

U. S. SMALL BUSINESS ADMINISTRATION
ADVISORY COMMITTEE
ON VETERANS BUSINESS AFFAIRS

EXECUTIVE ORDER ON THE INTERAGENCY TASK FORCE
ON VETERANS' SMALL BUSINESS DEVELOPMENT
AND OTHER MATTERS

Tuesday, May 25, 2010

Small Business Administration
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ADVISORY COMMITTEE MEMBERS PRESENT:

JEFFREY R. LINSOTT, Acting Chair

JOHN M. GARCIA

STEPHEN H. WHITE

JOSEPH C. SHARPE, JR.

ALSO PRESENT:

WILLIAM D. ELMORE, Associate Administrator
Office of Veterans' Business Development, SBA

LUPE SALDANA, VET-Force, American GI Forum

TIM WHEELER, Veterans of Modern Warfare

MARK WALKER

ANTHONY EILAND, GSA

KRISTA KELLEY, New Mexico Adelante Program

THERESA LEWIS, Department of Treasury

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1 P R O C E E D I N G S

2 (9:11 a.m.)

3 AGENDA ITEM I - OPENING REMARKS/OBJECTIVES AND GOALS

4 MR. LINSKOTT: We will begin this round of our
5 meeting. John Garcia, Steve White and Jeff Linscott
6 are the three present Committee members. Mr. Elmore is
7 going to have the opening remarks.

8 It's kind of a crazy time right now in what's
9 going on. The Chairman, Felix, sends his regrets for
10 not being able to make it but he's in Haiti working on
11 a project down there. He has also been trying to get
12 veterans' and disabled veterans' companies involved in
13 the big pot of money that's been set aside and donated
14 for Haiti recovery, most of which has not been spent
15 yet. That's where our Chairman is.

16 MR. SALDANA: He's getting firsthand
17 experience.

18 MR. LINSKOTT: He's on the ground there,
19 living in a hooch, he says.

20 With that, Mr. Elmore?

21 MR. ELMORE: Thank you. I'm Bill Elmore, the
22 Associate Administrator for Veterans' Business

1 Development here at SBA. We also have two other
2 members that were unable to join us. One is out of the
3 country and one has something going on with her family
4 that she had to be absent for these two days.

5 I am just going to give you a quick overview
6 of some of what we have been doing, some of what we are
7 doing, what we plan to do, and give you an idea -- I
8 did not hear from the Chairman about any specific
9 presentations for these meetings.

10 I took it upon myself to suggest that what we
11 should do is sit down and work through the Executive
12 Order, the Executive Order on the Interagency Task
13 Force on Veterans' Small Business Development, and the
14 second, it's not really an Executive Order, it's a
15 Memorandum from the President about procurement.

16 I will tell you why I wanted to do that, and
17 that is the Veterans' Task Force Executive Order is
18 going to take a few months to stand up because it's a
19 FACA committee, and because it's a FACA committee and
20 there are going to be external members, there is going
21 to be a vetting process that ties itself through the
22 White House.

1 I'm interested in creating some record from
2 the Committee's perspective on what you think in the
3 six broad areas should be looked at, considered,
4 thought about, addressed, understood, however you want
5 to approach it.

6 I just think it's important to create a record
7 from our community to this Task Force because it's
8 going to have to work through these recommendations,
9 not just from us, but other agencies, the members of
10 that committee outside of Government, and also from
11 other BSOs.

12 I think it's an opportunity to help frame some
13 of the dialogue and discussion for what they will
14 consider.

15 With that, if you have any questions about
16 where they are at on that Task Force, I'll get back to
17 them.

18 I want to pass these around. We won't take a
19 lot of time. I do have a recommendation for you, Mr.
20 Acting Chairman.

21 MR. LINSOTT: Go ahead.

22 MR. ELMORE: That is you have at this point

1 two external members who are at the table. In the
2 past, we had chairmen that did not have external
3 members at the table, and in the past we have had
4 chairmen who did like external members at the table.

5 My preference is the more input we have into
6 this the better dialogue and discussion we are going to
7 have. I'll leave it up to you whether or not our two
8 guests should be at the table.

9 MR. WHITE: I say they should be.

10 MR. GARCIA: No problem.

11 MR. ELMORE: What I would ask, gentlemen, is
12 that when you do speak, just make sure you identify
13 yourself for the Reporter.

14 MR. GARCIA: Are you going to introduce them?

15 MR. ELMORE: I can. I would ask them to
16 introduce themselves and tell us who they are
17 representing.

18 MR. WHEELER: My name is Tim Wheeler. I am
19 with Veterans of Modern Warfare.

20 MR. SALDANA: I'm Lupe Saldana. I'm with
21 VET-Force, and I'm also with the American GI Forum. I
22 also am related to this Committee by virtue of being a

1 member of the Veterans' Administration Advisory
2 Committee on Minority Veterans.

3 MR. ELMORE: Thank you. I just recently met
4 Tim. I met Lupe about ten years ago when we first
5 started putting all of this in motion. He's been one
6 of the stalwarts around this town for at least that
7 decade.

8 Here is Mr. Sharpe. Welcome, Joe. Someone
9 has just walked in the room.

10 I'm not going to walk you through all the
11 details in here. I think it's fairly self explanatory.
12 I will walk you through some of the program activities
13 that are in here. It would take too long, I think, to
14 go through this.

15 If you have questions, please ask.

16 The quick overview, and I think most of you
17 are aware of this, the programs that my office runs
18 includes the Veterans' Business Outreach Centers. We
19 have recently expanded that from 8 to 16 locations. We
20 now have at least one center or will have one center in
21 every Federal region. The 16th was just chosen in
22 Seattle.

1 Any questions about that, just let me know. I
2 don't have anybody coming before you to talk about that
3 program. If I can't address it I can have my staff
4 come down.

5 The second program my office runs is what we
6 call District Office Outreach, and it's referenced in
7 this as well.

8 MR. WHITE: I don't mean to interrupt you. On
9 the new centers, is there some consistency in training?
10 Is there an outline of the program they follow or is it
11 based on --

12 MR. ELMORE: They go through the competitive
13 process to be selected. They obviously have to present
14 a proposal on how they intend to do what the program
15 requires them to do. In that sense, there is a
16 consistency in the services they deliver, outreach,
17 counseling, training, what we call directed referrals.

18 Clearly, if you have a center in Seattle and
19 somebody from Oregon contacts them, the likelihood they
20 are going to get face to face is not real. Part of
21 their job is to make sure that veteran from Oregon is
22 referred to a local resource, whether it's a small

1 business center or district office, whatever it might
2 be.

3 We have a plan for training, to bring all 16
4 centers into town in September right now. At this
5 point, I don't yet have the funds secured to pay for
6 that training. Assuming I secure those funds
7 internally in my operating budget, we will do that in
8 September. We will invite external people as well to
9 help us train them, not just about the programs and
10 services but also to make sure they understand the
11 community.

12 MR. WHEELER: You're talking about the
13 veterans' business outreach centers?

14 MR. ELMORE: Yes.

15 MR. WHEELER: The one in Seattle, will that
16 include Alaska?

17 MR. ELMORE: Yes. Each center has a regional
18 responsibility. I understand as well as anybody
19 because I have run a number of not for profits that the
20 amount of funds we provide them and to expect that a
21 center in Seattle is going to provide a lot of
22 assistance in Alaska is not realistic, but we do tell

1 them that part of their responsibility is to try to
2 refer those veterans from their region and actually
3 from around the country back to those localized
4 services that we do have there, and to follow up with
5 them to make sure they get the help they are looking
6 for.

7 MR. SHARPE: How many of those centers are
8 stand alone veterans' centers?

9 MR. ELMORE: We require them in the agreement
10 to be a stand alone center. Whether or not they're
11 affiliated with a small business development center or
12 university or whatever it might be, all of them
13 arguably are stand alone. Some are integrated. For
14 example, New York and Florida are both associated with
15 small business development centers.

16 MR. SHARPE: Are they physically located with
17 them?

18 MR. ELMORE: The location gets a little
19 unusual. Florida, for example, operates out of a small
20 business incubator. New York operates out of about
21 five different locations where they are hosted by the
22 SBDC but there are veterans' specific staff at those

1 various locations.

2 It just depends on the model the local entity
3 that secured the contract has presented to us.

4 MR. SHARPE: They are being classified as
5 regional centers. Are we eventually looking at giving
6 them more money if they are going to cover four or five
7 states? 250 instead of 150?

8 MR. ELMORE: Part of what I tried to do this
9 year -- the 150 figure was not in the statute. I
10 considered it a glass ceiling that was unnecessary, but
11 it was \$150K and it has been that now for 11 years
12 because of the funding base that we have.

13 What we did was while we chose 16 centers and
14 provided each of those 16 centers \$150K this year, we
15 kept a little bit of extra money aside for the already
16 existing centers, some of those that were operational
17 and some of those that were successful in renewal, and
18 we gave them a little bit of additional funds, because
19 I didn't have enough funds for a 17th center, so I
20 raised all those to slightly over \$166,700 and change.
21 It's not enough, but I wanted to sort of break that
22 \$150K barrier.

1 MR. SHARPE: Where are we as far as getting
2 some of the discretionary funding that was given to the
3 Administrator?

4 MR. ELMORE: At this point, she doesn't have
5 those funds yet. There was a plan that was provided to
6 the Appropriations Committees on the House and Senate
7 side. To my knowledge, we have not received those
8 funds yet from those committees.

9 MR. SHARPE: Those committees told me they had
10 given that money to her.

11 MR. ELMORE: Oh, when did they tell you? I
12 hadn't heard.

13 MR. SHARPE: It was a couple of months ago. I
14 can verify that. They are the ones who told us about
15 the funding.

16 MR. ELMORE: Yes, if you could verify that.
17 I've been paying attention to the budget and I haven't
18 seen the funds come into the Agency.

19 MR. SHARPE: Supposedly, she was given \$10
20 million additional.

21 MR. ELMORE: As I understood it, she requested
22 20. The Senate or House said 15, the other side said

1 10. In conference, they settled on 10. She had to
2 present a plan to the committees. That's what has been
3 presented to those committees. Until there is some
4 response, and if there is a response, I'd be interested
5 in knowing, too. As far as I know, the funds have not
6 been allocated to the Agency.

7 MR. WHITE: At the last meeting, and I don't
8 know if this is the right time, but since we're talking
9 about money, the Chief of Staff came in and her
10 assistant brought up the fact, very proudly, by the
11 way, that they found another \$1 million, and they were
12 earmarking it for a women veterans' entrepreneurial
13 program.

14 I looked at your guy who was sitting in the
15 meeting, and I said do you know anything about this,
16 and he said I haven't heard of this. We didn't chew
17 them up at the time because I didn't think it was
18 really appropriate. I was like steam coming out of my
19 ears.

20 We talked about it after the fact and said we
21 felt strongly there shouldn't be -- veterans are
22 veterans. Even women brought this up, this was not

1 right. The fact that we are the Veterans' Advisory
2 Board, do you think this is good use of it, that might
3 have been a nice question to ask us.

4 It sounded like it was a done deal. There was
5 nothing up for administering it, who was going to run
6 it, who was going to manage it, where it was going to
7 go. It wasn't under your office.

8 Have you heard anything about this?

9 MR. ELMORE: That's part of that same \$10
10 million.

11 MR. WHITE: She got \$1 million that was
12 already earmarked for a women veterans' entrepreneurial
13 program.

14 MR. ELMORE: There were three parts of the
15 plan that I saw when I came back from my emergency
16 leave with my family stuff at home.

17 I saw a plan. I concurred with some of it. I
18 didn't concur with other parts of it. I was pretty
19 clear about that. Part of that plan was a women
20 veterans' entrepreneurial program. Part of that plan
21 was a targeted initiative to Reserves and Guard and
22 their families, and part of it was a third part that I

1 won't get into detail on that I didn't agree with.

2 I expressed that. I thought there were better
3 ways to allocate some of those funds and I suggested
4 that we have more focus on service disabled veterans.
5 I got some push back on that, and it's not my final
6 decision. It's the Administrator's.

7 I can't tell you in detail what has gone to
8 the Hill because I haven't seen it.

9 MR. LINSKOTT: I think we should probably make
10 a note to come back to this at some point. I would
11 like to follow up as a Committee.

12 If I understand, and Joe, you might be able to
13 help me on this, the legislation that came down for the
14 \$10 million stated -- it had a comment or requirement
15 that they could have \$10 million provided they did
16 something, the Administration and the SBA did something
17 for veterans. Is that how you guys remembered it?

18 MR. WHITE: I think the whole thing was
19 targeted for veterans.

20 MR. ELMORE: It was actually three initiatives
21 the Administrator suggested, some additional veterans'
22 work, something around what she called "clusters." A

1 third piece that had something to do with building out
2 some sort of Reserve capacity. I was never entirely
3 clear. I was never briefed about that part of it.

4 MR. LINSKOTT: One of our issues as a
5 Committee, as I recall, was the legislation had a
6 requirement to do something for veterans in this \$10
7 million, and nobody on the veterans' business side of
8 the SBA was advised at all, or even solicited a
9 suggestion as far as I'm aware.

10 MR. ELMORE: It wasn't as straightforward as
11 that. There had been discussions prior to that plan
12 being assembled, but then I went out of town.
13 Actually, one was a short vacation and the other was
14 emergency leave. The plan was finished while I was out
15 of town.

16 When I came back, that's when I was asked to
17 review it. I did. I didn't concur with all of it. I
18 stated that pretty clearly.

19 MR. LINSKOTT: At the end of the last meeting,
20 we had voiced to the Administrator -- who was the gal
21 that came down that runs the Women's Entrepreneurial
22 Division? Real nice lady.

1 MR. ELMORE: Ana Harvey.

2 MR. LINSCOTT: She came in the next day and
3 said she didn't know if she was going to administer the
4 extra money. Did we end up with a recommendation for a
5 women's veterans' entrepreneurial program or did we
6 not?

7 MR. WHITE: No, we did not. We recommended it
8 not be, that the money go into --

9 MR. LINSCOTT: I'm asking Bill. What did the
10 Administrator do after we made our recommendation?
11 What went forward for use of the money?

12 MR. ELMORE: I actually don't know.

13 MR. LINSCOTT: No feedback has been provided?

14 MR. ELMORE: I had a couple of follow up
15 meetings with the Chief of Staff where we reiterated
16 the same point that the Advisory Committee had made,
17 and I did an internal memo expressing the parts of the
18 plan that I supported and expressing the parts of the
19 plan that I didn't support, and also with some
20 recommendations on how I would approach it, if some of
21 those funds were allocated for a different purpose.

22 What ultimately went to the Hill, I have not

1 seen. What ultimately the Hill says back, I'm still
2 waiting to see.

3 MR. LINSKOTT: Is it inappropriate for us to
4 get a copy of that this week, some point today or
5 tomorrow?

6 MR. ELMORE: I think we could certainly do a
7 request, I would suggest to the Chief of Staff.

8 MR. LINSKOTT: I would like to know what they
9 put forward. We had our recommendation. I'd like to
10 know how that recommendation was -- we provided
11 advisory capacity and I'd like to see what the outcome
12 of our advisory was, while we are here.

13 We can provide another advisory capacity at
14 the end of this process. Is that what you were talking
15 about, Joe? The \$10 million and all that?

16 MR. SHARPE: Yes.

17 MR. LINSKOTT: Thanks for bringing that up.

18 MR. SHARPE: We were told to be sure not to
19 let that go, that they had allocated the money and we
20 needed to stay on it to make sure we got our portion.

21 MR. ELMORE: I'll take a request up to the
22 Chief of Staff's Office this morning.

1 MR. LINSCOTT: Okay.

2 MR. ELMORE: Any other questions at this point
3 about the veterans' outreach centers?

4 MR. LINSCOTT: Just a comment. Is it Tim?
5 Tim Wheeler asked about Alaska. I was looking through
6 this handout. If you go to the last page, Region X,
7 which is based in Seattle, covers Washington, Alaska,
8 Idaho and Oregon, and Meegan Kauffman is the point of
9 contact for Alaska.

10 MR. WHEELER: Thank you.

11 MR. LINSCOTT: Thank you. It's our Region X.

12 MR. ELMORE: There is no center in Alaska.
13 There's ten SBDCs that have a veterans' specific
14 program but none of those are Alaska, and then we have
15 our 16 centers as well.

16 MR. WHITE: But you can see Russia from there.

17 MR. ELMORE: Let me move on to the district
18 office outreach. Most of you that have been on the
19 Committee know about this. It's basically a competitive
20 process where we take operating funds out of my office
21 and we let district offices put local plans together on
22 how they are going to reach into the veteran/disabled

1 veteran reservist community.

2 It has always been, I think, a successful
3 outreach effort for the Agency. It's never been very
4 well funded, mostly because it comes out of my
5 operating budget.

6 This year for the first time we went over
7 \$100,000 and we have 32 district offices this year that
8 put plans together.

9 I can tell you last year that the district
10 office outreach that was conducted by 26 offices
11 reached somewhere in the range of 70,000 veterans and
12 reservists. They do a lot of collaborative work. It's
13 a nice little program that I'm actually pretty proud
14 of. I'm hoping, and this has always been the thinking
15 behind it, and I think John Garcia would be a good
16 example, this started with New Mexico four to six years
17 ago with you guys and Mr. Woosley down there. It
18 helped lay the groundwork for the state's involvement
19 in veteran entrepreneurship leading ultimately to your
20 veterans' business center that has now been funded by
21 SBA as well as the State of New Mexico.

22 The whole idea behind it was to develop local

1 effort, initiative and coordination because what I know
2 is most veterans don't know much about SBA, and much of
3 the veteran serving community doesn't know a lot about
4 SBA local services.

5 MR. GARCIA: And vice versa. SBA doesn't know
6 anything about veteran services.

7 MR. ELMORE: Exactly. You're right. Most of
8 SBA doesn't have a clue about military service and how
9 to reach it, how to reach those men and women and their
10 families and the whole side of the military world.

11 MR. LINSOTT: Bill, can you define for me a
12 "district office," so I have a better feel for what
13 that is.

14 MR. ELMORE: Yes. Think of it as a really
15 small version of a VA regional office. We have 68
16 district offices where we have a district director,
17 typically no less than one district office per state.
18 Some states have more than one district office.

19 A typical district office might have 15
20 employees, and those employees are --

21 MR. LINSOTT: An SBA district office?

22 MR. ELMORE: Yes. This isn't a veterans'

1 district office.

2 MR. GARCIA: Every state, like in my state,
3 have a SBA district office. Every state. Within the
4 five state region, the region I'm in, and this is
5 things I'm learning, there are five states, each state
6 has a district office. Every district office is
7 supposed to have a veteran coordinator, but he or she
8 is also wearing ten other hats, and in many cases,
9 sometimes has no clue who the veteran community is.

10 MR. LINSKOTT: I understood that. These are
11 not veteran styled district offices?

12 MR. GARCIA: No.

13 MR. ELMORE: No.

14 MR. LINSKOTT: This is just our standard
15 thing, downtown Portland, that big Jim Steiner, who is
16 also the management information system for a whole big
17 office, to do some veteran work --

18 MR. GARCIA: A guy like that, that is supposed
19 to go to the veterans' service groups. The one big
20 weakness that I see, and this is what I recommended to
21 your new regional director, and I had a chance to talk
22 to your Administrator last night, I think you had it

1 before, but you should have a veterans' regional
2 coordinator who can work within my five state region of
3 the SBA and coordinate with my regional directors for
4 veterans' business development, if they're serious
5 about it.

6 MR. ELMORE: Let me suggest because, John,
7 you're right, historically the Agency had regional
8 veterans' affairs officers. The down and dirty of SBA
9 is we don't have the capacity to do nearly all the
10 things we should be doing, and that includes veterans.

11 We have 2,100 employees to do the whole
12 country, which is why you have district offices.

13 MR. GARCIA: Getting serious about a task
14 force for veterans --

15 MR. ELMORE: That's why I wanted to go to that
16 point. I think that's one of the recommendations that
17 you all should talk through. That's the sort of
18 recommendation that could be made by that task force,
19 and that's the whole purpose behind this next day and a
20 half or two days here, to work through that Executive
21 Order and begin to develop from the Committee's
22 perspective what you think that task force should

1 consider.

2 MR. GARCIA: I guess my only comment, Bill, to
3 that would be how serious do they take this Committee's
4 recommendations. Some of the recommendations we have
5 made, where are they and how serious are they taking
6 them.

7 MR. ELMORE: I think they take them as serious
8 as any other advisory committee. I think the
9 difference is there's an Executive Order now. If we
10 create a record of the Committee's recommendations, I
11 think that task force is going to have to at least
12 address those recommendations. I don't know that for a
13 fact.

14 To me, I think this is a prime opportunity for
15 our community in realistic ways to shape going forward
16 for where are the next steps. I don't disagree with
17 you on the regional veterans' affairs officers. I've
18 asked for that staff now in my ten years here probably
19 three or four times officially, and I've never gotten
20 them.

