

**Remarks at International Franchise Association**  
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Good morning. It is a great honor to be here.

First of all, congratulations on this 50<sup>th</sup> anniversary. This is really terrific. Thank you to Ken Walker, and to Dana. I can really see now how we're going to be great partners. What incredible leadership you've got here going forward. I want to also acknowledge Matt Shay. We've already started to work together in Washington, so thank you very much for the partnership.

And I have a new friend who was sitting next to me, Mayor Kautz, who is head of the US Conference of Mayors. We're going to work together, because it's on the ground, with your franchisees, that we're going to make a difference in growing businesses and creating jobs.

So, I'm really impressed that you're all here this morning. How many of you saw the Superbowl? I saw it in Chicago while I was changing planes.

I'm a Colts fan, but I have to say, I was not really upset about the victory for the New Orleans Saints. Because this is a city that has had a really tough time, and that victory last night, as you watched everybody celebrate, you couldn't help but feel good about the course of recovery that is happening.

You know it's been a tough year. 2009 was really a difficult year for small businesses, and you all know this, you all felt it, right there, day-to-day month-by-month on the ground. And it is critical that small business feel that recovery that we're feeling... that sense of hope and optimism that we felt last night with New Orleans. And the reason is, as you all know:

- Small businesses create 65% of the jobs in this country
- Half the people who work, own or work for a small business

So if we are going to be prosperous going forward, it's going to be not only on the back of small businesses, but as I sit here today it becomes very clear, also on the back of our franchise community.

- America has about a million franchise units
- They represent 3,000 companies in 90 industries (and one of the things I don't think everybody realizes is how many industries you all cover)
- 10 to 12 percent of America's retail and service businesses are franchises

You all know that. But it's not just the numbers. You all know exactly what I mean...

- Many of you started a business with a business idea—we heard about a great one, Two Men and a Truck—and grew into a whole operation across the country
- Some of you bought a franchise, knowing that you could be your own boss, and you could build a path to prosperity
- And maybe you came to this country like my family did and wanted to grow a family business—and I do really admire the women who lead and the men who work the truck in this Two Men and a Truck story, because you could tell that this was a real family

business. A lot of you have that experience, and that's my personal experience as well, and that's part of what we have here in America

At the SBA, we know that this is a critical part of the fabric of this economy, and our commitment is to make sure that small business lead us into economic recovery and create jobs.

Many of you were wondering, I could tell when Ken was talking, "What's going on in Washington, besides a snowstorm? Who *gets it* about us?"

I want to tell you, I have the honor of working for a President who "gets it" about small business, and, by the way, about franchises. And he's going to get it even more after I come back and tell him what I saw here. We've been traveling around the country this week and rolling out the President's Small Business Jobs Plan. I had the honor of going on Air Force One on Tuesday up to New Hampshire and making some of these announcements.

I'll tell you, in each and every place, we have a plan that is intentional, that has building blocks to it that address some of the gaps that you've seen today. It's targeted on the right problems. And it puts the right resources and incentives not only in the hands of small business but particularly in the hands of franchisees, to create jobs and get the economy back on track. And my job today is to tell you what those pieces of the plan are, to communicate exactly how we're going to do this.

But first I just want to go back and recap a little bit about what we've done so far this year, as a building block to this.

As you all know, about a year ago, the economy was really in dire straits. Credit for small businesses had pretty much stopped—our business in fact had dropped more than in half.

Right around this time last year Congress and the President passed the Recovery Act, and the SBA sprung into action. We actually got quite a few tools, and we went right away to put them to work.

Our job was to get money into the hands of small businesses as quickly as possible. So the first thing we did is raise our loan guarantees to 90 percent. Have any of you out there had an SBA loan in the past year? We also reduced or eliminated most of the fees in our 7(a) and our 504 program, which are our key lending programs that many franchisees use.

We said to banks, "We're willing to take the risk, when you can't, and guarantee a little bit more of these activities."

And we also said when we took away these fees, "Take those fees and reinvest them in your businesses and in your community."

This two-part formula worked: More than 1,000 banks who had not been lending when the credit crunch started came back to the SBA. 1000 banks are now lending SBA dollars, and that's

access to credit. And we've been able to put nearly \$20 billion into the hands of small businesses over the last year.

The good news for you is about \$2.7 billion, or 14% of that money, went to loan support to franchisees. So, we are your partners already. That's about 3,700 Recovery Act loans.

