repair shops and more.

But, in addition, we must also find new ways to support a second kind of small business.

I'm talking about companies like Keystone Helicopters in Pennsylvania which provides engineering, maintenance, and other services on helicopters. Keystone found funding through our Small Business Investment Company program. Keystone now has over 600 employees. In fact, the SBIC that funded Keystone is here today – Kirk Griswold from Argosy Investment Partners in Pennsylvania.

These high-growth small firms are major drivers of American innovation, competitiveness, and job creation. And their success isn't determined only by local revenues. Instead, they have markets that are national or even international through exporting, which I'm sure you've heard is another Administration priority.

For the past few months, our SBA leadership team has met with researchers, fund managers, experts, and entrepreneurs themselves. We've been looking for the best ways to support these high-growth small firms.

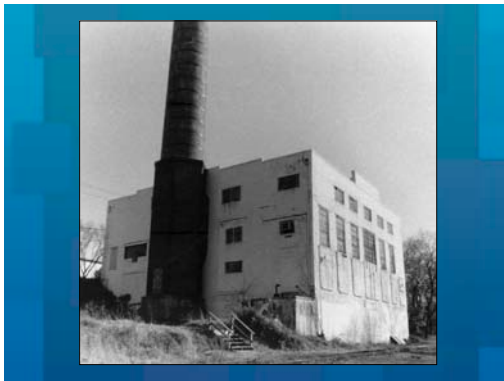
What we've realized is that our efforts should parallel what we're doing with our 3 Cs of capital, contracts and counseling for Main Street, which I mentioned earlier.

- For example, these firms often need equity capital. That's why we're enrolling more funds in our Small Business Investment Company program I just mentioned. Through SBIC, we work with investors who've helped companies like Intel and Fedex. And that's why we've announced a new partnership with the Department of Energy to help SBICs who want to fund clean-energy firms in their early "start-up" stages.
- Also, as a parallel to our contracting efforts, we'll work to maximize programs like the Small Business Innovation Research program. SBIR involves 11 federal agencies that provide \$2.5 billion each year for innovative small firms doing R&D. We want SBIR to maximize its potential to bring new

products into the market. With additional funding in the FY11 budget, we're going to invest in this program, improve it, and implement best practices that will help commercialize even more innovative products from small businesses like yours.

- And finally, we know that these high-growth firms need a unique kind of counseling. So we want to find new partners and mentors that can help entrepreneurs get the specialized help they need. We want to create an environment where they can find help at each stage of growth: from start-up... to crossing what's known as the "Valley of Death..." to expansion in their quest to become the next "great American companies."

So we're helping both kinds of small businesses – Main Street and high-growth – because we want more success stories like Healthy Living Market and Keystone Helicopters. And we'll continue to help people like Kevin Healy...



Kevin saw this power plant in 2009, and he saw a vision for a great new restaurant to serve the people of Richmond.

Despite the fact that he had already opened one successful restaurant, he still couldn't find a bank willing to give him a loan for the Boathouse at Rockett's Landing.

That's when he found Sonabank, an SBA preferred lender in McLean, Virginia, who gave him an SBA Recovery Act loan. Because of the Recovery Act, he saved over \$10,000, and he was able to open his restaurant last year. The transformation of the power plant into this restaurant is stunning.



Kevin, where are you? Now, full disclosure here. I don't know Kevin. I haven't been to his restaurant. And he hasn't offered me a free lunch. I just saw these pictures and thought it was a powerful image of what we can do if we work together to continue helping entrepreneurs and small business owners. And here's the James River...



The fact is, we're going to need many, many more stories like Kevin's, Katy's and Keystone Helicopter's to help small businesses create the jobs we need to lead America to full recovery.

But with the help of our SBA staff, our partners, and the millions of entrepreneurs and small business owners throughout America – including the people in this room – I know we will continue to help them grow their businesses and create jobs. Thank you very much.

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