21 The Agency is going to have to go to Congress,
22 through OMB, and request additional slots. That is

1 sort of where that's going to end up being decided.

2 OMB is going to be on this task force.

3 MR. GARCIA: I can tell you what might be of
4 interest, I met with your new regional director from
5 where I'm at, which is Oklahoma, Kansas, Arkansas, New
6 Mexico and Texas. What we are agreeing to do and she
7 agreed to support it, is a regional veterans' business
8 conference.

9 I'm going to bring in all five state
10 directors, all of my five counterparts, and we are
11 going to do a regional veterans' business conference
12 with your regional director there and kind of just test
13 the waters. I think I can bring vets from all those
14 five states in with your guys and get them excited
15 about what we can do.

16 I'm going to need this office's support for
17 that.

18 MR. ELMORE: We will certainly support it
19 internally and any of those district offices in this
20 little program we provided funds to, just talk to me
21 off the record upstairs and I will get you a list of
22 who those district offices are.

1 MR. GARCIA: The only reason is to plant the
2 seed. There is a need for a regional director to
3 oversee and look at these things. If you are going to
4 put a veterans' business resource office in different
5 states, you're going to need somebody to help
6 coordinate and make sure it's working.

7 MR. ELMORE: Yes.

8 MR. GARCIA: Otherwise, it's going to fall
9 apart.

10 MR. ELMORE: Yes, I don't disagree.

11 MR. SHARPE: What state are you in, New
12 Mexico?

13 MR. GARCIA: New Mexico.

14 MR. ELMORE: Any other discussion on our
15 district office outreach?

16 (No response.)

17 MR. ELMORE: I'll move on to EBV, the
18 entrepreneur boot camp for veterans with disabilities.
19 You all know about that. It's operating in six
20 campuses. It's in the briefing.

21 Probably the one big difference between now
22 and the last time you met is they now have a

1 significant partnership with Pepsico. Pepsico has
2 joined with them on a green initiative, and it's a
3 whole recycling thing about Pepsi and other plastic
4 products. They have pledged at least half a million
5 dollars a year to the program, Pepsi-Cola has, for the
6 next three years, to help that program grow and
7 continue to do the good work it does.

8 I can't tell you how many more colleges and
9 universities the program may grow to, that's not my
10 call. In fact, very specifically in our agreement with
11 the EBV program, Syracuse University is the consortium,
12 explicitly gave them the authority to determine what
13 campuses they expand to and what customers they accept
14 into their program.

15 I wanted to minimize our political
16 interference, and I saw it happen as soon as we
17 announced the agreement. I had SBDCs from some states
18 contact me and say we want to be in this program. It
19 wasn't up to us to determine the Syracuse University
20 program locations because they pick not based on SBDC
21 status. They pick based on the quality and the
22 commitment of the business school or the

1 entrepreneurial center at those various universities.

2 I didn't want to interfere in their selection
3 process. They have done good so far. I think that's
4 their arena.

5 That's where EBV is. As you will see in the
6 briefing, not only do we present it, those training
7 programs, and I present basically an overview of
8 disabled veterans' procurement, SBA programs and
9 services, and a little bit of the history of veterans'
10 entrepreneurship to those chosen veterans.

11 We also have the opportunity through all those
12 at the district office level to refer veterans for
13 consideration in the program and EBV agreed that any
14 veterans including those selected and those not
15 selected get referred back to SBA for additional
16 services because they have more candidates than they
17 have slots.

18 I wanted to make sure that those candidates
19 who aren't chosen especially know about and are
20 referred back to local services. That is part of the
21 EBV program.

22 MR. SALDANA: Has EBV been successful in

1 meeting a good percentage of qualifications for the
2 applications that have been submitted?

3 MR. ELMORE: I think they are.

4 MR. SALDANA: In line with June, next month.

5 MR. ELMORE: It's becoming a cyclical kind of
6 program. There is a deadline for when you can apply
7 based on when the actual localized training parts of
8 the program are scheduled. For example, I'm going down
9 to Florida State University on June 12 to make a
10 presentation.

11 They were already selected. They have already
12 gone through the preliminary on-line part of the
13 program, and then they will go through the actual boot
14 camp part, I think it's nine or ten days at Florida
15 State, and then they will also have the ongoing
16 mentoring afterwards.

17 MR. SALDANA: Veterans are responding?

18 MR. ELMORE: Yes. I think one of the reasons
19 the University was excited about the Pepsi-Cola
20 relationship is not just the funding, but it also helps
21 promote the availability of the program.

22 To me, and I've shared this with you before,

1 there's a strategy that I'm thinking about here. The
2 one criticism for the EBV program is it's only at six
3 universities and only about 150 veterans a year can go
4 through it. I understand that's a limitation.

5 What I also understand from all my years of
6 doing this work is that in the aftermath of Vietnam,
7 military veterans on campus became a pretty foreign
8 object. What EBV has done is it is awakening
9 universities around the idea of not just veterans on
10 campus but veterans' entrepreneurship training programs
11 on campus.

12 Oklahoma State University is now doing an EBV
13 kind of program but it's not in the EBV program. They
14 created this same model outside of that consortium.
15 There have been two or three other universities that
16 have also done this, one in Georgia, one in Florida,
17 and there was originally some program activity in Maine
18 as well. Those are the ones I know about.

19 The real point is EBV is a door opener. It is
20 an awakening, I think, of what's happening on campuses,
21 about the value of veterans as entrepreneurs where
22 those campuses have entrepreneur programs.

1 MR. WHITE: Would they be willing to share a
2 lot of their information, a lot of the things that make
3 that such a special program? With some of the small
4 business development centers, some of the universities,
5 they may want to do something like that but it takes
6 that special element that they built into this program,
7 of not taking somebody because you could pick up an
8 extra ten grand this year on a workshop, that they are
9 top of the line and very committed, and it's a pretty
10 big commitment and a lot of money for them.

11 It's not a 12 hour workshop and good luck.
12 It's very in depth, complete mentoring, the whole deal.
13 They can build on this. Maybe this goes back a little
14 bit where you could find out where all these other
15 resources were, but then you can take those small
16 business development centers that are vying for special
17 veterans' initiatives and getting extra money every
18 year on that, maybe they can't do the same thing but
19 they could take some of the better pieces that they
20 could make work.

21 MR. ELMORE: Part of the agreement with EBV is
22 they will make presentations when we request them to.

1 If the small business development centers ask for
2 somebody from Syracuse to come make a presentation at
3 their annual conference about the program, what it
4 looks like and how it operates, they will do that.

5 MR. WHITE: The national small business
6 development center meetings, something like that. Have
7 a break out session. Those of you that are interested
8 in assisting veterans, especially service disabled
9 veterans in entrepreneurship, we have the premiere
10 dudes that are coming.

11 MR. ELMORE: If you understand how we have
12 tried to work this inside, what we have already done
13 is -- Steve is one of the guys who has done this -- we
14 both created training programs now, 15/20 years ago.

15 MR. WHITE: Feels like a hundred.

16 MR. ELMORE: Yes, it feels like a hundred.
17 The EBV program is arguably a 21st Century version of
18 that. What I've done is I've revised the SBDC program
19 agreement with SBA, so that each state SBDC is supposed
20 to do a veterans entrepreneurial training program.
21 It's in their agreement with the Agency.

22 Eight years ago, we took the old vet model

1 from the 1980s and with a contract with Pat Heavey
2 before he set his center up through his foundation, he
3 and James Snyder, who also was involved in the St.
4 Louis vet program, updated that model.

5 We have sent out hundreds and hundreds of CD
6 copies of the vet program as well as paper copies, to
7 try to encourage those SBDCs to do exactly what you're
8 saying.

9 There has not yet been anything I've done
10 internally to try to take the EBV program in front of
11 the SBDC system other than at the headquarters level
12 where I was involved with what we call Entrepreneurial
13 Development, who manages that program inside the
14 Agency, just like the women's program is in that same
15 office.

16 They were with me as we sat down and started
17 this dialogue with EBV that led to our agreement. They
18 understand, in fact, the women's entrepreneurial
19 training piece that was referenced earlier is based to
20 some degree on that EBV model.

21 I'm trying to use the model internally to
22 educate some of those same program offices that really

1 don't know our community very well.

2 MR. GARCIA: What we did seemed to work for us
3 anyway. We did a Memorandum of Understanding with the
4 small business development centers. They do
5 entrepreneurial training for us. That works. You
6 might check with Roy Miller down there. It works for
7 us.

8 MR. ELMORE: Let me suggest, there are two or
9 three things that you have already referenced here that
10 I think are perfect for the kind of recommendations to
11 take to this task force.

12 I have suggested and I have written into the
13 agreements but I can't oversee the small business
14 development center program, the idea they should have a
15 written agreement with their state Department of
16 Veterans' Affairs, is one. I think it's best practice.

17 The truth is there is just so much I can do
18 without these other good ideas where things are
19 happening being presented not just to me but ultimately
20 to the decision makers inside the Administration.

21 I would hope, Mr. Chairman, one of the things
22 you might do today is chronicle all the things you want

1 to begin to build into your recommendations for the
2 Executive Order on the Vets' Task Force.

3 MR. LINSOTT: Okay.

4 MR. ELMORE: Anything else on EBV?

5 MR. WHEELER: I have one question. This
6 program is eligible for disabled veterans that served
7 after September 11. Will it be an open program for
8 people that served before September 11 but are still
9 disabled vets?

10 MR. ELMORE: No. It is specific to that.
11 I'll explain to you why they took the approach they
12 did. The agreement we have with EBV does not pay for
13 the program. Our agreement pays for the management of
14 the consortium of the six universities. They have now
15 a centralized selection process, for example.

16 The program itself is scholarship for all
17 those veterans that are chosen. The scholarship, which
18 is pretty significant, it ranges anywhere from \$125,000
19 to \$250,000 a year per campus, those scholarships are
20 paid entirely by the alumni of the universities.

21 I think the strategy was at Syracuse when it
22 was started now four years ago start with the disabled

1 veterans from Iraq and Afghanistan, and use that not in
2 a crass way, but use that to appeal to the alumni
3 community of those universities to not only provide the
4 funds but also ultimately -- Tony, welcome. Sit down,
5 please. Introduce yourself.

6 MR. EILAND: I'm Tony Eiland. I'm with GSA.

7 PARTICIPANT: I've never met you before. Who
8 are you, sir?

9 MR. EILAND: You're going to know me real
10 good.

11 (Laughter.)

12 MR. ELMORE: If there is a strategy and plan,
13 I don't want to speak to the universities here, but in
14 my discussions with them, they understand the basic
15 limitation of only disabled veterans since 9/11, but I
16 also think they understand that over time, their hope
17 is this program will grow out, and it won't just be
18 service disabled vets from these two wars, that it may
19 extend to other disabled vets. It may extend to
20 Reserves and Guard and their families.

21 In fact, I know they are working on a model
22 now that will provide the same kind of program to

1 Reserves and Guard members and their spouses. They
2 intend to broaden this out beyond what they're doing
3 right now.

4 My agreement specifically is to support the
5 consortium of the six universities in the EBV program.

6 MR. WHEELER: Thank you.

7 MR. ELMORE: Anything else?

8 (No response.)

9 MR. ELMORE: Let me do a couple of other quick
10 things. The Administrator's Office -- let me back up.
11 In February 2008, Public Law 110-186 that created this
12 as a permanent committee, for example, told us to
13 expand the number of veteran business outreach centers
14 and some other things, but also directed us as an
15 Agency to conduct a study on gaps in the eligibility of
16 veterans' business outreach centers.

17 As soon as that was signed into law in
18 February of 2008, I began requesting funds to conduct
19 that study. Not actually to conduct it but to pay for
20 the conduct of that study. It is supposed to be an
21 independent study based on the statute.

22 This Administration just in the last couple of

1 months allocated the funds to my office for that study.

2 There is actually a meeting today with our Office of
3 Policy because we are going to use one of their
4 existing contractors, and we hope that study will be
5 completed perhaps by the end of this fiscal year.

6 The good news is that study is going to
7 happen. I don't think there is any bad news on that
8 other than I couldn't conduct it and I am not -- I made
9 a decision, you guys should know this because somebody
10 will probably complain.

11 I made a decision not to go out for a
12 solicitation for a service disabled veteran's small
13 business to conduct the study, mostly because of the
14 time constraints to try to get this study done.

15 I want to get this study done if possible in
16 time for input to this task force. If I had gone out
17 with a solicitation, it may have drug the time out too
18 far to get the study completed in time for the task
19 force to consider.

20 There is no sunset on this task force. If you
21 read the Executive Order, the only thing that seems to
22 go to any sort of a time frame is that the task force

1 has to produce a report to the President within one
2 year of the first meeting.

3 Back to the real point. This study is about
4 to start. We have now had a series of meetings with
5 the contractor who is already an existing small
6 business research contractor with our Office of Policy.
7 We have agreed on the price. We have agreed on the
8 basic content of the study they are going to produce.

9 In the simplest form, we are going to look at
10 the geographic and service delivery gaps in the vet
11 business outreach centers, and by statute, they are
12 going to come up with some suggestions on how we can
13 better coordinate and collaborate that system to do a
14 better job.

15 It may or may not produce what I hope it will
16 produce, but that's going to be up to the researchers.
17 What I told them is I want them to focus on what is
18 best for our community, not what's best for my programs
19 in my office.

20 I expect when it's all said and done, this
21 idea of more collaboration between SBDCs and vet
22 business centers and women's centers and so on will be

1 part of what they will find.

2 I am hoping if that's the case, that will
3 reinforce building a more cooperative approach, not
4 just across SBA but with some of our other partners
5 including VA and probably DOD and DOL.

6 Any quick questions on the study? It's just
7 good news that it's actually going to happen.

8 (No response.)

9 MR. ELMORE: When he comes back, you can talk
10 to him about this if you like. Most of you know, I
11 have one staff person who is responsible for training
12 the entire small business community of service disabled
13 vets, and also all the Federal contracting officers, of
14 which there is between 30,000 and 70,000.

15 We started him training what he knows how
16 to do, and last year, and the numbers are in your
17 report, he provided training to more than 2,000 service
18 disabled vets and he provided training to 290
19 contracting officers from five different agencies.

20 I can't take credit for why we think we
21 have achieved at this point about two percent in
22 disabled vet contracting in 2009 data, but I think he

1 has been a big part of that, and the strategy that he's
2 used in addition to the training is that we challenge
3 every disabled vet that we train to help train other
4 disabled vets.

5 You have heard this before, he has created
6 what we call the "flip letter" and some basic processes
7 and documents that disabled vets have to get up to
8 speed on so they can then deal with the contracting
9 officials in an effective way.

10 It seems to be working.

11 MR. SHARPE: He is the only one that's going
12 out and doing this training?

13 MR. ELMORE: Yes, right now, in my office.
14 Our GCBD Office provides training to their PCRs,
15 procurement center representatives, of which there are
16 about 60. He has been part of that training. We
17 don't functionally oversee those PCRs and the PCRS are
18 interested in all the procurement programs, not just
19 ours.

20 MR. SHARPE: How many individuals did he
21 train last year?

22 MR. ELMORE: Over 2,000. We can get an exact

1 number. I have it upstairs.

2 MR. SHARPE: How many did the other 60 PCRs
3 individually train?

4 MR. ELMORE: I honestly don't know.

5 MR. SHARPE: Is there any way to get that
6 information?

7 MR. ELMORE: We can certainly ask for it.

8 MR. SALDANA: Where does this training take
9 place?

10 MR. ELMORE: Most of the training -- this is
11 kind of where things are going. The training really
12 started primarily here and at some of the national
13 conferences, for example, the Legion for the last three
14 years/four years every year has been putting a more
15 robust veterans' small business component in its
16 national convention.

17 MR. SHARPE: And the Washington conference.

18 MR. ELMORE: Yes, the conference usually in
19 February here in Washington. At each of those
20 conferences, I usually go and present to the Economic
21 Commission, and he goes and does a training piece
22 that's part of a broader small business effort that the

1 Legion puts together.

2 There are events like that where we might
3 train 100 guys, and then there is a lot of individual
4 training that has gone on inside the building.

5 He literally every day has disabled vet
6 small business owners, sometimes more than one of them,
7 coming in, sitting in his office, and he walks them
8 through about a two hour training process.

9 There is good and bad in this because he also
10 takes them on and kind of mentors them through the
11 system. He is at a scale now, he has so many vets that
12 he's working with, that it's growing beyond his ability
13 to keep up.

14 I have challenged him to understand and figure
15 out how to systematize this. The good side of
16 systematizing is we can provide the detailed
17 information to any number of disabled vets pretty
18 easily, but if they don't get that hands on face time,
19 it's almost a mentoring process about how do you engage
20 with a contracting officer.

21 That's what his background is. He was a
22 contracting officer. He does it from that perspective.

1 Here's what you have to do with that contracting
2 officer to succeed.

3 If you don't get that sort of face time
4 with him, or somebody like him, the likelihood you can
5 take the tools, the flip letter and the knowledge and
6 so on and use it effectively is diminished.

7 That takes us to what I internally call "the
8 Brigade." All of these disabled vets that he's been
9 training, he challenges them to turn around and help
10 other disabled veterans learn the same techniques and
11 use the same tools. It is sort of circumstantial but
12 it is how stuff works.

13 A couple of weeks ago, he went down to
14 Norfolk, Virginia. There is sort of a committee of
15 disabled vets small business owners down there that
16 asked him to come down because people hear about this
17 training now and ask him.

18 He went down and trained them. They got so
19 enthusiastic about it, that now some of their members
20 that are part of the Navy League, I think it is,
21 working to set up what will become an on-line training
22 system around the country in a number of locations,

1 where they are going to have their members go out and
2 coalesce other disabled vets into functional groups, to
3 not only go through the training but also to take on
4 some of that sort of hand holding part of this, the
5 mentoring, here's not just the tools, here's how you do
6 it. Here's what you have to be prepared to respond to
7 and here's what you have to tell the contracting
8 officer, and here's how you engage with them.

9 If you just go in demanding stuff, it's likely
10 it is not going to work. If you go in working with
11 them, you can make this happen.

12 We are sort of organically growing that
13 direction. The biggest challenge is to take an old
14 dog like him, and I say that with all reverence, and
15 teach him how to use the new tricks, i.e., the
16 Internet, whether it's a webcast or some on-line
17 system, whatever it might be, so we can reach more
18 disabled veterans with these tools and techniques.

19 MR. SALDANA: You don't turn away veterans?

20 MR. ELMORE: No, absolutely not. It's an
21 interesting point. Let me step aside. I think one of
22 the things that I'm hoping the Executive Order Task

1 Force -- I keep going back to that -- I'm hoping one of
2 the things this Committee will consider is making a
3 recommendation or at least explore making a
4 recommendation that there be a procurement goal
5 established for veterans.

6 MR. GARCIA: I'd like to add to that. I think
7 one of the recommendations should be that within each
8 region if not each state, with the SBDCs, the SBDCs
9 assign to each veterans' business resource office a
10 veterans' procurement technical assistance specialist.

11 MR. ELMORE: I would support that. John,
12 thank you. As usual, you are very insightful. You're
13 really doing the work out there. You're not just
14 making stuff up. Thank you.

15 As an aside, that kind of fits with the
16 direction the Administration wants to go, which is make
17 the SBDCs and chapters and women's business centers
18 more veteran friendly. That's a big challenge. Most
19 of those people never served.

20 MR. GARCIA: What you can do is get the SBDCs
21 that are hiring PTACs to hire a PTAC specialist, make
22 them a veterans' PTAC specialist and assign that person

1 over to the veterans' business resource office, and it
2 doesn't cost that office anything, because he's already
3 employed by the SBDC. They can assign them over there.
4 That office will have their own in-house veterans'
5 PTAC. I think it will work.

6 MR. ELMORE: The more we build out local
7 expertise that our vets can go to, the better the whole
8 thing is going to work.

9 Back to the broader point, I thought back in
10 1999 when we got the law passed, that it was a
11 strategic mistake then to only have a goal for service
12 disabled veterans. I've said publicly, I've said in
13 testimony and since I've been in this job, I would put
14 service disabled veterans first, but I would have
15 veterans a very close second.

16 I thought it was a mistake to exclude 85 or 90
17 percent of our community. I think it has weakened our
18 efforts at the Federal level, instead of having 17,000
19 disabled vets in CCR, and that's where all the focus
20 is, we should have focus on all 67,000 veterans and
21 disabled veterans in CCR.

22 I don't think of this as an earned entitlement

1 or benefit. I think of this as a community that can be
2 and should be and arguably will become the best
3 contractors to Government that are available.

4 MR. GARCIA: I'm sure you have a report of all
5 these things that you know should happen based on your
6 experience.

7 MR. ELMORE: Yes.

8 MR. GARCIA: Have you put a report out of all
9 those needs? We are all just agreeing with what you're
10 already saying. Have you done that, that maybe you
11 give that to us and we endorse that? I'm hearing what
12 you are saying. We all are. Then we are going hey,
13 that's something that should be on that.