So, we have ACE Hardware, and Subways, Super 8s here... we have a program where we try to make it easier your franchisees to get one of our loans. So if you go on "franchise registry dot com" and you're not registered, we need to work with you. Because if you're on there, that means your franchisee immediately qualifies as an independent small business, which allows us to expedite the loan process to those franchisees. We'll be happy to work with you to get you on that fast track.

We also know that we're able to do this really pretty efficiently, and help a lot of your businesses survive... and create thousands of jobs.

So, is the problem solved? Not yet. So what are we going to do about it?

I'm going to tell you today 5 things that we're doing, specific things, that we have announced that we want to do about this, that directly speak to the issues that you have.

Over the last year, the President's been out and I've been out and we've heard a lot of the stories about businesses that are struggling.

- Sometimes a profitable business has had their credit line called in—has that happened to anybody?
- Sometimes a franchisee wants to expand or add a new location but can't find a loan.
- And sometimes it's an entrepreneur that has a new idea—a new potential franchisor, for this group—and they can't get started.

I don't have to take a show of hands to find out what you think about access to credit.

So why is there such a problem? What's going on? Well we went out to find out. We've made a dent in it—we've made a \$20 billion dent in that problem, but there's still a problem. Access to credit for small business is still a problem. So why is that?

Well, we know there's two reasons. Number one, some banks aren't lending because they don't have capital. They're over extended, something went wrong, the regulators are telling them they have to be more careful with their capital, so when you come to them with a perfectly good business they say "I'd like to, but I can't right now."

I was with the President in New Hampshire on Tuesday, and here's what we announced \$30 billion of what used to be TARP money will be used for a small business lending fund, just for community banks, which are 8,000 of the banks that are on the ground, lending.

As the President said, “These are the small, local banks that work most closely with our small businesses – that provide them their first loan, and watch them grow through good times and bad.”

Community banks only make up 20% of bank assets in the U.S., but account for more than 50% of small business loans.

So we’re going to get \$30 billion of capital. After we help big banks, time for the small banks. How are we going to make sure that capital comes out and into the hands of small business? Well we did a little incentive. We said, you can have that money at 5%, but if you increase your small business lending, year over year, and we measure it, you can get that money as cheap as 1%. So community banks are very interested in getting this capital.

And we know, by the way, a couple things about the math. This program doesn’t cost \$30 billion. It’s very cheap for tax payers. There are some who say it’s going to cost very little, because mostly those banks pay the capital back, and they pay 1 to 5% on top. So it’s not a \$30 billion cost, it’s \$30 billion of available capital.

Oh, by the way, there’s a multiplier on that. When you put \$30 billion in the hands of a community bank, they lend out much more.

That’s what we talked about this week, that’s what we put in front of Congress to do, and that’s what’s going to give small businesses access to capital, at their community bank, in the locations where you need it.

The second problem that people are having in getting access to capital is that banks don’t want to take the risk. You walk in there and you say I’ve never missed a payment, I’m a good risk, and they say “Oh, we don’t like the restaurant business anymore,” or “that’s a commercial real estate loan.”

Well, that’s where we come in. Why do you think we’ve been able to make \$20 billion of loans at 90%? Because we are standing up and helping those banks take on those risks, for good loans. We have a very low default rate. We’re stepping in behind the banks for those good businesses that for a bunch of other reasons can’t get access to capital. And by the way, we overindex in women-owned businesses, minority-owned businesses and veteran-owned businesses.

We did such a good job that we’re running out of money. We actually ran out, in November, and the Congress gave us another \$125 million. And we’re going to run out again, and we’ve asked Congress to reauthorize those highly successful Recovery Act programs, the 90% guarantees and the no fees.

OK, now comes to the part that really you all have had a big voice in. We have these successful programs, but our loan limit is \$2 million? How many of you need a loan bigger than \$2 million?

We were at one of the events with the President at a warehouse in Maryland, and with us were a couple of Dunkin Donuts franchisees—I'm from New England, I'm a big Dunkin Donuts fan—and we understand that we need to take those loan limits up. With the help of your organization, who's been very supportive of this issue, we've asked Congress to raise those loan limits to \$5 million. We have listened to what you guys need, and we're proposing a comprehensive package that fills those credit gaps.

Those \$5 million loan increases, they're going to be permanent, but we added one more thing. We have a product called SBA Express. For those of you who think we have too much paperwork, this allows banks to use their own paperwork. No SBA paperwork. Right now it's for working capital up to \$350,000, and we've asked Congress to raise that limit, temporarily, to help with this crisis, to \$1 million. Help get some of your franchisees some working capital and some cash in their pocket.

So that's the third thing we're going to do. The fourth thing—a lot of your franchisees have bought their buildings, and they've got commercial real estate mortgages coming due. We have a lot of commercial real estate mortgages coming due in the next year, 2010, 2011, 2012.

