

Congressman Schrader, Thank you for inviting me to testify today. As the District Director of the United States Small Business Administration's Portland District I have responsibility for the central and western 30 counties of Oregon and 4 southwest counties of Washington. My staff of ten is working very hard with our banking partners, 21 Small Business Development Centers (SBDC's) and 6 Chapters of SCORE volunteers and also our community leaders to assist the nearly 300,000 small businesses in the state.

With the assistance of our partners, I am very proud of the results we have been able to consistently achieve even in these challenging economic times.

To date, SBA has guaranteed 632 SBA loans valued at \$143 million in the Portland District. Over 50% of these loans went to veterans, women, and minority small business owners. And 22% went to our rural communities.

Thanks to the funding and program changes provided in the American Recovery and Reinvestment Act (Recovery Act) the SBA has been working to unlock the small business lending market and get much needed capital flowing again to America's small businesses.

Nationally and locally the results are showing positive trends:

- **Nationally Loan Volume Has Increased More than 45 Percent:** As of July 17, SBA has supported \$7.4 billion in small business lending¹ with the approval of \$5.4 billion² in loans since Feb. 17. Weekly volume is up over 45% compared to the weeks preceding the Recovery Act.
- **In Portland loan volume has increased 12% during the same time period.**

Nationally

- **Lenders Are Returning to SBA Programs:** From Feb. 17 to July 17, more than 750 lenders that had not made a loan since Oct. 2008 made 7(a) loans. Of those, more than half had not made a loan since at least 2007.
- **Broad Support to Small Businesses:** A significant share of loans supported by Recovery Act funding has gone to rural (26 percent), minority-owned (20 percent), women-owned (19 percent), and veteran-owned (9 percent) businesses.³
- **Secondary Markets Uptick with 7(a) Loans:** After months of reduced activity and lower premiums, the SBA 7(a) secondary market is picking up and premiums are beginning to recover. For example, nearly \$360 million in 7(a) loans settled in June, lifting the secondary market closer to historical levels and providing lenders with additional liquidity to increase lending.
- **ARC Loans Reaching Small Businesses:** As of July 22, SBA has approved more than 700 ARC loans totaling \$22.8 million, and weekly loan approvals are consistently increasing.
- **In Portland there have been 12 ARC loans made so far, totaling \$420,000.**

¹ Gross loan approval value. Typically, due to cancellations and loan amount reductions, 15–20% of gross approvals are not disbursed.

² Includes estimate of 504 third-party first mortgages (calculated as 125% of SBA 504 debenture portion due to the typical "50/40" split between the third-party and SBA portions of a 504 loan)

³ Demographic data is self-reported on loan applications; categories are not mutually exclusive.

Other SBA Recovery Programs:

To date, SBA has implemented programs for nearly all of the \$730 million in SBA Recovery Act funding, including:

- **Eliminating and reducing fees** for borrowers on 7(a) loans and for borrowers and lenders on 504 loans.⁴
- **Raising to 90 percent the guarantee on 7(a) loans** from 75 percent and 85 percent depending on the size of loan.⁵
- **More than doubling the surety bond guarantee** from \$2 million to \$5 million, providing small businesses with another tool to help them compete for federal construction and service contracts.⁵
- **Additional funds available for Micro lending.** The SBA has used FY 2009 budget funding for the microloan program to increase Portland microlending funds to \$1.1 million. We are also working to expand our network of nonprofit microlending intermediary partners, and will begin using Recovery Act Microlending funds shortly.
- **Providing refinancing opportunities** for certain eligible expansion projects in SBA's 504 loan program.
- **Expanding access to investment capital** for small businesses by increasing funding levels for SBA-licensed Small Business Investment Companies.

The SBA has also implemented two new programs that complement the Recovery Act measures and increase access to capital for small businesses by:

- **Expanding 7(a) loan eligibility to more than 70,000 small businesses** through a temporary alternate size standard.
- **Offering inventory financing** for eligible auto, RV, boat and other dealerships under the new Dealer Floor Plan Financing pilot program.

These are challenging times for everyone. These are also times of opportunity. Many business owners I speak to are taking this time to refine their business model, rewrite their business plan, streamline their business practices, get rid of old inventory that had stockpiled, and sometimes change their business all together.

Many of today's most successful companies were created and have survived during much more severe downturns. Innovation thrives during difficult times. A large number of Fortune 500 corporations started during the Great Depression of 1930's, such as Texas Instruments, Hewlett Packard, 20th Century Fox and United Technologies. During the oil shock & stock market crash of 1973-1976, Microsoft, Genentech and Apple were started. The biotech and personal computer industries were created when the stock market was down nearly 50% and inflation was headed into double digits. In the early 80's mortgage rates were nearly 21%, yet E*Trade, Sun, Autodesk, Adobe, EA and Symantec were created. These companies did not sit on the sideline; their founders saw needs and opportunities and filled them. Companies such as McMenamins, Columbia Sportswear, Mo's Chowder, and Demarini Sports are just a few of Oregon companies the US Small Business Administration has assisted either through its loan guarantee programs or through its strong network of partnerships to provide counseling and training.

Thank you again Congressman Schrader for this opportunity. The Small Business Administration appreciates your leadership on the Small Business Committee and we look forward to working with you to support the nation's small businesses.

⁴Temporary authorization under the Recovery Act.

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