14 You already know that. Why don't you say
15 look, here's what has to happen, and we endorse that.

16 MR. WHITE: I think that's a great idea. We
17 can take that, send it to everybody, and fill in our
18 own blanks, and turn that into an agreed upon
19 recommendation sheet.

20 MR. GARCIA: You've been at this thing for ten
21 years, Bill. We're all on the same page with you.
22 Rather than going around the back door, just lay it

1 out, and we will endorse it. Let's go for it. Saves
2 us time.

3 MR. SALDANA: I'm sure this Committee has
4 already made the observation the Presidential
5 Memorandum mentions veterans, although the focus is to
6 improve contracting opportunities for all small
7 businesses. In that regard, it includes
8 veterans -- I'm sorry -- it includes service disabled
9 veterans, but it doesn't mention veterans.

10 I don't know how you are going to deal with
11 that, since it's already an Executive Order, whether
12 you can go back and say hey, this should include
13 veterans also.

14 MR. ELMORE: There are two Orders. One is the
15 Executive Order. The other is the Presidential
16 Memorandum.

17 The Executive Order references veterans and
18 service disabled veterans in trying to achieve the
19 pre-established Federal procurement goals. The trouble
20 with veterans -- John, I'll get back to your point in a
21 minute -- the trouble with veterans is there is no
22 numerical goal.

1 The way it was interpreted back in 2000 and
2 2001 was that there is a best efforts for veteran owned
3 small businesses at the subcontracting level. I
4 disagreed with that interpretation with FAR, and
5 actually so did Congressional Affairs when I first got
6 here, and we argued that point, but we lost that point.

7 We thought there was at least a best effort
8 clause at the prime and subcontracting level. The way
9 it sits now, it is only at the subcontracting level.

10 Aside from that, what Congress didn't do was
11 they didn't establish a numerical goal. As weak as
12 having a three percent goal for disabled vets is, we
13 are even weaker I would argue on the veterans' side
14 because there is not even a numerical goal that you can
15 target and you can bring political heat bluntly to
16 agencies who aren't achieving it.

17 John, back to your point. The challenge for
18 me is to somehow figure out how to download all this
19 stuff and the bigger challenge is to find the time to
20 do that.

21 What happens, and I suspect this may be
22 similar to where you're at with your job, you get so

1 overrun with the day to day details and administrative
2 process, personal business commitment plans, a thousand
3 other things that they fill your time up when you're a
4 bureaucrat, how do you find time to sit down and
5 download.

6 This is the true confession, during the
7 previous Administration, if I talked honestly about the
8 things we should do, I was told to sit down and shut
9 up.

10 I haven't been told to sit down and shut up
11 yet by this Administration, but I may at some point.

12 I will take your challenge and I will begin.
13 I've started doing this in writing. I haven't done it
14 where I can share it with people.

15 If you all will work through these six points
16 that are in this Executive Order, I will do the same.
17 I will develop a series of bulleted either suggestions,
18 thoughts or recommendations on those six points, and I
19 will provide them to the Committee.

20 Understand, and I ask this in all deference to
21 our external guests here, if I go outside the
22 administrative process that the Agency thinks it has in

1 place and that OMB has in place, et cetera, and make
2 recommendations that come back that the Agency doesn't
3 agree with, I'm putting myself at risk. That's okay.

4 MR. WHITE: You don't have to.

5 MR. ELMORE: I don't mind putting myself at
6 risk because I came to this job knowing that risk.

7 MR. GARCIA: You don't have to, if you say
8 this is what the Committee is telling me to report to
9 you.

10 MR. ELMORE: I'll make that commitment. I'll
11 begin working through each of those six areas and I'll
12 start bulleting out the things that I know that are
13 tried, that work, that haven't worked, that I think
14 should be considered.

15 MR. GARCIA: Let me get clear in my mind. You
16 are an one man shop?

17 MR. ELMORE: No, I have eight staff.

18 MR. GARCIA: Is there any discussion to
19 enhance your shop any or funnel all this stuff from
20 your shop or are they going to create a whole new
21 division or something?

22 MR. ELMORE: Those are questions I've asked

1 that I don't have a final answer for yet. One of the
2 steps I was told when this was being drafted, I was
3 told by folks in the Administration to go sit down with
4 the guy over at OPM that's doing the Fed's Hire Vets'
5 Executive Order for the Task Force, and to get some
6 recommendations from him, and I did that.

7 I picked up some of those recommendations and
8 I followed them to my senior leadership, and I don't
9 have an answer on those requests yet.

10 MR. GARCIA: One other question regarding this
11 Task Force stuff. Again, why isn't Commerce a player
12 in any of this?

13 MR. ELMORE: Do you want my honest opinion?

14 MR. GARCIA: Yes.

15 MR. ELMORE: I think the legislation was
16 poorly drafted. If I were going to sit down and design
17 this, I would have had Commerce, I might have had
18 Education in here, and I also would have included
19 Reserves and Guard very specifically in this Executive
20 Order, and you will note they are not included.

21 MR. GARCIA: It just makes sense. You just
22 talked about what's going on in Syracuse. Why isn't

1 Education involved in here, and Commerce, that's
2 business, international trade business development. As
3 Lupe Saldana knows, they have the Minority Business
4 Development Agency. They could be a big player in this
5 whole thing. I just don't understand that.

6 MR. ELMORE: When I was involved in helping
7 with what became the draft of the Executive Order, I
8 and others raised some of these points, but basically
9 what general counsel said was that --

10 MR. GARCIA: See, another general. See, when
11 you get a general involved.

12 MR. ELMORE: Yes, I'm laughing sort of.
13 General counsel basically said we're going to follow
14 the statute. General counsel just followed the law
15 literally is what they did.

16 What I was suggesting, which is again why I'm
17 bringing it up with the Committee, I think maybe for
18 the first time in my ten years, the Committee is in a
19 position to fly that high cover, which is how I think
20 of this.

21 I'm hopeful that the Committee would consider
22 recommending those kinds of agencies be added to this

1 Task Force, that Reserves and Guard and perhaps family
2 members be included in the purpose of this Task Force.

3 It's interesting. If you read the law, the
4 law is Reservists and Veterans' Small Business
5 Enhancement Act. The section that creates the Task
6 Force was silent on Reserves, Guard members and their
7 families.

8 Again, I thought the whole statute was
9 relatively poorly written, and could have been a little
10 more thoughtful on these kinds of things, but I think
11 that door is open.

12 I will tell you that I think the
13 Administration, depending on what level you're dealing
14 with, is open to input.

15 MR. GARCIA: The only thing I see, they are
16 going to have four representatives from veteran service
17 organizations or associations.

18 MR. ELMORE: Or military.

19 MR. GARCIA: There is really no private sector
20 anybody coming in here. It's all bureaucratic level
21 again.

22 MR. ELMORE: I can tell you in the history of

1 the legislation itself, at least as I recall, and Joe,
2 jump in if you know more about this than I do, that was
3 probably the most contentious difference between the
4 House and Senate versions, whether or not those four
5 external people were going to be involved because to
6 bureaucracy, that scares them. It becomes a FACA
7 committee. It's a different process to set it up,
8 different reporting, somebody has to cover the expense,
9 all that kind of thing.

10 In my discussions internally, what I have
11 expressed is you have 150 to 250 VSOs that are
12 recognized in various capacities around the country,
13 and you have four slots, that's just the VSOs, let
14 alone the military associations and organizations, so
15 how do you determine those four slots? As soon as you
16 pick four people, you have 196 other people that are
17 already angry.

18 In that sense, the way the law was written, I
19 thought it was poorly written.

20 I can tell you that at this point, I am
21 gathering names. Anybody that wants to make a
22 recommendation for one of those four slots can simply

1 forward that information to my office, and I will make
2 sure they are on the list that the Administrator sees,
3 and ultimately she's the determining person on who
4 occupies those four slots.

5 MR. SALDANA: The Presidential Memorandum
6 calls for about 18 members of the Task Force, and they
7 are all Secretaries, whereas the Executive Order calls
8 for seven agency representatives, appointed officials.
9 It doesn't call for the department secretaries.

10 MR. ELMORE: It's based on the statute.
11 Basically, it mirrors what the law said to do.
12 Remember, I told you earlier, the previous
13 Administration, the Bush Administration, chose not to
14 implement this part of the law. They simply didn't
15 take any steps before they finally left office. I
16 think there is some credit due to the new
17 Administration to finally pick this up.

18 We have been providing briefings since the
19 transition began now almost two years ago about this
20 responsibility to establish this Task Force.

21 I think probably, and I'm only guessing here,
22 I'm not an expert on White House process, but I think

1 part of why the contracting memoranda is not an
2 Executive Order is they probably wanted to
3 differentiate between an Executive Order that
4 implements the law compared to an Administrative
5 Memorandum from the President that directs all of his
6 Administration to do contracting.

7 In fact, it strikes me you have that
8 memorandum with all those agencies and all those
9 secretary levels talking about procurement including
10 disabled veterans, but on the other side, we have the
11 Veterans' Task Force that's talking about six areas,
12 only one of which is procurement.

13 MR. WHEELER: I'd like to bring something
14 forward to the Committee.

15 MR. LINSOTT: Are you going to be here for
16 the whole morning session?

17 MR. WHEELER: Yes.

18 MR. LINSOTT: Let me interject something
19 here. We are at a good break point. New topic coming
20 up. It's 10:23. The break was scheduled for 10:00.
21 Let's take our break. We will be back no later than
22 10:40. We will pick back up right where we left off.

1 (A brief recess was taken.)

2 MR. LINSCOTT: We are back in session. Where
3 we left off was Mr. Wheeler, a guest, had a question
4 for Mr. Elmore. Mr. Wheeler?

5 MR. WHEELER: I don't have a question. I just
6 want to bring something to the attention of the
7 Committee.

8 I moved up here from Anchorage, Alaska in
9 January, to the national level. In 2007, I was one of
10 the founders of the Alaskan Veteran Business Alliance.
11 We actually got some legislation through, myself and
12 another gentleman in Alaska, and it just finally passed
13 this year.

14 I don't want to blind side you. I just want
15 you to be aware of it. Alaska has just passed and we
16 requested Congressional oversight hearings to be held
17 up there, as to why this three percent has never been
18 met up there.

19 MR. GARCIA: Say that again.

20 MR. WHEELER: There was a piece of legislation
21 that just passed, and the Governor will be signing it
22 in a couple of weeks.

1 MR. GARCIA: At the state level?

2 MR. WHEELER: Yes. As to why the three
3 percent has never been achieved in Alaska. When I was
4 with the Alaska Veteran Business Alliance, we had been
5 to all these Federal agencies, and they just basically
6 pushed us out the door and said we meet our goals
7 nationwide. If you pull up the numbers, you know they
8 are not being met nationwide.

9 I just wanted to bring this forward to the
10 Committee so you are not blind sided with what Alaska
11 just passed.

12 MR. GARCIA: Are you saying the vets in Alaska
13 have no clue about this three percent?

14 MR. WHEELER: We knew about the three percent.
15 We already got pushed out by the Federal agencies every
16 time we walked through the doors.

17 MR. GARCIA: Do you guys work at all with your
18 Secretary of Veterans' Affairs for the state?

19 MR. WHEELER: We've gone within. We've gone
20 to the Governor's Office. We have gone to numerous
21 state legislatures. We finally had one legislature
22 that introduced this piece of legislation. We actually

1 had it passed, probably in April. The Governor should
2 be signing it in the second week of June.

3 MR. GARCIA: One of the things we should do,
4 and I said this to Felix, we need to get before the
5 NGA, the National Governors Association, to brief them
6 on what this Committee does, and make some
7 recommendations to them also.

8 Like your Governor, there are other Governors
9 that are in the same situation in other states, to get
10 it down to the grassroots level makes sense, I think.

11 MR. ELMORE: One of the interesting things
12 that has really happened but nobody has really led the
13 charge on is a number of states have done what Alaska
14 has done.

15 My home State of Missouri created a three
16 percent procurement preference for disabled veterans in
17 state contracting.

18 MR. WHEELER: Alaska just passed that also.

19 MR. ELMORE: They did this in Missouri almost
20 two years ago. It was never implemented. I was home
21 on leave in January and I drove to my State Capitol on
22 my dime and went up and talked to people on the

1 legislative side and on the administrative side.
2 They're aware now they have a law that they haven't
3 implemented. Up until then, nobody was paying any
4 attention, and now the vets themselves are starting to
5 get active.

6 The real point is there are about 20 states in
7 America that have done something. John is probably the
8 best example. Missouri is doing contracting and has a
9 special loan. New York is doing some stuff. Maryland
10 is doing some stuff, contracting and I think some
11 financing. Florida. Michigan. There are a number of
12 states that have taken steps, but nobody has really led
13 that charge across America to say here's the kind of
14 things that can be done.

15 The Census data we have from 2002 tells us
16 that disabled vets and vets see state and local
17 government -- more than twice the number of veterans
18 see state and local government as a market as compared
19 to those who see Federal as a market. There's interest
20 in doing that local work from the veterans themselves.

21 MR. WHEELER: Alaska did pass two pieces of
22 legislation in April, which both will be signed in

1 June, one is H.B. 24, which is a state procurement
2 preference of five percent, preference for all veteran
3 business owners in Alaska, but the preference shall not
4 exceed \$5,000, which they have problems with that in
5 Alaska.

6 You have the Resolution requesting the
7 Congressional oversight hearings, as to why 106-50 is
8 not being implemented.

9 I didn't want to blind side you, I just wanted
10 you to be aware.

11 MR. LINSKOTT: We appreciate that. To get
12 back to our agenda, on Bill's opening slides, does
13 anybody have any additional comments as we go into
14 that? I have a couple.

15 The next thing I want to do before we move
16 down the agenda is open it to the Committee right now
17 for old business.

18 AGENDA ITEM II - OLD BUSINESS

19 MR. LINSKOTT: John, you just brought up the
20 National Governors Association. That is an old
21 business issue that I think we need to re-address at
22 the conclusion of the meeting and our recommendations.

1 Anybody else?

2 MR. WHITE: We have been talking about access
3 to capital and financing, and I don't know where that
4 is going to fit into today's deal.

5 MR. LINSKOTT: It's next on our list as
6 improving access to capital.

7 MR. ELMORE: If you look at the Executive
8 Order, the first point in the Executive Order is to
9 talk through -- let me pull the language.

10 MR. LINSKOTT: Hang on, Bill, we will get into
11 that in just a second. Is that going to be our new
12 business, Bill, part of it?

13 MR. ELMORE: Yes, that would be new business.

14 MR. LINSKOTT: Access to capital for old, one
15 of the topics in your slide, and we will get into
16 access to capital in just a second, one of the things
17 in your slide, Bill, was 25 loans in 2009. All these
18 Reservists and active duty members on deployment and we
19 only had 25 successful assistance packages?

20 Do we have the data for how many applicants of
21 the 25 successful loans?

22 MR. ELMORE: I don't have the data here. I

1 have it upstairs. I get it periodically. About 60
2 plus percent of the loan applications are approved,
3 which is above our average for regular disaster loans.

4 MR. LINSKOTT: Sixty percent, 25 approved.
5 There are 75 Reservists who thought they might have
6 been damaged?

7 MR. ELMORE: There might have been 40. I
8 think I have that number but I'd have to go back and
9 find the report.

10 MR. SHARPE: It sounds like a large number
11 probably didn't know about the program.

12 MR. LINSKOTT: Yes, didn't know it exists.
13 That is something we have to bring back up at the end
14 of this meeting in our recommendations.

15 MR. WHITE: Even if you look at the Patriot
16 loans, the Express loan initiative, 5,700 loans
17 nationwide. How many people come back every year?
18 300,000?

19 MR. ELMORE: Yes, 300,000 approximately each
20 year.

21 MR. WHITE: Total financial assistance to
22 veterans for all loan programs, obviously Patriot

1 Express loans are not included in that. \$700 million,
2 that's \$175,000 a loan.

3 I think we are doing a very poor job as the
4 SBA of serving the veteran business community.
5 Granted, SBA doesn't make the loans. The banks make
6 the loans. The banks have been way off on SBA loans.
7 2009 was probably one of the worse years ever.

8 MR. GARCIA: That's a 90 percent guaranteed
9 loan.

10 MR. WHITE: Yes, that's the other thing, yes,
11 90 percent guaranteed loans with no fees for either the
12 lender or the borrower, and a secondary market that was
13 opening up that made it profitable for the banks to
14 sell the guaranteed portion. It's a license to steal.

15 It's the banking community that is really at
16 fault here, but you can go either way.

17 MR. SHARPE: The thing is out of those loans,
18 there are only 125 that were new loans. The other
19 loans were to businesses that were already established.

20 MR. ELMORE: I don't have the numbers specific
21 to veterans.

22 MR. SHARPE: That's what your Deputy gave me.

1 He said 125 for the micro loan program, there are about
2 5,000 plus 7(a) and the disaster loan, but of course,
3 those were loans with established businesses.

4 MR. ELMORE: Right now, this is 2010 data,
5 about 31 percent of the 7(a) and 504 loans are going to
6 new businesses, and about 69 percent are going to
7 existing businesses.

8 MR. SHARPE: Yes, which is small. 125 for the
9 whole veteran community last year?

10 MR. ELMORE: In micro loans; yes.

11 MR. SHARPE: Those are new businesses.

12 MR. ELMORE: Not all of them necessarily.

13 MR. SHARPE: I'm just getting that from your
14 Deputy. That's minuscule. That's absolutely nothing.

15 MR. ELMORE: Let me walk you through that, do
16 you want to get into the discussion about capital and
17 so on now?

18 MR. LINSKOTT: We could. I just have a couple
19 of more old things, it will be short, and then we will
20 step right into that.

21 MR. ELMORE: Okay. Then we'll walk through
22 all those.

1 MR. SHARPE: I just want to say one thing
2 about that. We have been advocating for a direct loan
3 program from SBA. Of course, it's my understanding
4 there is a lot of push back on that from the Hill and
5 from the White House because there is a fear that
6 veterans aren't going to be able to -- they will
7 forfeit on those loans.

8 MR. LINSOTT: Repay ability.

9 MR. SHARPE: Even though when we talk about
10 the VA home loan program, there is only a five percent
11 foreclosure rate compared to 30 percent for civilians,
12 especially subprime.

13 I just don't understand why the Hill and the
14 White House are so against having a direct loan program
15 when they know the banks aren't giving out loans.

16 MR. ELMORE: I can tell you what -- I don't
17 know as fact but what I believe as to why that happens.
18 If you go back into the history of direct lending with
19 SBA, this was all before I came here, our direct
20 lending went away in 1994 and 1995, during the Clinton
21 Administration.

22 The beginning of the real direct lending

1 programs for SBA that I've been able to find were what
2 were called economic opportunity loans, I think, in the
3 1960s.

4 Those direct loans that were made primarily to
5 inner cities, to specific minority and subgroups of the
6 small business world, they ended up with 40 and 50
7 percent foreclosure rates on those loans.

8 I think the Hill -- they don't usually have a
9 long memory up there -- they apparently got burned by
10 that.

11 MR. SHARPE: Did they get burned in 1995?

12 MR. ELMORE: Right now, SBA still has the
13 authority to do a direct loan for veterans. Congress
14 has not funded it since 1995.

15 MR. SHARPE: Why?

16 MR. ELMORE: I don't know.

17 MR. SHARPE: When you were giving out direct
18 loans to veterans, what was the foreclosure rate?

19 MR. ELMORE: I'm not sure that I've seen data.
20 I may have it. I'll have to dig back into one of my
21 files.

22 I can tell you that in the direct lending

1 portfolio, I know we got up in the 20 and 30 percent of
2 all the direct loans from SBA were going to Vietnam era
3 and disabled veterans through the late 1980s and into
4 the 1990s.

5 What the foreclosure or failure rate was, I
6 just simply don't know. I can look.

7 MR. SHARPE: Yes, we need that. That's an
8 argument to give on the Hill. That is what they are
9 trying to say, they don't want to do it for veterans
10 because there is a fear of a high foreclosure rate, but
11 if we have some past history where that wasn't the
12 case.

13 MR. ELMORE: Let me do some digging. I may
14 have that data in some work I did when I first came to
15 the Agency.

16 One of the things that was startling to me
17 when I came to this job was we didn't focus on failure
18 rates as an Agency. Just to simply try to get the
19 data, you had to go find somebody to do a special run
20 because typically that information wasn't around and
21 available.

22 My rationale then and my rationale now would

1 be if we knew what that rate was, we could identify
2 what the issues and problems are, and we could begin to
3 focus some program activity to try to remedy it.

4 That is not institutionally how this place
5 thinks of it. I think that goes back to that old
6 history and the Agency got in some kind of trouble, not
7 just for veterans but for direct lending, and what is
8 called participation lending is still in the Small
9 Business Act.

