

More Capital, More Jobs for Small Business

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Over the last 15 years, small businesses have created nearly 65 percent of the nation's net new private sector jobs. However, their ability to continue to be this vital engine for job growth is being jeopardized by the fact that they still face challenges when it comes to getting the capital they need.

Last year, we took an important step forward. Congress passed two key SBA loan enhancements in the Recovery Act and then extended them in December: a 90-percent guaranty and reduced fees in SBA's top two loan programs. This sparked a major turnaround in SBA lending. In just one year, the agency leveraged \$500 million in taxpayer dollars into more than \$21 billion into the hands of small business owners. Compared to last January and February – the depths of the recession – this reflects a weekly SBA loan volume increase of more than 90 percent.

In addition, these loan enhancements helped bring back more than 1,100 lenders who hadn't made an SBA loan since at least 2007. This provided more points of access to capital for entrepreneurs and small business owners throughout the country, including many minorities, women, veterans and those in rural areas.

These provisions have helped, but still more needs to be done. That's why President Obama has put forward a small business jobs plan that targets the challenges small business owners face. This plan is based on key principles: build on what works, maximize limited taxpayer dollars, and make targeted changes as quickly as possible.

The plan has five key components.

First, 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 these banks with low-cost capital and incentives to increase their small business lending beyond 2009 levels.

Second, for banks that have capital but are still hesitant to take on additional risk, we've asked Congress to extend the Recovery Act's 90 percent guarantee and fee reductions through September. The funds to support these enhancements ran out last week, and, already, several hundred small businesses are in the SBA Recovery Loan Queue awaiting the possibility of additional funding.

Third, many small businesses need bigger SBA loans, including franchisees, manufacturers, exporters, and others. Increasing SBA's top loan limits from \$2 million to \$5 million will support the kind of small businesses growth that will create tens of thousands of new jobs.

Fourth, many small businesses can't find access to working capital. In many cases, their credit lines have been pulled through no fault of their own. The President has proposed temporarily increasing the size of SBA Express loans from \$350,000 to \$1 million to help them make key hires, restock inventory, and regain traction. Importantly, these loans offer a streamlined approval process by allowing the bank to use its own paperwork.

Fifth, many small businesses owners are facing the stark reality of commercial real estate mortgages that are set to mature in the next few years. In this fragile economy, it's critical to 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 of these mortgages for owner-occupied small businesses that are current on their existing debt. This will allow them to lock-in stable,

long-term financing in the face of declining real estate values. It will also free up banks to make even more small business loans.

Beyond these five components, the SBA is stepping up its commitment to providing small business owners and entrepreneurs with direct access to lenders making SBA loans. The goal is to create a clearer, broader path for creditworthy small businesses to the growing number of banks and credit unions that partner with the SBA.

And, when an entrepreneur or small business owner is having trouble securing a small business loan, SBA's 14,000 affiliated counselors are ready to sit down with them to see if there are steps they can take or modifications to their business plans that may help get them qualified.

Problems in the credit market still exist, but this plan for small business owners will help fill those credit gaps and create jobs...and they, in turn, will do what they've done time and time again throughout America's history: lead our nation's economic recovery.