

**American Bankers Association**

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**As Prepared for:  
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SBA Administrator**



Good morning. Thank you, Leslie, for that introduction and for your family's tradition of serving the people of Bennington, Nebraska. I've traveled the country this past year. It has been great to meet community bank Presidents who are 2<sup>nd</sup>, 3<sup>rd</sup> or even 4<sup>th</sup> generation, like Leslie.

And that's one of the many reasons it's such an honor to be the 1<sup>st</sup> SBA Administrator to speak here at ABA.

As you might know, the SBA has been around for about half of ABA's history – since 1953. Over the years, our partnership has grown to about 5,000 banks a year.

How many of you already do SBA loans at your banks?

As someone who has worked with small businesses all my life, I know you treat them like friends and family – because many of them actually are.

The facts are clear: More than half of working Americans either own or work for a small business. About 2 out of 3 new private sector jobs over the past 15 years have come from small business.

You already know this, because you're often the ones that make it happen. And you know what a great feeling it is to give a loan that allows a small business to buy a new building... to hire a next worker.

So when I took this job a year ago, I knew that our partnership would be critical. If we worked arm-in-arm, I knew we could help small businesses lead America out of recession and into recovery.

This morning, I want to touch on what we've already accomplished over the past year... and how we can work even more closely to help more small businesses in the future.

As you know, it's been a tough year for small business. In October 2008, credit markets froze. Small businesses couldn't get loans they needed to survive.

Then, just over a year ago, the Recovery Act passed. That's when SBA "stepped up to the plate." We increased our guaranty to 90% in 7(a) loans. We reduced or eliminated fees in both 7(a) and 504 – our top 2 programs.

As a result, many of you came back. More than 1,100 lenders – mostly community banks – started SBA lending who hadn't been with us since at least 2007.

And you've been putting us to work. Our average weekly SBA loan volume began climbing. Today, it's up about 90% compared to the weeks before the Act.

And here's the headline: By working together over the past year, we've supported over \$22 billion in lending in the hands of small business owners. I think that deserves a round of applause.

You've helped not only *save* but also *create* hundreds of thousands of jobs – including for rural, minority-owned, women-owned and veteran-owned small businesses.

I'll just share one quick story that came out a couple of weeks ago.

Cary Dillman's family has made jams and jellies for 40 years in Bloomington, Indiana. Their website says they "pack as much fruit as they can into each jar..." without preservatives or corn syrup. Sounds good to me.

Last year, Dillman Farms had just spent over \$100,000 to get new labels, change their package size, and push their products out to more stores. It was bad timing.

As they were rolling out the plan, their conventional lines were getting called in. Then, 5 banks turned them down while looking for more credit.

But Fifth Third Bank was able to step in because they offered SBA loans, and they were able to get Cary about \$390,000. Cary said it saved the family business.

I've heard those four words a lot over the past year. "You saved my business..." or, in many cases, "You saved my job."

That's what this partnership is all about.

Today, SBA loans have never played a more crucial role in filling the credit gaps we see. In other words, small businesses need us to work together more than ever.

At SBA, we recently made a new goal for ourselves: We want to increase the active lending partners in 7(a) to 3,000 by Sept. 30 of next year. That's 15% over our FY08 and 09 averages.

With your help, we can get there. We can increase the "points of access" for good businesses like Dillman Farms that are searching for an SBA lender.

So, why should you partner with SBA? And if you're already a partner, why should you become more active?

First, we've made it easier than ever to sign up. We decentralized the sign-up process to our field offices. There's at least one in every state. You can actually talk to a real person who can walk you through the process quickly. Then, they can help train your people in how to do SBA loans. So, feel free to call... or walk-in... or go to [sba.gov](http://sba.gov) to get started.

Second, we're committed to honoring our guarantees – and doing it in a timely and predictable way. Today, we honor over 95 percent of guarantees and requested purchase dollars. In addition, we've reduced the average time to process these packages from several months to less than 30 days. We want to drive it down even further. Overall, my goal is for each of you to feel completely confident every step of the way – from origination to servicing to purchasing, if necessary.

Third, we're looking for more ways to streamline and simplify. A few years ago, we reduced the paperwork: the old 45-tab system is now a 10-tab system. More recently, we formed a Simplicity Task Force. They're finding new ways to make our programs and our process more user-friendly both for you and your borrowers.

And – over the past year – I've heard many more reasons that banks are signing up and increasing SBA loans: Our guarantees are helping mitigate your risk; You're getting liquidity by selling SBA's guaranteed portion in the secondary market; You're cross-marketing SBA loans with your own products, like business checking.

This partnership works for the SBA... It works for an increasing number of banks... And – most importantly – we know it's working for entrepreneurs and small business owners.

And my commitment is that we're working harder every day to be the best partner we can be.

But, today, we know that there are still gaps in credit. We have to fix that, to make sure that good and viable small businesses are getting the loans they need to get the economy moving again.

That's why I've been traveling with the President to roll out a Small Business Jobs Plan that's now before Congress. In crafting this plan, we analyzed the gaps in the lending market. Then, we constructed targeted proposals that address the most critical problems.

As a result, the plan has 5 key components:

First, we know that community banks are the most likely to do small business loans but some don't have capital to lend. So, we've proposed a Small Business Lending Fund for \$30 billion. It will be at a very low interest rate – from 5% to as low as 1%. Your interest rate will drop as you increase lending over 2009 levels.

Second, for those of you with capital but still having trouble with risk, we want to extend the 90% guaranty and reduced fees I talked about earlier. We know you've got good borrowers, so we want to fill the market gap that still exists. We're excited that Congress is close to putting legislation on President's desk that will extend those provisions.

Third, some small businesses need bigger SBA loans to create more jobs – including franchisees, manufacturers, and exporters. We've proposed a permanent increase from \$2 million to \$5 million for the loan limits in 7(a) and 504. Our larger loans actually tend to have lower default rates. So, there's no reason we can't work together to meet the demand that already exists for these bigger loans.

Fourth, for businesses that can't find access to working capital, we can temporarily raise our Express loan limit from \$350,000 to \$1 million. Guess what? You can use your own paperwork for Express loans, and SBA can turn around in just a few days. This will help businesses restock shelves, fill orders, and regain traction.

Fifth, we need to address commercial real estate values that have dropped for many owner-occupied small businesses. If their mortgages are coming up for refinancing and they've been paying their bills – we want to help them avoid unnecessary foreclosure. So, we propose temporarily opening up 504 to refinancing. That will allow small firms to lock-in stable, long-term financing, while freeing you up to make even more loans.

These 5 components each meet a need and fill a gap. And, perhaps most importantly, they're driven by principles of good government:

They build on programs that already work... rather than creating new bureaucracies;

They maximize limited taxpayer dollars... many with little or no subsidy;

And they can be implemented quickly and effectively to fill those credit gaps.

We're looking forward to working with Congress to refine this plan... and we're looking forward to working with you to put these tools in the hands of small businesses.

In closing, I simply can't underestimate the importance of growing our partnership.

In fact, that's why I accepted an invitation to write a monthly column for your online newsletter. I'm going to tackle your tough questions head-on... I'm going to share practical tips and best practices for making SBA loans work for your bank... And I'm confident that you'll find SBA is not just talking-the-talk... we're truly walking-the-walk.

But we need you back.

Today, the people in this room know more than anyone else that our small business communities are ready to lead once again. They've got a centuries-long track record of doing just that.

I want to thank all of you who've partnered with SBA for decades... I welcome all of you who are coming on board... Because together, I know we can give entrepreneurs and small business owners the tools *they* need... to create the jobs *America* needs. Thank you.

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