10 MR. SHARPE: The other push back that we're
11 getting is if you went back to that, you have to create
12 some huge bureaucracy.

13 MR. WHITE: I just can't see them trying to do
14 it. One, they're not going to allocate the money
15 directly, and then like you said, they would have to
16 build a whole lending unit here within the Agency.

17 MR. SHARPE: We already have that capability
18 in place because we do disaster loans. I want to let
19 you folks know back in the 1990s, I was one of the
20 representatives that the Agency called on because
21 Congress said we had to move away from doing direct
22 loans.

1 The rationale that I was given back then as a
2 representative, because I represented the employees
3 here at SBA because they were going to possibly lose
4 their jobs, was that the banks had a problem with us
5 being in direct competition with them in making those
6 loans.

7 You are going to get push back from the banks.
8 That is where a lot of that is coming from.

9 PARTICIPANT: We already have.

10 MR. ELMORE: Joe, I don't disagree with you.
11 There is a lot of political opposition and I'm not
12 entirely clear why there is. I've heard that same
13 rationale, well, we would have to build out this giant
14 bureaucracy, and my response is well, our friends at VA
15 have grown from 270,000 to 300,000.

16 If we're responsible for half of the American
17 economy and we have to hire 500 people to start doing
18 some direct lending, that's not that big a deal.

19 I have tried to articulate those points in the
20 meetings and discussions I've been in, but I get the
21 same, no, we're not going there.

22 I will tell you this. When I got here, I was

1 warned to quit talking about a guaranteed loan program
2 for veterans. I was told it was never going to happen.
3 I was told quit talking about it by senior political
4 membership who are no longer here.

5 I didn't quit. Steve, you're right. Patriot
6 Express is not perfect but it's the best loan we have
7 had for veterans in 20 years in this place.

8 MR. WHITE: But nobody knows about it or you
9 would have more; right? All they have to do is say to
10 the banks you get a ten percent tax credit for making a
11 veteran loan, and the money would go right out the
12 door, instead of buying Treasury bills and sitting on
13 them.

14 MR. LINSKOTT: Has anything come back on the
15 Patriot expires December 31, 2010? Has it been
16 extended?

17 MR. ELMORE: It hasn't been extended yet.

18 MR. LINSKOTT: It has not?

19 MR. ELMORE: No.

20 MR. LINSKOTT: Is there any feedback on our
21 recommendation that it get extended? Have we heard
22 anything back from that?

1 MR. ELMORE: I don't have an answer. I've had
2 discussions with our Capital Program Office. All I
3 have heard is there is an issue, and I want to be
4 careful with this. More than a year into the Patriot
5 Express loans, we had seen an up tick in the problem
6 loans.

7 I worked with some people in Capital Access
8 here actually last Summer and last Fall to put in what
9 we saw, meaning my office and these people in Capital
10 Access, what we saw as an improved version of Patriot
11 Express. We ran it all the way up through the
12 administrative processes, and we presented a plan to
13 the Administrator's Office as well, and so far, we
14 don't have a yes or no on that.

15 MR. SHARPE: You don't know if they plan to
16 extend it or not?

17 MR. ELMORE: I don't know if they plan to
18 extend it, and I'll tell you honestly, I think, and
19 this is just from me being here -- if somebody reads
20 these minutes, I'll probably get in trouble -- that's
21 okay.

22 I don't think they are going to get around to

1 being serious about thinking about this until probably
2 this Fall. I think it's mostly because the
3 Agency -- this is my perspective -- the Agency is so
4 under resourced and there were so many new initiatives
5 that we had to take on with little additional staff in
6 the Recovery Act, that the idea of going back and
7 revising a pilot program that sits there right now, as
8 little as it's used -- Steve, better than 60 percent of
9 our 7(a) loans in 2009 were Patriot Express for
10 veterans.

11 It is the one program that actually did work
12 during the down turn. Patriot Express lending in 2008
13 to 2009, at a time when SBA lending fell off the table,
14 Patriot Express lending went up 19 percent. It was the
15 one program that continued to work.

16 Has it been gang busters? No. We have been
17 averaging about 200 loans a month, if you go in and
18 look at the data, literally every month. There has
19 only been two months, I think, in the two and a half
20 years of this program, where compared to that month the
21 year before, the numbers went down.

22 MR. WHITE: Even if you think of it in those

1 numbers, 200 a month, would you say that's four loans
2 per state per month?

3 MR. ELMORE: Yes. The other thing is SBA
4 lending, while we are America's largest small business
5 lender, is still five percent of the small business
6 market. We have had these discussions before.

7 Right now, and this is another one of these
8 points, John, for the Task Force, I'm hoping that one
9 of the recommendations you guys will make to the Task
10 Force is to include veterans, Reserve and Guard members
11 and their families in the Community Reinvestment Act.

12 Right now, we do not know whether or not
13 veterans are having trouble getting access to credit.
14 We know the VA home loan program seems to work. We
15 know the SBA loan program seems to work, but what is
16 the scale of those programs compared to the need or the
17 interest in the military community, veterans,
18 Reservists and families, we don't know.

19 MR. GARCIA: Bill, if I could add, we
20 introduced some legislation. What we found is a lot of
21 our vets who are coming back from Iraq and Afghanistan
22 will come back with bad credit. What we tried to do in

1 our state is initiate a bill that would waive any bad
2 credit review for at least a year after they got back,
3 something like that.

4 As they are gone, they're not paying their
5 mortgage or something falls behind, they are all
6 volunteers. They are coming back to bad credit. They
7 go in for a Patriot Express loan, they ain't going to
8 get no loans. They can't even get a loan for \$500 or
9 something.

10 We have had a lot of vets call us about this,
11 coming back, a family member trying to struggle while
12 the guy's gone, comes back. That is across the board
13 nationally, I think.

14 MR. ELMORE: I agree. I think there is a
15 credit problem.

16 MR. GARCIA: There is.

17 MR. ELMORE: It is not just guys who get
18 deployed. I think it's sort of inherent in the nature
19 of young men and women going in the Service who don't
20 know these things.

21 MR. GARCIA: 100,000 are being discharged
22 annually. The average age is 40 to 45. If they're not

1 taught the mechanics of managing your money and your
2 credit while in the military, they're not going to
3 qualify for this stuff.

4 MR. ELMORE: Yes.

5 MR. LINSOTT: The two issues specifically in
6 that regard -- it is the Servicemembers Civil Relief
7 Act and educating the Service member, the Reservist and
8 Guard member, about that.

9 Basically, a simple review of the
10 Servicemembers Civil Relief Act is it precludes a
11 creditor from making a derogatory credit report mark
12 for basically a year after the Service member gets off
13 active duty.

14 It provides a stay of payment and it provides
15 a cap of six percent to include fees, and it has some
16 other things.

17 There is some work that has been done with the
18 applicability of the Servicemembers Civil Relief Act to
19 the veteran owned small business, specific in that work
20 is Cathy v. First Republic Bank.

21 In that case, Colonel Cathy, the Judge ruled
22 the Servicemembers Civil Relief Act did apply to a

1 Subchapter S corporation owned by a Service member, and
2 then Linscott v. Argo Global Aerospace Company, a DOD
3 contractor. Judge Hubbell ordered that the law does in
4 fact apply.

5 Outside of those two cases, there has been no
6 amendment to the Servicemembers Civil Relief Act to
7 incorporate by statute the small business, even though
8 legally with the precedent cases, it does apply, it's
9 easy to apply it, but there has been no move to amend
10 the law.

11 The second one is Servicemembers Civil Relief
12 Act --

13 MR. ELMORE: Can I stop you a second? I think
14 what Jeff just said that if you are an incorporated
15 small business, SCRA doesn't apply.

16 MR. LINSOTT: If you're a veteran owned small
17 business and you're activated with orders, the
18 Servicemembers Civil Relief Act does apply to you.

19 MR. ELMORE: If you're a Subchapter S
20 corporation?

21 MR. LINSOTT: If you're a Subchapter S
22 corporation.

1 MR. ELMORE: That's based on what the Judge
2 said.

3 MR. LINSKOTT: That's correct. It's not
4 written into law.

5 MR. ELMORE: Right, that's what one Judge
6 said.

7 MR. WHITE: Not a regular Schedule C corp?

8 MR. LINSKOTT: No, it's a little more than
9 that, Bill. The Judge stated that in the Opinion and
10 Order in the Cathy case, and Judge Hubbell restated
11 that in the Opinion and Order in the Linscott case, and
12 remarkably enough, Reserve Officer -- if you Google
13 this, it will come right up -- Reserve Officer
14 Association reported two months ago that a Sergeant
15 Hurley in Chicago, I think, got his case reversed for
16 his small business, and the Judge in the reversal, a
17 Federal Judge, actually went back and reversed his
18 previous ruling based on Cathy and Linscott. Hurley
19 got his applicability to a Subchapter S corporation.

20 MR. ELMORE: I'm not disagreeing with you.
21 What I'm trying to help people understand is SCRA as it
22 is interpreted by this Agency based on the guidance

1 from our counsel and ultimately from the Department of
2 Justice, I think, is if you are an incorporated small
3 business, SCRA does not apply because Congress hasn't
4 changed the law.

5 There is a court case, yours included, that
6 says it should apply, but right now it doesn't.

7 MR. LINSKOTT: It should. We should recommend
8 that be revised. It's coming.

9 MR. ELMORE: Exactly. It's a point I've tried
10 to make. I tried to make it in the previous
11 Administration and I have also raised that point at
12 least one time in this Administration because I think
13 it continues to be a problem.

14 SCRA's applicability to small business in
15 general is problematic because how do you -- not just
16 SCRA. I'm mixing USERA with SCRA.

17 MR. LINSKOTT: The bigger overview of the
18 Servicemembers Civil Relief Act issue, John, that
19 causes the problem is currently the way the statute is
20 written, the Service member has no direct right to a
21 private cause of action.

22 Simply what that means is the Service member

1 cannot get their attorney fees back. If a bank damages
2 their credit report illegally and the Service member
3 has to hire an attorney to correct that credit report,
4 can't collect it, with one exception.

5 The State of Oregon passed a state law last
6 March. The Governor signed it into law in April. That
7 was affectionately called the Linscott Act, which
8 provides a private cause of action in state court to
9 reclaim your attorney fees from your Federal court SCRA
10 endeavor.

11 It will have a huge impact if the Federal SCRA
12 was modified to include that same language, then there
13 would be many more cases where (a) the Service members
14 would defend themselves, including small business
15 owners and (b) the banks would comply.

16 MR. ELMORE: The whole SCRA thing is one of
17 the areas of law, and this is my take on it, that
18 hasn't been updated in any real ways that sort of
19 equals that out with what is now an operational Reserve
20 and Guard.

21 The Guard and Reserve is no longer strategic.
22 It is now essentially half the force, but SCRA is still

1 designed primarily for when they were a strategic
2 force, and the likelihood that half the guys that have
3 gone to Iraq or Afghanistan for the last eight years
4 was pretty minimal before, Reservists and Guards.

5 MR. LINSOTT: The ultimate issue with SCRA is
6 it doesn't live in any one bureau's house. No bureau
7 of the Federal Government has responsibility to
8 administer and monitor. There is not a bureau that
9 exists that has any affiliation with SCRA.

10 MR. ELMORE: USERA operates on ESGR/DOD/Labor
11 to the Solicitor, I think it is, but SCRA doesn't.

12 When I got here, I tried to figure out where
13 does SCRA sit. The only place you can find reference
14 to it is in the JAG Offices in the military services,
15 but there doesn't seem to be any entity responsible for
16 SCRA.

17 I tried to raise some of these points with the
18 House Veterans' Affairs Committee. This is going back
19 now to like 2002 or 2003, right when the activations
20 began.

21 We did make as a point as an agency that the
22 way they revised SCRA then, it excluded incorporated

1 small businesses. The committees didn't take any
2 action on that.

3 It's a goofy thing.

4 MR. LINSKOTT: Any other old business issues?

5 (No response.)

6 MR. LINSKOTT: Let's move right into improving
7 access to capital.

8 AGENDA ITEM III

9 MR. ELMORE: Let me give you the basic
10 overview since we have a couple of guests and I
11 promised to be fair.

12 SBA has the authority to do three kinds of
13 loans. Most of that authority in its history has been
14 exercised as a loan guarantee program, where anywhere
15 from about 15 to 85 percent of a loan is guaranteed by
16 SBA if the bank will make it to a small business.

17 The Recovery Act allowed us to take those
18 guarantees to 90 percent, and I was able to get Patriot
19 Express included in that 90 percent when the Recovery
20 Act passed a couple of years ago.

21 If you back up from SBA guaranteed loans,
22 there is sort of a portfolio of loan programs.

1 We have the micro loans that you reference,
2 they average about \$12,000. We loan money to what are
3 called intermediaries, usually community not for
4 profit's, and they loan micro loans out to the
5 customers.

6 When they borrow money from us, we also make a
7 grant to them to provide business counseling. That's
8 the micro loan program. It is right now capped at
9 \$35,000, and they average about \$12,000.

10 Above micro loan is the 7(a) loans of which
11 Patriot Express is part of that.

12 MR. SHARPE: What's the criteria for a not for
13 profit to get micro loans?

14 MR. ELMORE: They simply compete. The
15 American Legion, for example, if you had a not for
16 profit entity that wanted to be a micro lender could
17 compete for the micro loan program to secure funds to
18 do those loans.

19 MR. WHITE: There are a number of community
20 development agencies around, small groups that do that
21 anyway. They generate income from other sources in the
22 form of grants or loans and they re-lend them out.

1 MR. ELMORE: Yes. Those entities have to pay
2 us back. That is why I said we loan the funds to the
3 intermediary. The intermediary then turns around and
4 makes the micro loans to their customers and provides
5 business counseling with the grant funds we provide.

6 MR. SHARPE: You are paid back?

7 MR. ELMORE: Yes. We loan those funds to the
8 intermediary at a very low interest rate, and the
9 intermediary has to pay us back.

10 If we give you half a million dollars, you're
11 going to give us back \$550,000 or whatever over time.
12 You're going to loan out \$500,000 and you're going to
13 get back \$600,000 over time; something like that.

14 I think the design is based on try to make
15 sure the intermediary doesn't just give money away but
16 actually picks aspiring small businesses that are
17 capable of being able to produce what they say they
18 want the money for.

19 That is sort of what I think of as the entry
20 level lending from SBA. Don't hold me to this. I
21 think we have somewhere in the range of 300 micro
22 lenders around the country. It's been probably our

1 worse performing loan program for veterans.

2 It has gone from when I got here from about
3 nine percent down to four/five percent now. I think
4 that is going to change.

5 I will tell you this as an aside. The woman
6 who used to run the micro loan program for SBA left
7 here about five/seven years ago, went to the Department
8 of Agriculture, ran their micro loan program. She just
9 came back. She's got a family member who is in the
10 Service now. She has real interest in doing a better
11 job for veterans. I think that's going to improve.

12 Second is the 7(a) loans. That is the loan
13 guarantee program. Patriot Express is one of those
14 7(a) loan products, where we try to encourage some
15 2,000 to 3,000 banks and other kinds of lending
16 institutions around the country to provide loans to
17 small businesses that otherwise they would not loan to.
18 That is why the numbers are so small, what is called a
19 "gap lender."

20 If you can't get financing from a bank but you
21 are real close to getting a positive answer from the
22 bank, our hope is by providing the bank a guarantee for

1 a big part of that debt, that bank will go ahead and
2 extend the credit to you.

3 MR. WHITE: In reality, a number of banks
4 utilize the SBA or used to and make a lot of loans that
5 they should have made on their own and took advantage
6 of the guarantee and the fees they could derive from it
7 because it doesn't go against their capital base.

8 MR. ELMORE: Yes. I don't disagree with you.

9 MR. WHITE: I can't understand why they are
10 not doing it now. It's beyond me, except they can go
11 borrow from the Treasury at one percent or the Fed and
12 sell it to the Treasury for three percent and do
13 nothing.

14 MR. ELMORE: There is a new initiative that is
15 in the political stages that I think is going to
16 provide additional low cost financing to small and
17 medium sized banks, under \$1 billion, that the
18 Administration thinks will increase lending for small
19 businesses. We will see.

20 MR. SHARPE: Do you negotiate with these
21 banks?

22 MR. ELMORE: Yes. You have to be approved to

1 be an SBA lender, and then you have what are called SBA
2 guaranteed lenders and SBA preferred lenders.

3 MR. SHARPE: I know you have a list of banks
4 you work with. Do they give you any feedback? I know
5 Bank of America and PNC Bank are two banks that work
6 with you. I know they gave nothing to veterans. Did
7 they ever say why their lending was so poor?

8 MR. ELMORE: What happened as I understand it,
9 when the economy went south and the whole TARP program
10 came along and the big banks were getting bailed out,
11 those banks, and Steve, you said it, one of the profit
12 centers for those banks was SBA lending, because they
13 were charging fees.

14 When they got into trouble, they eliminated
15 the SBA lending departments. The big banks that were
16 doing a big part of SBA's loan portfolio simply got out
17 of the business.

18 MR. SHARPE: Because they weren't making any
19 money?

20 MR. ELMORE: Yes, because it was no longer a
21 profit center for them because small business lending
22 was no longer a real viable option.

1 What happened was the big banks essentially
2 lost their infrastructure, people that knew how to do
3 SBA loans. You have to do our paperwork and you have
4 to do all this other stuff to do that. That's where
5 the fees came in.

6 MR. WHITE: A lot of them were going through
7 like CIT Financial, which totally specializes. They
8 farm it to them for a fee, keep it on their books, and
9 then CIT goes bust.

10 They were processing thousands of loans. CIT
11 was probably the biggest SBA lender, weren't they?

12 MR. ELMORE: Yes, one of the two or three
13 biggest. I don't claim to be an expert in our loan
14 programs, but I'll share with you what I do understand
15 about it.

16 Basically, Patriot Express came along in June
17 2007. That was not a whole lot of months before
18 lending started disappearing for small business,
19 because it was really in 2008 and 2009 when everything
20 fell off the table.

21 Patriot Express continued on. To be a PX
22 lender, you have to be approved to participate in that

1 program. One of the things we give to the banks for PX
2 lenders is we give them the ability to use their own
3 process. They don't have to use an SBA process. They
4 use their own existing process, and then they present
5 us the case after they have already approved the loan.

6 We promise them a quick turn around, usually
7 within 24 hours, and we let them know whether or not
8 they can use our guarantee against that loan.

9 That's kind of how it works. Steve, I agree,
10 and this is a broader comment. None of our loan
11 programs have, I think, the weight and substance behind
12 them they should, but I can tell you two points about
13 Patriot Express that are important.

14 One is it is the first loan in the history of
15 Government that targets the military community, not
16 just veterans. We are doing Reservists and families
17 and spouses and even widows.

18 The other is up until then, a bank had no
19 reason that they had to ask veteran status. Back to
20 that Community Reinvestment Act. Banks don't have to
21 ask about military status. If they are going to use a
22 Patriot Express guarantee, they do have to ask.

1 MR. WHITE: Does the SBA ask?

2 MR. ELMORE: No, we don't ask.

3 MR. WHITE: There's a major recommendation
4 from us, that the SBA includes on the loan applications
5 to know if you're a veteran. That is still
6 unbelievable to me.

7 MR. ELMORE: Because it is not mandatory.
8 What happens is it is voluntary. When you talk to the
9 other bureaucrats I work with, they will say well, this
10 is what we know we lend to veterans but we think we do
11 more but the banks don't tell us.

12 MR. WHITE: I remember going into the New York
13 Office one time and they were all tied up because they
14 were calling every single loan that they had on the
15 books to ask them if they were a veteran because
16 something came down that they were looking for how many
17 veteran loans you make. They had to call every loan
18 they had.

19 MR. GARCIA: Is that on the application now?

20 MR. WHITE: No. That's a recommendation we
21 are going to make.

22 MR. ELMORE: It's not required they ask.

1 MR. WHITE: It should be required. The banks
2 that are making the SBA loans, because they are using
3 their own forms --

4 MR. ELMORE: It's probably a change through
5 OMB.

6 MR. WHITE: The preferred lenders aren't using
7 yours, you should ask for a guarantee, you have to tell
8 us if they're a veteran.

9 MR. ELMORE: OMB is going to be on this Task
10 Force. Any changes that we make to SBA forms are going
11 to have to go through an OMB process. We can't just
12 change forms.

13 In the 7(a) arena, we have all these different
14 sort of subset loans, Patriot Express, Community
15 Express, Rural Express.

16 The third tier above 7(a) is what is called
17 504 loans, and the 504 loans are essentially community
18 development corporations, a city, county or state
19 economic development corporation.

20 In those instances, those loans don't go for
21 operations like 7(a) do, they generally go for
22 infrastructure. Those 504 loans, the borrower has to

1 put in ten percent of the money. The 504 entity has to
2 put in 40 percent of the money that we guarantee and a
3 local bank, I think, has to put in 50 percent of the
4 money for those deals.