We're very concerned that even if you've got good credit, and you've got owner-occupied real estate, that the banks won't be able to be there right now, because of the commercial real estate overhang. They just say "I don't want any more, and I'm not going to refinance your mortgage," even if you're in good standing.

So on Friday, once again, the President and I were in Maryland, at an HVAC operation, with a pizza parlor owner and a river boat owner... and we announced that we're going to make a modification of what we call our 504 loan, to deal with commercial real estate. If you or your franchisees have owner-occupied real estate, and your mortgage comes due, and you're in good standing, we will step up with our 504 guarantees and we will be able to support your franchisees, to make sure they get those commercial real estate mortgages.

I won't go on too much longer, although I could. But the fifth part of this jobs plan, for small business, doesn't have to do with access to credit, it has to do with tax relief.

We've got a bunch of pieces of the proposal on tax relief, but the idea is to put cash back in the hands of the small business owner today, so that you can use it to hire the next worker, build the next piece of inventory, buy that next piece of equipment.

One of the ones we announced about a week ago is this \$5000 new hire credit. And that means—you know, some of you are going hire them anyway, good, you get \$5000 extra. And you get it on a quarterly basis, you don't have to wait the year. You can take that money, you can put it in your pocket.

One of the reporters said to me afterwards, "\$5000, that's not much money."

I said "Where do you live?" And for a small business owner, if you're going to hire somebody, whether it's a thirty, forty, fifty, sixty thousand dollar worker, and you get \$5000, you get a 10%

reduction in the cost of that worker. Our small business owners know when they get a bargain. They know how to count their pennies. This is a way, that we're going to put money exactly in the hands of the people who are going to create a job, and give them a little extra help, a little wind at their back to do it.

So we've got a pretty comprehensive plan.

1. We're going to continue our 90% guarantees and fee reductions.
2. We're going to get \$30 billion out to community banks so they can lend it to small businesses.
3. We're going to increase our loans from \$2 million to \$5 million on our key SBA products, and make sure that your guys can buy that third or fourth Dunkin Donuts franchise.
4. And we're going to open up our 504 loans to refinancing commercial real estate that's owner occupied and in good standing.
5. And we're going to provide tax credits, which include the \$5000, and accelerated depreciation, so that businesses are going to have more money in their pockets to grow and to create jobs.

Each of these proposals fills a gap. We listened to you, figured out where those gaps are, and we designed policy to get the money where it's going to help.

Your help and your partnership on this, and your voices on this, are incredibly important. So I echo, make sure everybody knows, in Congress and in Washington, what you need. We are listening.

We have a partnership with Congress, we need their help to vote these proposals through, and they are going to be taken up, real time, right now, over the next couple weeks. But my commitment to you is that the SBA is going to work with you, day-to-day. It's going to work with prospective and current franchisees. It's going to work with promising new franchising ideas.

We have 68 field offices. We have 900 Small Business Development Centers, and 100 Women's Business Centers. We have 350 chapters of, SCORE, which is our retired executive's program. Some of you, I hope, are going to get involved with SCORE.

We have about 14,000 counselors out there. We must be about 45 minutes to an hour of most small businesses. And what do we do? We do some things similar to what you do here at the IFA. We provide advice, counseling, business plans... so if you have a franchisee who's maybe facing a little trouble, can't get a loan, you send them to us.

We can make them more ready to be bankable, and we can try to help them get on a course back to profitability. And the best news is, all of these services are free. So, you tell your guys, if they don't have a business plan and advice of a counselor, they should.

We know that a new franchise opens its doors every 8 minutes.

We're going to continue to help franchises get the capital and the counseling that they need to grow and to create jobs.

I'm just going close with a quote. I've talked about the President a lot, but that's because he's been talking about us a lot, and about you a lot. This Saturday, he gave his weekly address. You can see it on [whitehouse.gov](http://whitehouse.gov), see the video of what he said. It's a big deal. My people were pretty excited when they saw this. But let me just read you one thing he said. He said:

“[But] what we must remember at a time like this is that we are not helpless in the face of our difficulties. As Americans, we make our own destiny. We forge our own path. And I am confident that if we come together and put aside the politics that keeps holding us back, we can do that again. We can rebuild this economy on a new, stronger foundation that leads to more jobs and greater prosperity.”

You in the franchise community are going to be leading the way. We at the SBA are going to be your partners, every step of the way. And together, we are going to help American small business grow, prosper, create jobs, and compete across the world.

Thank you very much.

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