5 Those deals can be bigger than 7(a) and they
6 tend to pay for buying a building or building out a
7 second shift with a bunch of equipment, those kinds of
8 things. It's more infrastructure and less operational
9 side.

10 We have less control over those because those
11 are community development entities usually, not for
12 profit's, at the local, state or county level. You
13 probably have one at the state level in New Mexico.

14 We were able to get veterans written into what
15 is called the public policy goals in the 504 loan,
16 which means they can borrow more money than somebody
17 else that's not a public policy goal. That is the only
18 real difference for veterans in 504.

19 The Administrator is taking a look at this, we
20 license small business investment corporations. If you
21 apply to us and you want to set up what in the old days
22 would be called a venture capital fund, that venture

1 capital fund might raise 5 to \$10 million -- hello,
2 Theresa.

3 If you get licensed by SBA, we will match
4 those funds. You have to operate under SBA rules.
5 Those funds then essentially are an important part of
6 America's venture capital fund arena.

7 Veterans' participation in the SBIC program
8 has been fairly minimal. Again, back to that same
9 point. We don't ask the veteran status question.
10 Venture capitalists aren't asking about veteran status.

11 In the history of the Agency, there were times
12 when we had what were called minority small business
13 investment corporations. I don't know why we don't
14 have that any more. My conjecture is the loans didn't
15 do as well, but I don't know that as a fact.

16 I can tell you that a lot of this lag in a lot
17 of our lending programs ties to the approach the
18 previous Administration took. They didn't want to
19 subsidize 7(a) loans, so they said the loans had to be
20 subsidized by the borrowers. That made the loans more
21 expensive to the borrowers. They didn't want to have
22 an SBIC program that was robust for whatever their

1 reason, so we tended to down play, and we ended up
2 losing millions of dollars in the SBIC program because
3 the program wasn't very functional in the last
4 Administration.

5 This one seems to be moving towards
6 re-embracing the SBIC program and trying to grow it
7 out. I can't tell you much detail about what they are
8 doing or how they are going to do that yet because I
9 simply haven't had any discussions about it.

10 That is sort of the SBA loan portfolio from my
11 perspective. The problem is we have lots of authority
12 that we don't exercise, and we depend on third parties
13 to make all the loans. If the banks aren't making
14 loans, I agree, I've made the same point, if they
15 aren't making loans, we should have explored a direct
16 loan program but we didn't. We simply didn't.

17 MR. SHARPE: And the Hill doesn't want to
18 implement a loan program because they believe the
19 veterans will foreclose on it.

20 MR. ELMORE: I assume now, Mr. Linscott, we
21 are working through the Executive Order.

22 MR. WHITE: Maybe while we are on that point,

1 a recommendation again coming from the Committee would
2 be there seems to be such a lack of bank lending to
3 small businesses even with a 90 percent guarantee and
4 no fees for the borrower or the lender, and a decent
5 secondary market where they could make money selling
6 it.

7 It seems the SBA has bent over backwards to
8 make that work. The other side, they would have to pay
9 them to make the loans, which would be a tax credit.

10 In the meantime, it almost sounds like it
11 could be a marketing problem from the SBA dealing with
12 the banks, and we have seen that before, where there is
13 a lack of communication, too many programs, too many
14 whatever, but to be communicating with their partners,
15 the banks, the district offices should be saying how
16 come you're not lending to these guys, what else can we
17 do to make this work, not just to veterans but to
18 everybody, but then promote the veterans' side.

19 In the meantime, they are not going to be in a
20 position where they can go out and beat them up, but it
21 would certainly be bad publicity for the banks to be in
22 that situation where they could turn this economy

1 around pretty quickly if they started lending.

2 MR. SHARPE: Wasn't the Treasury somehow
3 involved in some of this?

4 MR. ELMORE: Yes.

5 MR. SHARPE: Isn't there some discussion that
6 Treasury will do some direct lending?

7 Ms. Theresa Lewis from Treasury.

8 MR. ELMORE: Let me try to address what I
9 understand about Treasury's role. The programs that
10 Congress gave SBA as part of the Recovery Act included
11 some lending programs that we had to coordinate with
12 Treasury.

13 The 90 percent guarantee and the no fees, we
14 had to coordinate that work with Treasury. What is
15 called the ARC loans, which was essentially, I think,
16 \$35,000 loans you could get at no interest for a period
17 of years. That was developed in coordination with
18 Treasury.

19 I think this new initiative that would provide
20 low cost funding to small and medium sized banks, if
21 those banks will turn around and loan those funds to
22 small businesses -- I think the bank has to be below \$1

1 billion -- the concept has been developed with
2 Treasury.

3 There has been a lot of work with SBA
4 leadership and with our technical experts and our loan
5 programs with Treasury.

6 What hasn't happened and I'm not telling you
7 it should but what hasn't happened is from my
8 perspective, I think we have four kinds of loan
9 authority and we are only exercising one of those four.

10 We are doing the loan guarantee programs and
11 we have done the 90 percent and so on, and it has
12 helped. We also have authority to do what is called
13 participation loans, where as an agency, we used to
14 jointly loan with banks, and we would loan anywhere
15 from 25 to 75 percent of the requirement to the small
16 business and the bank would loan the other between 25
17 and 75 percent. This is history. This is before I
18 came to SBA.

19 In that participation arena, we had loan
20 guarantees we applied or sometimes we had participation
21 loans we didn't guarantee. There were two kinds of
22 participation loans.

1 Sort of below the participation loans, you had
2 guaranteed participation and then you had the SBA
3 direct lending, and we still have that authority.
4 Those direct loans were made to small businesses
5 beginning as best I can find information about in the
6 mid-1960s, and they went in various iterations up until
7 1995.

8 That included from the 1980s forward direct
9 lending to disabled and Vietnam era veterans. That was
10 based on -- it's actually one of the laws in your
11 briefing, 97-72, I think.

12 We haven't exercised that. I've been here ten
13 years and that program went away six years before I got
14 here.

15 To me, if you are a Task Force that has been
16 tasked by the President, if you read it very
17 explicitly, "Improve capital access and capacity of
18 small business concerns owned and controlled by
19 veterans and service disabled veterans through loans,
20 surety bonding and franchising," so there is really
21 three areas in capital access that the Task Force is
22 supposed to deal with.

1 If we have existing authority in four lending
2 approaches and we are only exercising one of those, it
3 seems logical to me that the Task Force ought to be
4 asked to consider using some of those other
5 authorities, whether direct lending, participation
6 lending or simply guaranteed lending, because the
7 authority still exists.

8 Whether or not this Committee wants to make
9 that kind of a recommendation to the Veterans' Task
10 Force, I don't know.

11 In addition to that, we are also supposed to
12 talk about surety bonding and franchising. Let's put
13 those on hold for a second and talk this through.

14 What the law says is "Improving capital access
15 and capacity of small business concerns." I'm not even
16 sure I know what that means.

17 MR. WHITE: I was going to ask you that, what
18 that meant.

19 MR. ELMORE: If we came forward with
20 recommendations for increasing access to capital, you
21 can do that by renewing Patriot Express, improving
22 Patriot Express. You can recommend to eliminate

1 Patriot Express and come back with some alternative.

2 You could suggest the Task Force, because
3 Treasury is on this Task Force, consider those other
4 lending authorities.

5 There are 20 Federal agencies making direct
6 loans right now.

7 MR. SHARPE: Twenty?

8 MR. ELMORE: Twenty, including SBA. Our only
9 direct loans are in our disaster program. The only
10 veteran direct loan right now we might make would be
11 MREIDL. That guy or gal doesn't have to be a veteran.

12 I think right now there is not political
13 support to do this, but I can tell you from my
14 perspective there hasn't even been a discussion that
15 I've been privy to about reinvigorating those other
16 authorities and using them to provide access to small
17 businesses.

18 I don't know what you guys would think. Maybe
19 one other point I should make and then I'll ask you to
20 kick it around.

21 There are a number of states that are doing
22 special loan programs. Missouri, my home state, has a

1 special loan program for veterans and Reservists. Ohio
2 has a special loan program for veterans and Reservists.
3 That Ohio program uses SBA loan guarantees as part of
4 the program.

5 Pat Mackrell is running a special loan program
6 in the State of New York that includes veterans. He's
7 a member of our Committee, and we talked about that.

8 In addition to exercising our existing
9 authorities, you could also explore the idea of SBA or
10 other Federal entities for that matter focusing on some
11 partnerships with state financing programs.

12 I don't know if you guys are doing anything,
13 John, in New Mexico with lending programs for small
14 businesses. I just don't know.

15 I think I have talked enough. I think now is
16 your time to sort of kick around what do you guys think
17 Government should be providing when it comes to access
18 to capital.

19 MR. GARCIA: I just want to introduce Krista
20 Kelley. She's out of Albuquerque. She's with a
21 program called Adelante. We are teamed up with them as
22 part of our veteran business entrepreneur thing we are

1 doing. Part of it is a comprehensive job training
2 placement program. Not everybody is going to go into
3 business. She is here because we have a meeting with
4 DOL a little later. I've asked her to sit in.

5 MR. ELMORE: Good. Welcome.

6 MS. KELLEY: Thank you.

7 MR. GARCIA: She is also funded by you guys,
8 too, her agency.

9 MR. ELMORE: By SBA?

10 MS. KELLEY: We have a couple of businesses
11 that we help provide support of employment
12 opportunities to people with disabilities. One of
13 those is a document shredding business and the other
14 one is a document imaging business. They are growing
15 very well.

16 MR. GARCIA: We brought them on board to team
17 up with our veteran business program.

18 MR. ELMORE: I'm open to whatever the
19 Committee wants to explore, talk about, develop or
20 recommend when it comes to access to capital and how do
21 we improve that.

22 MR. WHITE: I think one of the issues, and we

1 already touched on it, is a combination of
2 public/private marketing/advertising program to make
3 the district offices much more aware of the program and
4 demand that they meet with their banks. They are the
5 ones who actually make the loans.

6 I can't imagine that we don't have enough
7 lending programs there already. You are saying there
8 are 20 that are making direct loans. Maybe this
9 interagency Task Force will be able to see that we have
10 money to lend to veterans and we will go through you
11 guys, whatever. I think it's a great idea that this
12 Task Force is being formed because everybody is going
13 off in different directions.

14 One, to make the veterans aware of what's
15 available. Again, we don't know who they are in most
16 cases. Two, to really put the pressure on the banks.
17 The SBA has a certain amount of push they can exert.
18 They are making these guarantees available to them,
19 they can pull them back, too, if they're not doing
20 loans, why give them the guarantees? Drop them from a
21 preferred lender. If they're not making loans, make
22 sure they know about it.

1 There are some big, big banks right now.
2 Chase has a \$10 billion loan program for small business
3 right now. I can't imagine Mills not beating on Jamie
4 Diamond's door and say we can make that \$100 billion if
5 you do it through SBA lending, and we want you to make
6 \$10 billion of it available to veteran business owners.

7 They have already committed the money.
8 They're spending \$1 million a day. I'm watching full
9 page ads all the time. That is a lot of money. They
10 are nationwide. It's right there.

11 You have to get at the level that you can get
12 in there and talk. He can say to the marketing group
13 for small business, do this, start telling people about
14 this. They build these big walls around themselves and
15 now they are moving to Ohio or some place where you
16 can't even find them.

17 There is an example of a big, big bank. So is
18 working with PNC and Bank of America. Again, they're
19 not doing much SBA lending or any lending because they
20 have decimated their small business lending groups and
21 the people that used to do it don't. You still have to
22 push them.

1 They advertise on t.v., we are America's small
2 business lender, we have committed all this money.
3 Through the SBA, they don't need a big lending
4 department.

5 MR. GARCIA: Where in the SBA -- is there
6 somebody that handles SBA loans and all that?

7 MR. ELMORE: Yes.

8 MR. GARCIA: Who is that person?

9 MR. ELMORE: A gentleman named Eric Zanikow.

10 MR. GARCIA: Wouldn't he have some answers for
11 us that we can have him come in, so we can kind of
12 brainstorm with him on some areas we need to look at?
13 Maybe bring a couple of bankers in or something, like
14 some of the guys you just mentioned.

15 To be honest, I'd like to meet these guys so I
16 can get some thoughts or ideas going.

17 MR. ELMORE: If we didn't have Eric, I think
18 we had a couple of his lieutenants down here.

19 MR. WHITE: I think we had.

20 MR. ELMORE: We have made this recommendation
21 before. SBA should do more marketing to banks. I get
22 to carry that sort of message up to the Administrator

1 and she looks at me and goes huh. From the Agency's
2 perspective, we are pushing as much marketing out to
3 those banks as we can come up with.

4 Those are worthy ideas but there has to be
5 some kind of game changer.

6 MR. GARCIA: Okay. What is that?

7 MR. ELMORE: This Task Force was created by
8 the President. It is supposed to provide a report to
9 the President with its initiatives and recommendations.
10 If Bank of America was called into the White House with
11 the other top ten lenders in America, whoever they are,
12 and maybe this has happened, and the President said why
13 aren't you doing or why won't you or what can we do to
14 help you or whatever approach they would take, perhaps
15 that's the sort of approach.

16 To me, I've been pushing for all my years
17 here. I get kicked in the shins about Patriot Express
18 which is the only program we have had in 20 years, 15
19 years at least. It seems to have worked to the degree
20 that SBA lending as it is configured now works.

21 There is never any dialogue that I'm aware of
22 about how do we change the paradigm. We all know the

1 banks haven't been lending for the last two years. It
2 has picked up some. SBA lending is essentially back
3 where it was two years ago, but it certainly hasn't
4 grown beyond that. Are we satisfied with where things
5 were before? I don't know.

6 John, you made the point. There are 300,000
7 folks coming home each year. Some of them have credit
8 issues perhaps related directly or at least indirectly
9 to the fact that they stood up and served. They are
10 responsible for that but is there anything we ought to
11 be doing to help mitigate that, especially if we are
12 going to deal with only third party lenders. Right
13 now, that's all we are doing, third party lenders. We
14 are not doing direct.

15 We are making direct loans to people in the
16 Gulf that are being impacted by this oil spill. We
17 have started doing that now.

18 MR. GARCIA: The biggest issue my vets face,
19 and I'm sure across the country, is access to capital
20 and bonding capacity. It is that small business vet
21 that has low bonding capacity and he doesn't have
22 access to any capital.

1 MR. ELMORE: John, let me ask you this. If I
2 was able to set up a conference call with Zanikow and
3 maybe two or three members of the Committee and you
4 guys could take half an hour and talk, maybe Joe, you
5 could bring the Legion's weight into this, you could
6 bring a state into it. Steve, even Pat Mackrell. Pat
7 is a member of our Committee but he has been very
8 complimentary with the effort SBA has made. He's a
9 lender. I don't always agree with what Pat says, but
10 he knows what he's talking about. It works for him.

11 If that's okay, what I will try to do is I
12 would ask you as Acting Chair with one of the two that
13 are here, one of the three guys here, do me an e-mail
14 and let me know that you would like me to set up a time
15 for some of your members to talk with our head of
16 Capital Access.

17 MR. LINSKOTT: I'll take care of that.

18 MR. ELMORE: Okay. At this point, I'll suggest
19 John, Joe, Steve and Pat Mackrell.

20 I'm out of town all of next week. If we want
21 to chat about this, either let's do it off line today
22 or some time before Friday, close of business. You

1 pick whatever out of my brain that is worth picking.

2 MR. LINSOTT: Pat is out until the end of
3 next week also, I think.

4 MR. ELMORE: Again, what my hope is -- this is
5 how I'm thinking about this. This Task Force is being
6 created but it's not operational yet. You have two or
7 three months, I think, at least based on my experience
8 with the background vetting that the members are going
9 to go through.

10 You have two or three months to develop some
11 really significant informative suggestions or
12 recommendations as a Committee, and unless someone
13 tells me otherwise, I think you are in a position to
14 present to this Task Force. You may not get in front
15 of them. You may. I don't know. Certainly, you can
16 give it to them in writing.

17 How you want this Task Force to consider
18 increasing access to capital is really up to you all.

19 MR. WHITE: Why don't we send an e-mail out to
20 everybody? We only have half the group here. We can
21 do a little e-mail to the Committee and put a date on
22 when it has to be back in.

1 MR. ELMORE: Steve, and I don't mean to over
2 step the Chair here, if you keep the Chair and Vice
3 Chair in the loop, perhaps you could pull the four guys
4 together and figure out what the content of that e-mail
5 should be and then shoot it out to the rest of the
6 members and get their reaction. Obviously, Mackrell is
7 not here. He's in Ireland, I think.

8 MR. LINSKOTT: I'll do the e-mail to Bill for
9 the conference call if you do the e-mail for the
10 Committee blast with the issues.

11 MR. WHITE: I will. I think we should bounce
12 it back and forth a couple of times and then say okay,
13 and include Bill on the e-mail.

14 MR. ELMORE: If you want me to go ahead and
15 move forward with that, if it's after this week and I'm
16 back home, I'll include Dick Snyder, my Deputy. Dick
17 used to work in our capital programs. He knows who to
18 go to up there.

19 MR. GARCIA: Bill, can I ask you a question
20 about the Task Force again?

21 MR. ELMORE: Sure.

22 MR. GARCIA: In regards to this Committee, now

1 they are going to form these four or five Federal
2 agencies to come together, this interagency Task Force,
3 to kind of discuss what we are doing, but they are
4 going to have a little more meat than we have, where do
5 we fit into all this?

6 The SBA now has this Veterans' Business
7 Advisory Committee. Does that mean Defense and Labor
8 is going to have a Veterans' Advisory Committee and
9 Defense, same thing, and our representative and their
10 representatives are all going to get together, or is
11 this part of recommendations we make?

12 I'm just kind of curious where we fit in this
13 whole picture. It seems like they are going to be
14 doing what we are supposed to be trying to do, but
15 within SBA.

16 MR. ELMORE: I don't know. I'm being honest
17 with you. That's why I suggested that if the Committee
18 takes steps now to begin fleshing out your
19 recommendations --

20 MR. GARCIA: "Improved capital business
21 development opportunities, pre-established Federal
22 contracting goals," these are all the things we have

1 been asking, that we are asking.

2 Is this going to be an interagency Task Force
3 that heads or appointed persons are going to come
4 together and do what we have kind of been doing?

5 My concern from the SBA side, does Felix
6 and/or Jeff participate or are they also going to be
7 creating within the Department of Labor, let's say, a
8 veterans' business task force?

9 MR. ELMORE: I don't know if Labor, DOD or VA
10 are going to move in that direction. I'd be surprised.

11 MR. GARCIA: It says "Coordinate the efforts
12 of Federal agencies to improved capital," that's the
13 question we just talked about.

14 MR. WHITE: I think if we went back to the
15 letters we have already sent, we pretty much already
16 did this.

17 MR. ELMORE: I think if you simply pull out an
18 old report and give it to them, I don't think it's the
19 same as developing some series of recommendations.

20 MR. WHITE: If we have already done it, how
21 many times are we supposed to do it?

22 MR. GARCIA: This Committee, you are saying,

1 was formed by Executive Order, and our recommendations
2 are supposed to go to the White House and/or the
3 Administrator, so now you have another one. Where do
4 we fit in this whole thing, and our recommendations
5 should be taken seriously just like this Task Force.

6 Is this another duplication of another wheel
7 to this vehicle. I understand it. I'm just confused
8 with it.

9 MR. ELMORE: I don't know. I can't tell you.
10 All I can tell you is Congress passed a law. President
11 Bush signed it, chose not to implement this part of it.
12 This President has issued an Executive Order to
13 establish this Task Force.

14 MR. GARCIA: This one?

15 MR. ELMORE: This one.

16 MR. GARCIA: The Task Force we're on, who
17 established that?

18 MR. ELMORE: Same law. Well, the Committee
19 was originally created by a different law. The
20 Committee became a permanent committee in this same
21 law.

22 MR. GARCIA: The only difference with this one

1 and this Committee is that the Administrator is not
2 sitting where you are at.

3 MR. ELMORE: I understand. I can't give you a
4 firm answer because I can't tell you how much the
5 Administration is going to listen to these
6 recommendations that you might present or any
7 recommendations anybody else will present. I don't
8 have that answer.

9 MR. GARCIA: That bothers me, in my mind.

10 MR. SALDANA: Wouldn't you be the person
11 appointed as the representative for SBA?

12 MR. ELMORE: That's my assumption. I haven't
13 been appointed yet.

14 MR. GARCIA: It says the Administrator is the
15 Chair of this Committee, and I would assume they would
16 have some mucky muck from Labor and VA on this
17 Committee.

18 MR. LINSKOTT: Bullet number six says the
19 Small Business Administration in addition to the
20 Administrator, and we would recommend Mr. Elmore be the
21 representative on this Task Force from the Veterans'
22 Administration.

1 MR. GARCIA: The Administrator is the Chair.

2 MR. LINSOTT: The Administrator is the Chair
3 of the Task Force. Bullet six says the Small Business
4 Administration in addition to the Administrator will
5 have a representative there. I think we would ask
6 since it's a Veterans' Task Force, the Associate
7 Administrator of the SBA for Veterans' Business
8 Development be that person in bullet number six.

9 MR. ELMORE: That coincides with the
10 recommendation I have made internally. I've suggested
11 that I should be the Agency representative in addition
12 to the Administrator. I'm the subject matter expert.

13 MR. GARCIA: If you look at this thing, they
14 probably eventually are going to create a department or
15 something, it seems like, that is going to have to pull
16 all this together and move forward, eventually.

17 MR. ELMORE: You have an Executive Order
18 issued by the President. This Task Force is being
19 created. At the end of the Task Force, it says "Not
20 greater than one year after the first meeting and
21 annually thereafter forwarded to the President a report
22 on the performance of its functions including any

1 proposals developed pursuant to Subsection (b)."

2 Can I guarantee the President is going to read
3 this report and go heck, yeah, let's do these things?
4 I don't know that.

5 You're right, John.

6 MR. GARCIA: I'm not being argumentative. We
7 are assembled to do that, give you recommendations, the
8 Administrator, and if they're not listening to you or
9 chastising you or slapping your hand, what the hell are
10 we doing?

11 Now they form another committee. What are we
12 going to be doing. The same thing? Or are we going to
13 play an active role? Or is that part of the
14 recommendations we make?

15 MR. ELMORE: Nobody has told me one way or the
16 other. That's why I said let's as a Committee develop
17 our recommendations on the record, so that the
18 Administration will have a record that will be
19 presented to them. I would send them the
20 recommendations, whatever it is that you all come to
21 some agreement on, that you want to go to this Task
22 Force.

1 MR. WHITE: I think right off the bat, since
2 the SBA is running the show, the Administrator is the
3 Chair, why don't we suggest we find out what the
4 Department of Treasury, Defense, Labor, Veterans'
5 Affairs, OMB, has. Obviously, they are involved. We
6 don't know what they do. Why don't we ask them what
7 they are doing. What are they doing that answers all
8 the subsets?

9 MR. GARCIA: That's a good idea.

10 MR. WHITE: Let's just say right up front,
11 tell me what you do. What are you guys doing that
12 answers all the sub-questions under Section (b). You
13 might find oh, we have this covered and nobody knows
14 about it.

15 MR. GARCIA: That's a good idea.

16 MR. WHITE: They should be able to send it to
17 us, and then get it in writing briefly, even if it's an
18 e-mail. Give us the points on what you do for veterans
19 in business, and under Subsection (b) of this thing,
20 which you are going to have to do anyway, tell us what
21 you think now. Then we can get together and go through
22 them all. We will then know what everybody is doing,

1 if anything, or at least what they say they are doing.

2 MR. ELMORE: How do you want to accomplish
3 that? Do you want to do a letter?

4 MR. GARCIA: Should it come out of your office
5 or from us?

6 MR. ELMORE: I'll ask my Chief of Staff.

7 MR. GARCIA: He will probably tell you don't
8 do it.

9 MR. WHITE: It should come from the
10 Administrator as the Chair of this new Task Force, to
11 go to her counterparts in all these different agencies,
12 to say, you know, in order to get this ball rolling,
13 let's find out what everybody does now, to answer the
14 Executive Order.

15 Once we understand what everybody is doing, we
16 are in a better situation to sit down and have a
17 discussion.

18 MR. SALDANA: I think this Committee should
19 also be thinking about how are you going to respond to
20 the other Task Force.

21 MR. ELMORE: There are some pretty specific
22 time frames in that one.

1 MR. SALDANA: 120 days.

2 MR. ELMORE: Starting to come up with a series
3 of recommendations here, and I'll take these to my
4 Chief of Staff. I am supposed to meet with her
5 tomorrow.

6 MR. LINSOTT: It is 12:00, a little bit
7 after. We can resume right here where we left off at
8 1:00. We will go off the record now, please.

9 (A luncheon recess was taken.)

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1 A F T E R N O O N S E S S I O N

2 (1:16 p.m.)

3 MR. LINSKOTT: We're going back on the record
4 with our after lunch session. We left off with
5 improving access to capital and capacity. I think we
6 should go back to where we left off.

7 The Executive Order was our issue and we were
8 talking about page two, which is section two, paragraph
9 (b) (1), and developing recommendations.

10 MR. ELMORE: I think we had talked through the
11 capital programs and the things I have on my notes are
12 fix the SBA loan application so that veterans are a
13 required question; lack of marketing SBA programs to
14 lenders; make vets aware.

15 John, Joe, Steve and Pat Mackrell, try to set
16 up a conference call with Zanikow, and Steve is going
17 to coordinate amongst those four to get their thoughts
18 together, and then my next note is recommend me as the
19 SBA rep, ask what each agency does. I'm going to try
20 to get the Administrator to do that in a letter.

21 That is where my notes end.

22 MR. LINSKOTT: As we look at improving access

1 to capital, certainly the discussions John, Joe, Steve
2 and Pat will have can work some details on that.

3 An approach from the opposite side of programs
4 would be end user. If you look at the end user, access
5 to capital, I could easily say it's non-existent. It
6 might be existent but perhaps is non-existent.

7 I just want to put a general comment out that
8 if we tie this into number six, which we will get to
9 when we get down to the agenda item on it, number six
10 is "Making other improvements related to support for
11 veteran business development by the Federal
12 Government."

13 As we look to what we were recommending on
14 improve capital access, we look down to number six and
15 see if maybe there is something that can enhance the
16 end user's ability to access that versus trying to come
17 up with the program solution. It starts maybe at the
18 other end.

19 As you look to capacity, I don't think we have
20 ever addressed capacity, but from my chair, capacity is
21 everything. There is preservation of capacity in slow
22 times, and then there is trying to increase capacity.

1 What I know of the programs that exist and
2 what I've lived through personally in the immediate
3 term is as you go to increase capacity, the ability,
4 however you want to determine it in your individual
5 market, as you try to increase capacity, which provides
6 you in essence an opportunity to expand or serve a
7 future contract or have a capacity, that is a tough
8 sell.

9 That is a tough sell because in the general
10 sense that is the ability to repay a loan to improve
11 capacity. With additional capacity, you could generate
12 additional sales, but without that capacity, you would
13 never get that contract or the ability to generate the
14 additional sales.

15 MR. WHITE: I've never heard this term used
16 this way, "capacity." If it said improve capital
17 access and growth, you are just saying the same thing.
18 You are saying "capacity" here means growth?

19 MR. LINSOTT: I think "capacity" here, it can
20 mean two things in the realm of capital access and
21 capacity, it could be the lende's ability to obtain
22 capital, so your capacity to borrow, which could

1 be -- the key element we hit on there was the SCRA and
2 its applicability, because your credit report is really
3 what that means.

4 Lenders shouldn't be damaging Service members'
5 credit bureau reports while they are on active duty or
6 for a year or so afterwards.

7 If that's what we are talking about, the
8 Service member's, the veteran's capacity to borrow, or
9 in my mind, any time I see "capacity," it is what you
10 have to offer to sell in the business. That is your
11 capacity to produce. To me, your capacity or your
12 capability are almost synonymous.

13 That side of it, we will have to get
14 clarification on what they are really talking about and
15 what we really want to recommend. To me, when we talk
16 about improving capital access and the business
17 capacity to serve customers for our small businesses,
18 it talks about retention of assets and growing and
19 getting additional assets.

20 What do you think, Steve?

21 MR. WHITE: I think you can read into it
22 anything you want. I'm just looking at it and saying

1 let's focus on capital access. We know what that is.
2 I think if you had access to capital, your capacity,
3 whatever way you want to describe that term, it would
4 be fine.

5 MR. ELMORE: If I can jump in, this is another
6 place where I thought this thing was really ill worded.
7 We have to sort of guess our way through what they mean
8 by "capacity."

9 When I thought about capacity there, I didn't
10 think about capacity to borrow funds. I thought about
11 Jeff, your business would have been an example. You
12 had an essential employee activated and it affected
13 your capacity. When you yourself got activated, it
14 affected your capacity, but it affected you in
15 different ways.

16 Your capacity to be able to borrow funds was
17 impacted. Your capacity now that you have an MREIDL
18 loan from us was affected because that language in the
19 statute that requires us to take all available
20 collateral, so the collateral requirement for a
21 disaster loan arguably exceeded the value of the loan,
22 but it tied you up and blocked you from being able to

1 collateralize other capital.

2 You can't get another helicopter because your
3 helicopter is already pledged, even if the value of
4 what you pledged to the MREIDL far exceeds the amount
5 of funds you borrowed on that MREIDL.

6 MR. LINSKOTT: That is a true statement. I
7 have found trying to access capital -- the fact that
8 the SBA has in essence all available collateral
9 committed, and I'm not sure of the correct term, it's a
10 UCC lien. It's a general umbrella lien. I'm not
11 exactly sure how it works.

12 The one bank I did talk to in Portland, Oregon
13 explained it as they have in essence attached a future
14 potential of my company. Anything that wasn't directly
15 attached is attached in this umbrella UCC lien and that
16 makes a small business very unattractive to
17 future -- that should not have been the purpose of the
18 MREIDL.

19 MR. ELMORE: This is the first time I ever
20 heard of it and I've been doing this for ten years. An
21 umbrella UCC lien?

22 MR. LINSKOTT: Yes. I believe it's an UCC

1 lien.

2 MR. WHITE: "UCC filing" is the term.

3 MR. LINSKOTT: Yes, UCC filing. It's a
4 requirement to get a MREIDL loan through the Disaster
5 Branch.

6 MR. ELMORE: Required for MREIDL. That's an
7 instance where an SBA requirement is having arguably a
8 negative impact on your capacity to borrow.

9 MR. LINSKOTT: That's correct. Seven years,
10 and in this case, six and a half/seven years later,
11 that will remain with me on my 30 year note, for I
12 would assume 30 years, until the note is complete.

13 MR. WHITE: Until it is paid off.

14 MR. LINSKOTT: The other thing --

15 MR. ELMORE: I haven't heard of it. Have any
16 of the rest of you heard -- is that typical of any
17 business that might get a disaster loan from us? I'm
18 thinking it is.

19 In other words, a business that was damaged in
20 Katrina, that has now been paying that back for five
21 years or whatever the period of time has been, are they
22 hampered from securing other SBA financing or any other

1 financing, not just SBA, because SBA took all available
2 credit?

3 MR. WHITE: Could very well be. What I think
4 you can do is probably ask your guys, but I would think
5 he would be able to go in, or anybody in that
6 situation, that the equipment that the filing is on is
7 far more valuable than the loan itself, they could
8 release that and file another just for the amount of
9 collateral they would feel comfortable with. You
10 wouldn't have to have a blanket one.

11 MR. ELMORE: I think that's what I'm thinking
12 of. Especially because with the statute, because
13 Congress didn't understand what they were doing or
14 perhaps they did, puts that impediment on somebody
15 simply because they are a Reservist or they are a small
16 business that has a Reservist as an essential employee
17 that is damaged when he gets called, should that really
18 be an appropriate step for SBA to take, would it take
19 some legislative remedy, I don't know, is it a
20 regulatory change, an administrative change.

21 Again, something we could take back to the
22 Task Force and say this guy gets activated, his

1 business is damaged, we give him a disaster loan but we
2 tie up all his assets in doing so, and now he's not
3 eligible for additional funding even though the value
4 of his assets far exceed what he owes us on this loan.

5 MR. WHITE: By virtue of the fact that growth
6 needs cash, just to do accounts receivable financing,
7 if the business was going strong and growing, you
8 couldn't do it because the accounts receivable are
9 automatically going to be grabbed by that.

10 MR. ELMORE: I could see the other side, too,
11 where you might say okay, we are going to take all
12 available collateral and we value the collateral at X
13 amount of dollars, why don't we give you a line of
14 credit up to that amount of dollars.

15 In the future, you could deal with the remedy,
16 here's the damage from the activation, let's say you
17 demonstrate yourself at \$100K damage but we took \$500K
18 in collateral. We will give you the \$100K but you have
19 to draw up to this other \$400K.

20 MR. WHITE: You would have to qualify for
21 that.

22 MR. ELMORE: Yes.

1 MR. LINSKOTT: That would be an enhancement.

2 That would be a substantial enhancement.

3 My understanding is it is not statutory, the
4 words "all available collateral" is a policy. That is
5 a policy statement. Collateral, if it was statutory,
6 and we will have to ask your expert, if it was
7 statutory, then collateral would be required.

8 Collateral in any SBA situation is not
9 mandatory. It states if there is no collateral, it is
10 not grounds for not granting the loan, but if
11 collateral is available, then we must take all
12 available collateral.

13 MR. ELMORE: I think it is in the statute.
14 I'm operating from memory. I haven't looked at that
15 part of the law in a while.

16 I will try to get that answer. If you will do
17 me a favor and just remind me. I'll talk to our people
18 in Disaster.

19 MR. LINSKOTT: I'll put it in the e-mail
20 requesting the discussion.

21 MR. ELMORE: This might be a technical fix.
22 It might be a simple fix. It might not be applicable

1 to a lot of people, but if it is a fix that ought to be
2 made, we can try to make it, or at least make a
3 recommendation to review it and look at it, and see
4 about some recommendation ultimately to the
5 Administration to take it back to the Hill, see if they
6 can change it in the statute.

7 Ever since you shared that story with me, I've
8 always been bugged by the fact that we tied all your
9 collateral up. I've seen your collateral. I know what
10 it looks like. To think that you're hampered in
11 growing your business because all your assets are tied
12 up to support this disaster loan because you got
13 activated, God forbid, the whole thing seems screwy to
14 me, and on its face, does not make sense.

15 MR. WHITE: That is just one example.

16 MR. ELMORE: Yes, that is just one example.
17 That is the down side in a lot of work I do. This is
18 my personal confession. Unless Jeff had found me or I
19 found him, I don't remember which, he would never have
20 got MREIDL and he would have been out of business.

21 MR. LINSOTT: I do have a comment for the
22 record. The statistics reported last meeting are not

1 accurate in MREIDL. I'm not sure how they are
2 recorded.

3 The specific statistic I'm after is the number
4 of declines. The 2003 stats, I was declined personally
5 six times in 2003 on my MREIDL, and the stats I
6 remember looking at for Oregon, there was one decline.
7 I was declined six times in 2003 and twice in 2004.

8 I got approval in August of 2004. I think on
9 the stats they showed for MREIDL, there was one decline
10 in Oregon in 2003 and one decline in Oregon in 2004.

11 MR. ELMORE: But it was a big one.

12 MR. LINSCOTT: The other thing as we look to
13 improving capital access is a policy or
14 statute -- recently, I talked with U.S. Bank in Oregon
15 about SBA programs. After some review and discussion,
16 I was informed that a Subchapter S corporation seeking
17 an SBA loan would have to have a spouse co-sign the
18 loan, and I explained to the bank gentleman that my
19 spouse was not a corporate officer. My spouse was not
20 a stockholder. My spouse had no involvement in the
21 corporation whatsoever. The information given back is
22 it is an SBA requirement.

1 MR. WHITE: Even with your track record in
2 marriages?

3 MR. LINSCOTT: That's correct.

4 (Laughter.)

5 MR. LINSCOTT: You can keep that on the
6 record. If General Motors or a corporation in America,
7 president of that corporation went to a bank to get
8 capital, would they ask that individual's family member
9 to come and co-sign?

10 MR. WHITE: No. If you were a regular
11 scheduled C corporate, they wouldn't either unless they
12 were stockholders.

13 MR. LINSCOTT: That's correct. A small
14 business in America, I asked the gentleman at U.S.
15 Bank, I said what if I didn't have a spouse. Wouldn't
16 be a requirement. The fact that I do have one, I have
17 to have my spouse come forward --

18 MR. ELMORE: I wonder if that ties back to the
19 all available collateral, which means your house, which
20 means your spouse, common law marriage states; lots of
21 stuff goes on in all that that I don't entirely
22 understand.

1 MR. LINSCOTT: Small business, it depends on
2 how you define it. It changes criteria. A small
3 business can have 1,500 employees and still be
4 determined to be a small business.

5 A president of a small business with 1,500
6 employees is going to come to the SBA for growth and
7 assistance to help improve our economy, and he's going
8 to bring --

9 MR. WHITE: Chrysler got it, before Lee
10 Iacocca came in, and they were going under.

11 MR. ELMORE: I would not co-sign for a
12 Chrysler. I'm sorry.

13 MR. LINSCOTT: I'm sure that gentleman brought
14 his spouse to the table to sign the loan documents.

15 MR. ELMORE: I'm thinking that ties back to
16 the collateral question, and if you are taking all
17 available collateral, especially collateral that
18 exceeds the value of the loan, that just hampers the
19 ability of a small business to secure financing as
20 opposed to enhance it, certainly in the examples we
21 have just discussed.

22 Maybe there is a broader question about an

1 examination or re-examination of the SBA requirements
2 for taking all available collateral, including
3 requiring unaffiliated to the corporation a spouse
4 having to co-sign.

5 My wife hasn't borrowed money, so I don't know
6 if there are things I would have had to co-sign for.

7 MR. LINSCOTT: Uniquely, when I had my MREIDL
8 loan approved, they took my home as collateral. After
9 the approval process was done, the funding was
10 completed, I wrote a letter to Disaster to ask why they
11 had a lien against my home when my home wasn't owned by
12 the corporation and the account was in the company's
13 name. They yielded that lien and released it.

14 The Jeffrey Linscott home in Gresham, Oregon
15 was not owned by the corporation and their account was
16 in JL Aviation's name. Why should they have a lien
17 against my home.

18 MR. ELMORE: I need you to share that lesson
19 with my 16 veterans' outreach centers so they can
20 advise my customers to seek release of their homes.

21 MR. WHITE: You need to figure out and have
22 the loan guys here tell you what the gig is.

1 MR. ELMORE: I've made a couple of points. I
2 will try to go back and capture a lot of these points
3 over the next couple of days. I am out of here next
4 week.

5 MR. WHITE: I was just looking at this,
6 talking about doing the e-mail, I'm going to suggest
7 that the first thing we do is go back and get these
8 different agencies that are on this list to send us
9 their stuff through the Administrator.

10 MR. ELMORE: Yes.

11 MR. WHITE: Depending on what's here, the
12 recommendations could be a lot different.

13 MR. ELMORE: You're right. This is more than
14 SBA. There are seven agencies here.

15 MR. WHITE: Here's the Department of the
16 Treasury. Right now, a bank can go borrow money from
17 the Fed overnight at under one percent. They can sell
18 it to the Treasury for over three percent. This is the
19 same Government and it is our tax money.

20 MR. ELMORE: You're in the wrong business,
21 Linscott.

22 (Laughter.)

1 MR. WHITE: When I say they sell it to
2 Treasury, they are buying Treasury bills. They can
3 borrow money from the Fed overnight.

4 MR. ELMORE: Have you told the Chinese about
5 this yet?

6 MR. WHITE: They're the ones who own the
7 Treasury.

8 MR. LINSOTT: Looking at improving access to
9 capital, outside the box, I have a profile, all small
10 business should have a profile with the SBA on file.
11 My current profile is outdated and obsolete, but I
12 believe I had to develop that profile in order to get
13 MREIDL.

14 Outside the box, would it be reasonable to
15 have small business in America that could register on
16 line like CCR, which is a very simple process, took me
17 maybe 25 minutes to get registered for CCR, but would
18 it be reasonable or plausible to have a SBA database
19 modified in the profile system or some way, I don't
20 have the solution for what I'm thinking outside the
21 box, but what if American small business could
22 pre-register with the SBA in the database to include

1 their balance sheet and their assets.

2 MR. WHITE: Why would you want to give that to
3 the Feds now?

4 MR. LINSKOTT: Because I would want quick
5 access to capital.

6 MR. WHITE: That's not coming from the SBA.
7 It's coming from your local bank.

8 MR. LINSKOTT: I guess what I am saying, in
9 the current system, if I'm brain storming it, I would
10 have to go to U.S. Bank, sell that person, if I wanted
11 to use U.S. Bank, use my corporate bank, sell that
12 person. Get all my stuff together --

13 MR. WHITE: You're talking about having a
14 profile for the SBA or giving it to the Feds. What
15 I've always recommended people to do is get to know
16 your banker, keep them informed, him or her, bring them
17 out to the business, do whatever you have to do, keep
18 them up to date on your financials, so there is no big
19 surprise.

20 When you are looking to buy another
21 helicopter, you go in and you say look, I'm thinking
22 about buying another helicopter, you know what's going

1 on with my business, what are you going to need or
2 should I be talking to somebody else or can you refer
3 me to somebody else that can work with me on this
4 project.

5 They are the ones under the money. All they
6 get from SBA is a guarantee.

7 MR. LINSCOTT: What I'm saying outside the
8 box, what if I could go get my guarantee certificate
9 directly --

10 MR. WHITE: SBA doesn't even want to talk to
11 you.

12 MR. LINSCOTT: What if I, Jeff Linscott, could
13 go to the SBA, get whatever they need --

14 MR. WHITE: They don't approve it.

15 MR. LINSCOTT: To give me my guarantee
16 certificate --

17 MR. WHITE: They don't approve it.

18 MR. LINSCOTT: What if they did? I could go
19 to the bank with my guarantee approval and shop banks.

20 MR. ELMORE: I agree with Steve, the idea that
21 every business would be required --

22 MR. LINSCOTT: I didn't say required. I said

1 a program where you could pre-register, and what I
2 would be after is getting my guarantee certificate in
3 advance.

4 MR. ELMORE: That reminded me of something
5 else that I have thought about and it's an idea I have
6 tried to float a couple of times.

7 Right now, the second largest Federal agency
8 in Government already issues certificates of
9 eligibility. It's not for a business loan. It's for a
10 home loan.

11 If you were able as a veteran, not as a
12 business but as a veteran to go to VA, if they had a
13 cooperative relationship with SBA, and I have raised
14 this with VA, to get a certificate of eligibility that
15 essentially confirms yes, this guy is a veteran.

16 You then take that same certificate of
17 eligibility, you might have to do a couple of line
18 changes compared to the home loan, this would be a
19 business loan, but you could take that either to SBA or
20 to any SBA lender and say I'm a veteran, here's my
21 certificate of eligibility based on being a veteran.

22 You could take it to the bank and the bank

1 would know there is a guarantee behind that, assuming
2 you are creditworthy and you meet some basic tests.
3 You have your business plan in place, that sort of
4 thing.

5 I've suggested this more than once and the new
6 Administration is more open to exploring some
7 collaborative approaches with VA, that would give
8 everybody the ability to have that certificate. The
9 test you wouldn't have passed yet is are you really a
10 business. That would be the trick.

11 You would either have to go to SBA or perhaps
12 an SBA partner or somewhere, and they would sort of
13 check off the next block and say hey, this guy has a
14 business plan. Here is a list of ten lenders that do
15 SBA loans.

16 MR. WHITE: Right now, they have on line the
17 number of banks and number of non-bank lenders. You
18 can fill out the application. They will tell you
19 whether you can get a loan or not before you even
20 apply. It's an SBA guaranteed loan.

21 MR. ELMORE: Even PX basically, some of them
22 will do that. I think Superior kind of takes that

1 approach. They have a system in place.

2 MR. WHITE: They have a back office. Same
3 with New Tech. They had an office in New York City.
4 They do everything on line. They create other services
5 around that, website design, marketing.

6 You can do the SBA loan application right on
7 line, and they say yes, you're eligible, if you want to
8 go ahead and fill out the application or no, here's the
9 problem areas you have that you don't qualify, because
10 of.

11 MR. LINSCOTT: Tim?

12 MR. WHITE: You might be in more of an unique
13 situation than most.

14 MR. WHEELER: That's a great idea, Bill. CVE
15 under VA, that would be a place for that certificate
16 you're talking about.

17 MR. ELMORE: The thing you need to remember
18 when you are dealing with CVE and the VA, their only
19 authority is for the veterans' first contracting.
20 Unless you are interested in being a contractor to VA,
21 you're not going to go into the system right now.

22 At this point, it's old, but the Census data

1 we have from 2002, less than three percent of veterans
2 indicated the Federal Government is part of their
3 market. You're not going to get the majority of
4 veterans there.

5 On the other hand, VA probably would buck at
6 this right now because they are so behind already on
7 their verification for the contracting side, but the
8 idea of looping -- that was the idea when I started
9 thinking about this a few years ago, the idea of going
10 to VA and getting the certificate of eligibility, which
11 essentially says I have a line of credit available from
12 SBA, if I can meet the underwriting criteria of the
13 bank.

14 The credit decision still rests with the bank.
15 You would have to have a business plan that made sense
16 and so on, but if you did, then you just hand that
17 certificate over to the bank and the bank forwards it
18 to SBA for our guarantee.

19 That's how I was thinking about it. I don't
20 know if it makes sense. I think it does. I think it
21 gives VA a legitimate role in partnership with SBA, so
22 we're not fighting each other about access to capital,

1 we are actually collaborating on something.

2 I'll make that point as one of the things for
3 SBA loans to at least be considered. I guess I would
4 ask the Committee if you want to think about that or
5 discuss it further.

6 Let me finish the thought on how I thought
7 about the certificate of eligibility. I thought about
8 essentially a line of credit just like you can borrow
9 up to -- I don't know how much it is -- \$600K for a
10 home now with a VA certificate of eligibility, as long
11 as you can pay the loan off and the value of the home
12 matches up, I thought about putting a line on this SBA
13 loan with the VA cert that essentially says here's what
14 you're eligible to borrow up to, and if you use it and
15 you pay it back, that eligibility is restored.

16 Essentially you end up based on veteran status
17 with an SBA loan eligibility that is there and is
18 renewable.

19 MR. WHITE: Can't you still do an SBA loan
20 through a bank for a line of credit?

21 MR. ELMORE: Yes. Patriot Express will do
22 lines of credit, for example.

1 MR. WHITE: A 7(a) loan can be a line of
2 credit, can't it?

3 MR. ELMORE: Yes, I think they can.

4 MR. WHITE: Yes, used to be.

5 MR. ELMORE: What happens is if you don't put
6 it in up front, then you get some bureaucrat somewhere
7 saying can we. When we did PX, we included language
8 that talked about that.

9 That was sort of the down side, as I thought
10 about this, is this an unnecessary step to put in front
11 of some guy to have to go through simply to be able to
12 get an SBA loan. It would sort of fix the data
13 collection side.

14 In other words, every vet that used an SBA
15 loan guarantee certificate, we would know they were a
16 vet.

17 MR. WHITE: Banks, they don't like the lines
18 of credit deal, because they have to reserve against
19 the whole thing.

20 MR. ELMORE: Yes, and the market changes.
21 They might have a line of credit and the contract might
22 go south, and this guy still has a line of credit

1 without a contract. There are a lot of reasons banks
2 don't like them.

3 Back to the point, Tim, I guess I would ask
4 the Committee if you think there is something worth
5 thinking about further on this idea of a certificate of
6 eligibility that would be the first of a two step
7 process towards securing an SBA guaranteed loan, I'm
8 still intrigued by the idea. I think there is some
9 value there. I just haven't quite figured out what it
10 might be.

11 MR. LINSOTT: I see that as being tied sort
12 of -- I see exactly what you are after, Bill, or what
13 that idea is. I still think there has to be some sort
14 of pre-approval streamlining process. There just has
15 to be a way to streamline this thing.

16 MR. WHITE: Not unless it is a direct loan.
17 It is still going to be with the bank.

18 With this certificate, walking into your bank,
19 the only way I see that working is if there is some
20 little carrot hanging out there for the bank, oh,
21 you're one of those guys, good, we can save ten percent
22 on this deal because we get a tax credit.

1 MR. LINSCOTT: Yes, or paying less fees, or a
2 higher guarantee.

3 MR. WHITE: We can make more money on you or
4 something. In some way, shape or form, they have to
5 benefit.

6 MR. LINSCOTT: That is the trick with the
7 banks. They have to make money off this program.

8 MR. WHITE: They have to see there is a
9 monetary benefit to them some way, shape or form,
10 whether it is a tax credit --

11 MR. LINSCOTT: That is absolutely right.
12 There has to be an incentive there with the bank, with
13 the lender. Without it, why would they want to waste
14 their time with it.

15 The other side, the ultimate issue is
16 depending on your contract or work that you are
17 proposing to do or planning to do, in Federal
18 procurement, it is 14 days from award to begin.

19 If you could sell that contract officer on
20 your ability or capacity to serve this award, you get
21 an award, you have 14 days to show up in most cases.
22 That's a pretty common Federal standard, 14 days from

1 the date of award or 14 days from the notice to proceed
2 to proceed with the work. Usually, that comes on the
3 day of the award, generally speaking.

4 MR. ELMORE: You are saying you secure a
5 contract and then you turn around and go get the line
6 of credit?

7 MR. LINSOTT: No, it won't work. It's
8 impossible. If we really want to increase Federal
9 procurement on larger projects for our veterans and
10 access to capital is going to help them grow, the
11 access to capital in essence has to be within two weeks
12 of a contract award or it just won't fit.

13 Then you have to give that veteran time to
14 procure, depends on their goods and service, but you
15 have to give them time to get the equipment or the
16 tools or hire staff, whatever they would do, and that
17 standard Federal procurement is net 30 on the
18 submission of the invoice.

19 Generally speaking, in Federal procurement,
20 you can submit an invoice every two weeks.

21 The veteran who needs the capital to expand
22 operations and serve Uncle Sam in this particular

1 example, they have to have operating funds that will
2 last in essence for 60 days. If they go on the job,
3 notice to proceed 14 days later, they start the job, 15
4 days after that, they can submit their first invoice.

5 Thirty days -- some of the bureaus have
6 changed their policy, it used to be from the date the
7 invoice was submitted, now it is from the date the
8 invoice is accepted -- 30 days from the date it is
9 accepted, that's a current change this year.

10 In essence, they need the capital extended to
11 them for a minimum of 90 days.

12 You have to be careful what we hope they would
13 get. If a veteran gets a Federal contract, if they are
14 awarded, they have 14 days to proceed, and then
15 depending on the scope of their contract, their first
16 invoice won't be accepted for 15 days after it was
17 sent, 15 days into the job, and they will get the money
18 about 60 to 70 days later. They have to operate for
19 two full months.

20 MR. WHITE: Now you're going back to
21 procurement stuff.

22 MR. LINSCOTT: I'm just saying as we look at

1 access to capital, whatever we could do to make that
2 streamline, pre-approve that, where you could actually
3 have it where you could push a button.

4 MR. SHARPE: What steps is the Administrator
5 making to accomplish some of these concerns?

6 MR. ELMORE: On MREIDL, there is now a
7 pre-approval process. You can do the paperwork once
8 you have received notice you are going to get orders.
9 You don't have to wait until you get orders. That's a
10 point I argued.

11 If you get notice that you're going to get
12 orders, you can start then. When you get the orders,
13 that's the part I didn't win, when you finally get the
14 orders, then you come in with your up to date
15 financials. Up to that point, you have everything else
16 for MREIDL in place.

17 On streamlining the SBA 504 or 7(a) loans,
18 504, there is probably not much we can do. I honestly
19 don't know a whole lot about that because we are
20 guaranteeing 40 percent of the funds from this
21 community development corporation, and they are putting
22 the deal together. It is not so much the business as

1 the CDC doing it.

2 On 7(a), the closest that we have come to
3 streamlining is Patriot Express, Community Express and
4 others where in most cases, we will notify the bank
5 that they have our guarantee within 24 hours of the
6 bank's decision. Sometimes 36, but usually within 24
7 hours.

8 Streamlining it beyond that, there is probably
9 some technological fix for this stuff, but what you are
10 running into is the other side of the decision making
11 process is not you are a small business and you ought
12 to get capital, it is we also have a role to protect
13 the citizens' money.

14 We are making decisions that risk taxpayer
15 funds by extending our guarantee. That is why in the
16 relationship with the bank, there are certain -- I
17 can't tell you what all those steps are -- there are
18 certain steps we are going to look at.

19 If it's Patriot Express, are they really a
20 veteran. Did you demonstrate that in the application,
21 that kind of thing, that we are going to require the
22 bank to have in place. Otherwise, if the loan goes bad

1 and we come in and review the file and you don't have
2 that evidence of military service in there, you can
3 forget our guarantee.

4 MR. SHARPE: Has the Administrator put
5 something together specifically for your program that
6 she would like to see accomplished or is there anything
7 she sends out to the banks?

8 MR. ELMORE: The communications that go to the
9 banks, there is a whole sort of dialogue that is
10 ongoing with the lending partners, primarily through
11 two associations called NAGGL and NADCO.

12 NAGGL is National Association of Government
13 Guarantee Lenders and NADCO is National Association of
14 Community Development Corporations, or whatever that is
15 called.

16 NADCO and NAGGL provide training to their
17 members on how to do SBA loans, the paperwork process,
18 what the oversight is, all that sort of thing.

19 As far as input into the Administrator, I
20 simply don't know with this one, how engaged she has
21 been. I know she went out to their national conference
22 a couple of weeks ago and made a presentation. I've

1 done that as well, but not recently.

2 MR. SHARPE: Does she have any -- what would
3 she like to see happen? What is her vision? What are
4 her goals? Is there any way she can put something out
5 to us? We really don't know what she is doing.

6 MR. ELMORE: Honestly, I don't really know
7 what she is doing other than they keep going back to
8 Congress and saying give us this 90 percent guarantee
9 and no fees and extend it out through September is what
10 they are trying to do. That thing has started and
11 stopped about three times now.

12 MR. SHARPE: I think this Committee --

13 MR. ELMORE: Let me ask the question of what
14 is the Administrator's agenda on loan programs.

15 MR. SHARPE: Exactly.

16 MR. WHITE: I have a new slogan for it. "Are
17 veterans worth a refrigerator?" You can get a tax
18 credit if you buy a refrigerator. You can get a tax
19 credit if you buy a window.

20 MR. ELMORE: How about if we put veterans in
21 cold storage?

22 MR. WHITE: You get income tax credits for

1 this kind of stuff. Instead of an income tax credit
2 for buying an energy efficient refrigerator, the bank
3 gets a tax credit for making a loan to a veteran small
4 business that spurs the economy and thanks the veteran
5 for his service.

6 MR. SHARPE: My concern is she came to the
7 American Legion's national convention last year, and
8 she spoke to our workshop and she made a lot of
9 promises. We would like to know where is she on those.
10 It's almost a year now.

11 MR. ELMORE: What were the promises?

12 MR. SHARPE: She made promises that she was
13 going to increase the number of veteran centers, she
14 had certain contracting goals that she wanted to reach.
15 She made certain promises about loans.

16 I'm sure a copy of her speech is somewhere.
17 We need to know kind of where she is, what has she
18 done, what has she accomplished.

19 MR. ELMORE: What I will do, since I just took
20 the letter you gave me this morning, she's not here,
21 but I took it up to a woman in her office who is going
22 to make sure her scheduling gets that, and when I

1 follow up with Ana tomorrow, I'll also ask about some
2 sort of follow up on her presentation.

3 MR. SHARPE: Yes, and that the Advisory
4 Committee would like to know where she stands, does she
5 feel like she has accomplished her goals.

6 MR. ELMORE: My guess her answer is going to
7 be in the context of well, we have tried to rebuild SBA
8 lending in general, and one of the initiatives that has
9 been ongoing as there has been a lot of push, to try to
10 bring banks back into the SBA program, when they
11 haven't made a loan in two years or something like
12 that.

13 MR. SHARPE: We want to know how successful
14 she has been with things.

15 MR. ELMORE: I've actually got some of that
16 data here.

17 MR. WHITE: When was the program for the
18 regional banks -- they were going to make available
19 TARP money that came back in. We were talking a little
20 bit about it this morning.

21 MR. ELMORE: That is the piece that I believe
22 is pending legislatively right now. I'm not sure if

1 that's the one -- that's not the veterans' job bill.

2 There is some other bill that I think they are trying
3 to get passed right now, if you are a bank of less than
4 \$1 billion, then you're eligible for this low cost
5 money from Treasury but you have to promise you are
6 going to loan these funds out.

7 MR. WHITE: You have to loan it out. Like
8 Treasury bills.

9 MR. ELMORE: Yes. I'm operating on memory
10 here. I know it's been talked about in one of the big
11 meetings I go to every week, that I won't be going to
12 tomorrow. I don't remember from history exactly where
13 they are at in the legislative process.

14 I know they are trying to get a couple of
15 things done before the Memorial Day break.

16 MR. SHARPE: How inclusive has the
17 Administrator and the other political appointees been
18 with full time? I mentioned to a couple of them that
19 it appears we are getting in the same mind frame as the
20 last Administration, where the political appointees get
21 in this little group and they are not really bringing
22 in the full time staffers.

1 MR. ELMORE: There was a fair amount of
2 dissatisfaction from many of the career folks.

3 MR. SHARPE: Career folks, that's what I mean;
4 right.

5 MR. ELMORE: That seems to be changing. A few
6 of us, me included, had raised this point. There are
7 some steps that have been announced internally.

8 One of the simple ones is she is going to go
9 to a ball game with a bunch of employees. More complex
10 than that, she is putting a committee together of
11 senior leaders to meet with regularly.

12 I'm not seeking to be on that committee
13 because I meet with the Administrator regularly by
14 statute. I'm not going to diminish my authority by
15 going to a committee structure unless she tells me.

16 At this point, if I need to meet with the
17 Administrator, I'll demand I go meet with her. I don't
18 do that unless there is some absolute reason why. I'm
19 very protective of that authority, who I report to, how
20 I report to them.

21 Back to your point, there is concern. It
22 seems it is being addressed. I think we need a couple

1 of more weeks to make sure it is. Simple things like
2 small business week get in the way.

3 There is a weekly meeting with all the senior
4 leadership, political and career.

5 MR. SHARPE: When you do your small business
6 week, is there going to be a veteran component to it
7 this year?

8 MR. ELMORE: It's going on right now. Today
9 is the last day of small business week and I am here.
10 Lloyd Calderon is our national veteran champion of the
11 year and Lloyd works for John Garcia. He's the guy
12 running the New Mexico veterans' business center.

13 They do the Pledge of Allegiance, that kind of
14 stuff. Lloyd gets recognized. He was over at the
15 White House today to meet the President.

16 MR. SHARPE: Was this kind of open to veterans
17 to come and participate?

18 MR. ELMORE: Yes, anybody can sign up for
19 small business week. I signed up for a number of the
20 events. For people who are not employees, there is
21 fairly significant cost for some of the events.

22 Congress doesn't appropriate funds to the

1 Agency for small business week. We then have to get
2 co-sponsors, i.e., private corporations, to help pay
3 for it and/or we have to charge for meals and stuff
4 like that.

5 MR. SHARPE: It just seems like with some of
6 the other agencies when they have their veteran
7 programs, something goes out publicly, and they have
8 some sort of public forum. They really make an effort.
9 I just don't see that here in SBA.

10 MR. ELMORE: I don't disagree with you. I
11 think what you run into, at least what I run into when
12 I try to make these suggestions, let's do a special
13 seminar, that sort of thing, what I run into is the
14 career people for decades have done this event who
15 don't do special events for special populations
16 typically. They don't do a women's deal or a minority
17 deal or a veterans' deal. It's a small business deal.
18 Veterans is a piece of that.

19 The champion, so there are state winners,
20 there are regional winners and a national winner, and
21 those champions get recognized all the way up from the
22 district office through headquarters at the national

1 level.

2 Typically, there isn't a special event.

3 MR. SHARPE: We should have a special event
4 for veterans. We are involved in two wars now.

5 MR. ELMORE: I don't disagree.

6 MR. WHITE: That is a great recommendation.

7 MR. SHARPE: I just have an issue when you
8 have less than one percent of the population defending
9 everyone else, and you can't seem to set aside time for
10 those individuals who are sacrificing themselves. It
11 is the veterans out there losing their businesses when
12 they are deployed, they are losing their jobs. They
13 are out of the system where everyone else is competing
14 for a small number of jobs because of the recession,
15 and we can't seem to have a special event for them
16 within SBA.

17 MR. WHITE: And you have bad credit when you
18 come back.

19 MR. SHARPE: Exactly. You don't have access
20 to capital. You have folks not employed.

21 I was at Ft. Bragg this past weekend. Fifty
22 percent of those people are unemployed. The week

1 before that, Ft. Dix at a school, half of those people
2 are unemployed.

3 You mean to tell me SBA can't set up something
4 special for veterans? This is ridiculous. You have
5 all these specialized groups you're talking about, but
6 they are not over there fighting.

7 MR. ELMORE: I do not disagree with you.

8 MR. SHARPE: That's my recommendation on the
9 record, there should be some sort of special program
10 here in SBA for these men and women out there
11 sacrificing themselves coming back here and waiting in
12 the unemployment lines.

13 MR. LINSKOTT: I agree.

14 MR. WHITE: That will be an unanimous one.

15 MR. ELMORE: I think we can direct that to the
16 Administrator. I think we direct it to this Task
17 Force. I would suggest that if you are going to have
18 at least seven agencies on this Task Force, one of the
19 things we might look at is is it across Government,
20 recognition and celebration event, whatever you want to
21 call it.

22 MR. SHARPE: Absolutely. SBA should be the

1 lead agency. We are in a recession. Everyone is
2 talking about small businesses, what drives the
3 economy. SBA should be the lead agency and not just
4 sitting in the back.

5 MR. WHITE: The Administrator is the Chair.

6 MR. SHARPE: She's the Chair. She should take
7 the lead.

8 MR. ELMORE: Okay. That's going on my list.

9 We have gone through capital. We have gone
10 through capacity, at least as best we think we can
11 define it.

12 MR. WHITE: Are we in agreement that we get
13 something to the Administrator that we get everybody on
14 this list, their ideas first and then we proceed?

15 MR. ELMORE: Yes. When I meet with the Chief
16 of Staff tomorrow, I'll tell her I'm going to draft a
17 letter for the Administrator to send to these other
18 agencies to request that information.

19 MR. WHITE: As we talked before, Commerce and
20 Education should be on here, too, but they are not.
21 There is probably no sense in trying to push it.

22 MR. ELMORE: Let the Task Force get started.

1 MR. WHITE: Then invite them in or something.

2 MR. ELMORE: Yes. Next is surety bonding and
3 franchising. He is involved in procurement and
4 basically disabled vet small businesses, and I guess
5 veterans as well. Jeff, you are, but you're not in
6 construction.

7 Let me give you my take on surety bonding.
8 Maybe this will help get something started. I don't
9 think SBA's surety bonding program is adequate. Bonds
10 don't go high enough. We do provide 90 percent
11 guarantees to veterans in one of our bonding programs.
12 We got that raised from what was 80 percent before.

13 There is a cap on bonding. Right now in the
14 Recovery Act, it is \$10 million.

15 PARTICIPANT: How many veterans have bonded in
16 the last year?

17 MR. ELMORE: I would have to go get the
18 number. My staff has it. Kim has it, I think.

19 I have a graph on it, but I don't know if I
20 have the number yet. I should have that number before
21 the end of this week.

22 One of the things I didn't mention is I'm

1 working on a ten year report that goes back to
2 everything we have worked on, putting numbers on all
3 those programs, including surety.

4 MR. SHARPE: Is there any type of goal that
5 SBA is trying to --

6 MR. ELMORE: There is a goal. I don't know
7 what the goal is. There is a goal in surety bonding.
8 The program was one of those that had really fallen
9 into disuse in the previous Administration. It wasn't
10 very well supported.

11 We changed leadership. They have a guy there
12 now that used to work in Government contracting, and he
13 was actually in Las Vegas last year.

14 I'm going from memory here. It might be in
15 the 3,000 to 5,000 number that we guarantee each year.
16 It is not really a big number. A lot of the bonding
17 organizations don't want to work with the SBA guarantee
18 program. That may have changed.

19 MR. SHARPE: Why is that?

20 MR. ELMORE: My impression is kind of back to
21 the banks, if they weren't making any money on using
22 our guarantees, why fool with it. I think that is part

1 of the sort of underpinning of ineffectiveness of the
2 program.

3 It's the amount of dollars. It's the
4 paperwork they have to go through.

5 The other thing, it's not SBA, it's the
6 community, many of the vets that I've talked to, they
7 sort of assume they are going to get a surety bond
8 guarantee, but it's like going to a bank for a loan.
9 If you can't go through the process the surety bond
10 forces you through, which is essentially an operational
11 test, you're not going to get bonded.

12 The operational test is about your capacity,
13 what kind of skills and equipment do you have, what is
14 your experience and background, what kind of
15 bookkeeping systems do you have in place, all those
16 real business functional things.

17 A surety bond agent when they come in looks
18 through all those things. They want to know that they
19 are guaranteeing your performance on some construction
20 company, on some construction project. They want to
21 know that you are capable of performing.

22 Some of the guys I have heard from, not all,

1 seem to think they are going to get a surety bond
2 simply because they are a veteran, but they may not be
3 operational enough to be able to go through the
4 process. They're not ready for the scrutiny.

5 I think that's an issue, too.

6 MR. SHARPE: Is SBA focused on making sure
7 they are prepared for that scrutiny?

8 MR. ELMORE: I can't speak to what our surety
9 bonding people do. I don't think so. I think it
10 really does come down to scale and capacity. We depend
11 on these third party bonding companies to do that work.

12 MR. SHARPE: We really don't know how well
13 they are doing that.

14 MR. ELMORE: No. There was some effort over
15 the years with the Veterans Corporation to try to get
16 into this whole bonding thing.

17 MR. SHARPE: That's right. That is what they
18 were supposed to be doing.

19 MR. ELMORE: There was going to be some sort
20 of training thing, but I never heard anything
21 productive that came out of any of that.

22 We could follow up with Frank and see what he

1 is doing.

2 PARTICIPANT: Frank wants to present in Las
3 Vegas this year.

4 MR. SHARPE: Is that another -- I wouldn't say
5 deficiency, but something else we need to recommend?

6 MR. ELMORE: One of the reasons I gave you
7 guys the briefing, and this is always the impossible
8 dream, the Agency is supposed to provide special
9 consideration to veterans in these programs.

10 The trick inside is how do you define special
11 consideration when that statute is so unclear. The
12 idea of me or him, for example, sitting down with our
13 surety bonding office and saying let's figure
14 out -- the last time we did that, we got the guarantee
15 from 80 to 90 percent. It's not the only group but it
16 is now a specific group that gets the 90 percent
17 guarantee.

18 We can certainly reopen some dialogue there.
19 I could ask Frank. I think the relationship is good
20 enough to say hey, Frank, what would you recommend we
21 consider to help improve your ability to do a better
22 job with veterans.

1 MR. SHARPE: Right.

2 MR. ELMORE: Would you make a note on that and
3 let's follow up with Frank on that?

4 PARTICIPANT: Will do.

5 MR. LINSCOTT: Sir, what standard Federal
6 procurement time line on a construction contract for
7 proof of a bond? Is there a pre-bid process that is
8 standard, where they have to show bondability in order
9 to bid or is it post-award?

10 PARTICIPANT: They are supposed to be in a
11 position to present that bond, I think, at the time of
12 award.

13 MR. LINSCOTT: You really have to have that
14 done pre?

15 PARTICIPANT: Yes, something you should be
16 doing as a part of responding to the solicitation.

17 MR. LINSCOTT: That is an advance thing.

18 PARTICIPANT: Yes.

19 MR. LINSCOTT: That is good to know.

20 MR. ELMORE: You have to be sort of bondable.
21 I don't know, sir, jump in here if you think I'm wrong.

22 You have certain small businesses that are

1 bondable because they have been bonded. They can get
2 performance bonds or what are called bid bonds.

3 PARTICIPANT: Performance bonds; yes.

4 MR. ELMORE: You have other businesses that
5 maybe are new to Federal procurement but they have
6 never performed on anything as the scale of a Federal
7 procurement. Now they suddenly discover they need
8 bonding and they can't get it. Either they can't
9 afford it or again, they don't have the capability to
10 demonstrate to the bonding company they are capable
11 enough for the bonding company to sort of buy insurance
12 on them, that's pretty much how it works, I think.

13 PARTICIPANT: It is an insurance. It's
14 basically an insurance policy that they will perform
15 that requirement.

16 MR. ELMORE: That's where it gets tricky.
17 It's the sort of thing -- DOD is on this Task Force. A
18 lot of the construction is VA or Corps of Engineers.
19 VA is not doing anything in bonding, are they, that we
20 know of? What about Corps of Engineers?

21 PARTICIPANT: These folks are having to
22 acquire bonding from private entities, which we work

1 with when I go out and meet these folks doing outreach
2 sessions, the bonding companies present themselves.
3 The ones that are very flexible, those are the ones our
4 veterans are using. The ones that are creative, those
5 are the ones they are using.

6 MR. ELMORE: We will follow up with Frank who
7 runs the surety bond program and we will try to dig out
8 of him some ideas on how we might improve and enhance
9 this program.

10 As we get anything from there, we will share
11 it back through the Chair and Vice-Chair and say here's
12 two or three things that we have kicked around
13 internally, and you all can consider whether or not you
14 want to take any of those to the Task Force.

15 MR. LINSKOTT: Okay. That's a good
16 suggestion.

17 MR. SHARPE: Anything we can do to enhance
18 these veterans to be successful in their businesses I
19 think is worthwhile to pursue.

20 MR. ELMORE: To me, that is what this Task
21 Force is, to put these things on the table and force
22 the powers to be to go through them and let them make

1 some decisions on the record instead of me just
2 wishfully sending more memo's that I may or may not get
3 an adequate answer to.

4 MR. LINSKOTT: We are at franchising.

5 Does anybody know what the President is
6 talking about as it pertains to franchising?

7 MR. WHITE: For veterans getting a franchise
8 opportunity. Vet Fran, I don't know where that stands
9 now.

10 MR. ELMORE: It's going along pretty well.
11 What you are seeing now is you are beginning to see
12 there has been some legislation in the hopper, but you
13 also see the International Franchise Association and
14 many of the franchisers themselves beginning to extend
15 credit and those kinds of things, and certainly giving
16 discounts. That piece has stayed pretty steady in Vet
17 Fran since Desert Storm.

18 I've never jumped, and this is my side of
19 this, I've never jumped full time into franchising
20 mostly because it wasn't clear to me inside SBA how we
21 affect that.

22 Where we do affect franchising is we know not

1 all franchises meet the definition of a small business.

2 That goes to the language in the franchise agreement.

3 What I do when I talk about this publicly is I
4 urge people to use one of our business counselors or
5 get an attorney if they want to pay for it, to make
6 sure that someone is reviewing that franchise agreement
7 with them so they know what they are getting into, when
8 they are shopping for whatever franchise they might be
9 interested in doing.

10 I know not all of them are going to be small
11 business by definition. The other is when we did
12 Patriot Express, we got franchising included. Some
13 number, I couldn't tell you how many, of the PX loans
14 have gone to support franchising.

15 There was a third thing we did a few years ago
16 as a pilot and I honestly don't know what the outcome
17 was, with some counties in Maryland where the county
18 economic development authority was allowing a veteran
19 to use their military time as equity for purposes of
20 buying a franchise.

21 I was surprised actually the Agency went along
22 with it. We had a couple of meetings and met with

1 these folks. They said sure.

2 To me, and that goes back to the broader
3 capital thing, if there is an access to capital issue,
4 whether it is around franchises or otherwise, does it
5 make sense to take a look at sort of military service
6 as meeting part of your equity or collateral
7 requirement. Is that too much of a reach.

8 When I hear Jeff's story about they took all
9 my holdings to secure this loan, it makes me think the
10 likelihood that we are going to let people use military
11 background and experience as a collateral
12 requirement --

13 MR. WHITE: Hasn't there been work done on
14 that for vets coming out that have been driving big
15 trucks and all kinds of stuff and having that go
16 towards their DOT license or something?

17 MR. ELMORE: Yes. It's actually the National
18 Guard Bureau and the Army Reserves. I have just
19 started some e-mail exchanges with those folks. I had
20 discussions with them when they were setting that up,
21 General Keene over at the National Guard Bureau and
22 some other folks.

1 It started with Conway Trucking and DSF
2 Railroad, I think it is, where essentially they began
3 moving towards a joint training regimen. If you were
4 hired by Conway Trucking and trained for their
5 commercial driving license for driving a big rig, the
6 training also met the requirements of what the Army
7 needed if you got called up as a truck driver.

8 MR. WHITE: I'm talking about somebody who has
9 been a truck driver getting out as a veteran and then
10 having to take some stupid course. They have already
11 put five million miles on a truck and now they want
12 them to go drive around a parking lot.

13 MR. ELMORE: It is a really big deal that
14 nobody has been able to solve now for -- Joe, you
15 probably know more about this than me -- for decades.

16 PARTICIPANT: Airline pilots have the same
17 issue.

18 MR. LINSKOTT: Here's a recent change, three
19 months ago. Maybe the climate in Government is
20 favorable that we could do some things for veterans
21 that have never been done before.

22 Just three months ago, the Federal Aviation

1 Regulations were changed, it was FAR, Part 61.
2 something. First time in history. The military
3 instructor pilot can take his copy of his military
4 aviation instructor certificate to the nearest Flight
5 Standards District Office and be handed a certified
6 flight instructor license with no test required.
7 Instant credibility for his military experience through
8 the FAA Flight Standards Office, no application
9 required, simple form, show proof, and walk out with a
10 civilian license. First time in history.

11 MR. WHITE: There is so much stuff. We are
12 all very aware of the fact that military experience is
13 very transferrable to a business community, whether it
14 is running a business or being a better employee.

15 I am just wondering how we phrase that to make
16 it a better deal to show that your military experience
17 gives you that credibility within -- instead of saying
18 you need to be in business for five years before we can
19 lend you money or two years or three years. I did
20 three years in Afghanistan, so I didn't have a chance
21 to run my business that long, but I want to tell you
22 what I did there and how that is applicable and I want

1 you to look at that as being my three years in business
2 type of thing.

3 MR. ELMORE: Probably the only way I think it
4 would be applicable for SBA might be for like the 8(a)
5 program. I think you have to be operational for two
6 years to get into the 8(a) program.

7 I can see where you might be able to waive
8 those two years because of that. I rarely have had
9 somebody come to me and say I'm trying to get into the
10 8(a) program and I can't. I'm not sure there is a big
11 issue there.

12 The other thing I would be careful about is I
13 think DOD, VA, maybe Labor have committees that for
14 years have worked on this licensure and certification
15 stuff, and the applicability of military experience to
16 private opportunity.

17 If you wanted to go down that road, I'm
18 hesitant to do it. The Vets Corp, when it was first
19 set up, established a huge committee. Bob Kopoff out
20 of Wisconsin ran the thing. He's a National Guard
21 Brigadier General.

22 They worked on that for two or three years and

1 couldn't get it figured out.

2 MR. WHITE: That's because you had a general
3 involved.

4 MR. ELMORE: Actually, Bob's good people.

5 There has been decades of work trying to get
6 their hands around this licensure certification and
7 nobody has been able to really get a fix on it. I
8 think there are instances like that you might be able
9 to reference, here is one example of military
10 experience that now is accepted for private license.

11 MR. SHARPE: What was interesting about that,
12 during the last Administration, we were contacted by a
13 department, I think FAA --

14 PARTICIPANT: Department of Transportation.

15 MR. SHARPE: That told us about this program
16 and we wanted them to present what they were doing over
17 at OPM. The Administrator at that time wouldn't allow
18 them to come in and tell the rest of the membership
19 what they were trying to do to help veterans and give
20 them preferences.

21 MR. ELMORE: The region has been involved in
22 this stuff for a long time. I can't remember his name

1 now, the guy that used to be there.

2 MR. SHARPE: It was interesting, that was
3 something that the various agencies were not really
4 concerned about, even though they professed to be. You
5 had this department that was out front and really
6 wanted to gain some support for the veteran community
7 and they were not allowed to.

8 MR. ELMORE: As another slant on this, in some
9 states, I know Missouri, because I'm from there, where
10 the Secretary of State puts a deferral system in place
11 for somebody who is licensed and gets activated, so
12 their license does not expire while they are gone.

13 If you are a licensed pilot -- I don't know if
14 you are licensed each year in Oregon or not, every five
15 years, whatever it is. If you got activated again,
16 there would be a deferral available to you to say your
17 license won't expire because you got activated. It
18 buys you more time.

19 There may be some opening for pursuing with
20 Secretaries of State that would go to some of that. In
21 fact, when the Vets Corporation was working on this
22 licensure stuff, I was on that committee for a while,

1 that is the point I tried to make to them, just look at
2 self employment licensure and certification, don't get
3 into everything else. Just deal with the part that
4 supports self employment, and that gives you a bite of
5 the licensure and certification.

6 I have not gotten reports from my centers or
7 my field staff that tells me this has been a big
8 problem. That doesn't mean it isn't. Nobody has
9 really sought me out and said hey, we got guys out here
10 getting screwed in Oregon because their license expired
11 while they were over in Afghanistan.

12 MR. LINSKOTT: I'm not sure what Oregon State
13 pilot licensing would do. In pilot situations, they
14 are Federal licensed through the Department of
15 Transportation. We are also state licensed. That is
16 only for search and rescue functions.

17 Let's take a break at this point. We have
18 hammered through really our first line item, we have
19 five more to go on this agenda. They are all related.
20 We have really overlapped into some of the other ones.

21 MR. ELMORE: Before you break, let me suggest
22 that on the franchising, I have some relationship with

1 those folks, why don't I just make sure -- I know it is
2 going to happen anyway -- that we invite Vet Fran come
3 make a presentation to this Task Force with their
4 recommendations on how to improve franchising
5 opportunities for veterans.

6 MR. WHITE: There is a group here. A nice
7 guy.

8 MR. ELMORE: Terry Hill.

9 MR. WHEELER: There is a piece of legislation
10 right now that helps veterans get a franchise, which
11 amends the IRS Code to allow business franchisers and
12 veterans to get tax credits on a percentage of the
13 franchise they buy.

14 MR. ELMORE: I knew there was some legislation
15 in the hopper. Like I say, I'll just make sure that as
16 whatever the agenda begins to look like once this Task
17 Force is operational, that Vet Fran be invited to come
18 in front of the Task Force and present their
19 recommendations on what steps all these agencies could
20 take or recommendations they could make on how to
21 improve franchise opportunity.

22 MR. WHITE: To start getting tax credits

1 for it, for vets, that is excellent. It is a
2 communication factor. How many people know about it.

3 MR. ELMORE: They have been pretty aggressive
4 and it has been around now long enough, the original
5 program started with Desert Storm and it went away when
6 Desert Storm went away, and then it was resurrected by
7 the daughter of one of the guys that created it.

8 MR. WHITE: It has been up and down in
9 acceptability. SBA was not a big fan of Vet Fran for a
10 while.

11 MR. ELMORE: You're right. I think part of it
12 was political relations. I'm not entirely clear.

13 MR. WHITE: Yes, it generally is.

14 MR. ELMORE: Unless you guys come up with
15 something else, at this point what I will be thinking
16 about is just making sure it gets in front of this Task
17 Force and develops their recommendations.

18 MR. LINSKOTT: Okay. Let's take a break.

19 (A brief recess was taken.)

20 MR. LINSKOTT: We will go back on the record.
21 What I'd like to do, unless I have any objection, is if
22 you go further into tomorrow's session, recap of today,

1 some comments from Mr. Elmore, and then increasing and
2 improving training and counseling, what I would like to
3 do without any objection is go into public comments,
4 which is our 3:30, which we are at now.

5 We only have one gentleman from the public.
6 Barring any comments he has, I'd like to conclude, go
7 off the record for the rest of the day and do our
8 committee matters. Committee matters, in my opinion,
9 are not on the record.

10 MR. ELMORE: You're the boss.

11 AGENDA ITEM IV - PUBLIC COMMENTS

12 MR. LINSKOTT: Tim, any comments from you?
13 You are our one and only public at this time.

14 MR. WHEELER: I have no comments. I already
15 made comments earlier. I enjoyed being here. I thank
16 you for the opportunity for letting me be here.

17 MR. LINSKOTT: Mr. Wheeler, we appreciate you
18 coming. Without any objection --

19 MR. WHITE: Why don't you give a real quick
20 run down on the organization?

21 MR. WHEELER: Veterans of Modern Warfare, we
22 began in 2006. If you served any time in Service from

1 August 2, 1990 to a date yet to be determined because
2 of the war, you're eligible for membership. It's all
3 active duty, Guard, Reserves.

4 We are a veterans' service organization, a
5 501(c)(19), we are the liaison between veterans and VA
6 or VA claims and other Federal agencies.

7 MR. SHARPE: How large is the membership?

8 MR. WHEELER: Tens of thousands right now.
9 It's still growing.

10 MR. SHARPE: About the size of IAVA?

11 MR. WHEELER: We never know what IAVA is.
12 They always say 80,000 members and supporters. They
13 never break it down.

14 We are still growing. We were just at Walter
15 Reed Hospital yesterday, which was a big kick off to
16 grow more membership. We are going to be kicking off a
17 newsletter for Memorial Day weekend, just growing the
18 membership from there.

19 MR. LINSKOTT: Who is the president?

20 MR. WHEELER: Joe Morgan. He is in
21 anesthesiology, he practices in Tampa, Florida.

22 MR. LINSKOTT: Is he a Reservist?

1 MR. WHEELER: Yes.

2 MR. LINSCOTT: Any particular reason why you
3 picked the 1999 -- what date was it?

4 MR. WHEELER: 1990. That was actually the
5 kick off of the Gulf War. I'm just still learning. We
6 wanted to cover Desert Storm all the way to the
7 present. Our Executive Director, Don Overton, he got
8 hit in the first Gulf War, lost his eyesight, he's a
9 blind veteran. He's been very active with all the Gulf
10 War research going on right now.

11 MR. ELMORE: Fair enough. Thank you, welcome.
12 Most of what we are doing here is more for your
13 generation than for mine. I'm glad you guys are here
14 and glad you see the value in pushing entrepreneurship
15 and self employment.

16 MR. LINSCOTT: With that, we will conclude for
17 today and re-adjourn on the record tomorrow morning at
18 9:00 a.m. Thank you.

19 (Whereupon, at 4:42 p.m., the Committee
20 adjourned, to reconvene the following day, Wednesday,
21 May 26, 2010, at 9:00 a.m.)

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