U.S. SMALL BUSINESS ADMINISTRATION

ADVISORY COMMITTEE

ACCESS TO CAPITAL

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U.S. Small Business Administration

409 3rd Street, S.W.

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Advisory Committee on Veterans Business Affairs

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

2 CHAIRMAN VARGAS: All right. Felix Vargas

3 here, Chairman of the Advisory Committee on Veterans

4 Business Affairs. We are meeting today to discuss the

5 important issue of access to capital.

6 We have the Administrator en route to meet

7 with us. In the mean time we will go to Pat MacKrell,

8 to discuss a paper that he has prepared on the issue.

9 Pat?

10 MR. MACKRELL: Thank you, Colonel.

11 You know, I think that, you know, as the

12 limited time that I've been on the Committee, I think

13 those of you that heard me probably know that I'm

14 generally optimistic.

15 I'm a glass-half-full type of person, and try

16 to work well within the system and figure out how to

17 advantage small businesses as a result.

18 Just by way of background, which you might

19 hear me repeat to the Administrator, but almost 30

20 percent -- 29 and change percent -- of every SBA dollar

21 that comes into New York State comes in through one of

22 our companies.

1 We have two companies that are SBA lenders.
2 Our 504 company is the fourth leading 504 company in
3 the nation. And our NYBDC is a substantial 7(a)
4 lender. It was one of the 7(a) lenders featured in the
5 Wall Street Journal as one of the top five in terms of
6 Euro in-year increases in 7(a) lending in obviously a
7 market that had gone down.
8 Depending on whether you want numbers or
9 dollars or units, you know, our lending has gone up
10 from 50 to 90 percent -- 50 percent in dollars, 90
11 percent in units -- over the last year, which would
12 indicate obviously that there are substantial holes in
13 the traditional markets providing access to capital.
14 But much of what we do for veterans, it's sort
15 of like a one-size-fits all, because the fundamental
16 issue is veteran-owned small businesses have the same
17 issues that most small businesses have, except that
18 they create in the lender and they create in the
19 partner an additional desire to make things happen,
20 because of the veteran status.
21 I mean, that doesn't help you pay the bills,
22 it doesn't make your business cash flow; but it does

1 create, I think, and should create an energy in the eye
2 of the lender to find a solution, to work a little
3 harder to find a solution. And I think that's the
4 veteran edge.
5 I mean, there are some, you know, obviously
6 contracting programs and a variety of different
7 programs. There are statutory advantages that the
8 veteran gets.
9 But when it comes down to a lending decision,
10 it's very much an intangible boost that the veteran is
11 going to secure from the veteran's status.
12 So what happens is you have to go back to very
13 traditional ways of looking at credit and making sure
14 that we as representatives of the veteran community
15 don't waste our credibility advocating for things that
16 can't work from a mathematical credit point of view.
17 Every business is not entitled to credit.
18 Unfortunately, I think the media attention to
19 credit issues has focused such, and we see
20 people -- and obviously with the presence we have in
21 New York -- we see people featured in news stories and
22 media items about access to credit and being denied

1 credit.

2 We know those companies. We've looked at

3 them. And we've been among the raft of people that

4 have denied them credit.

5 In 90 percent of those cases, the ones that

6 get the tallest, loudest, most visible bully pulpit,

7 their mother wouldn't loan them lunch money in the best

8 of times.

9 (Laughter.)

10 CHAIRMAN VARGAS: All right? And you know,

11 we're reacting to that. We're visceral to that. We're

12 saying they're not doing our job, this company can't

13 get a loan.

14 Well, I happen to know they've got five tax

15 liens, six law suits pending. They've cheated

16 everybody they've run into, including their employees.

17 They collect withholding, they don't remit it to the

18 government.

19 They're a crook.

20 And in those cases where I don't know the

21 company -- and we've seen an article and we've drilled

22 down -- very quick story -- provision company in the

1 Bronx -- sad, weary tale in the Crane's Business Papers
2 about them unable to buy a refrigerated truck. They
3 need a refrigerated truck.
4 Hispanic company. I send my guy, Hector
5 Molina, into the Bronx. He's there. I read the paper
6 at 9:00. Hector is in their office at 11:30 in the
7 Bronx.
8 "I'm here to talk to you about your truck."
9 CHAIRMAN VARGAS: Let me interrupt you here,
10 because I see the Administrator in the hallway.
11 MR. MACKRELL: Yeah, sure.
12 (Discussion was held off the record.)
13 (Administrator enters.)
14 CHAIRMAN VARGAS: All right. Here, with your
15 permission, I'd like to do the following.
16 MS. MILLS: Yes.
17 CHAIRMAN VARGAS: I don't know how well you
18 know the Committee.
19 MS. MILLS: I don't know them well at all.
20 CHAIRMAN VARGAS: And I'd like for us to take
21 30 seconds. All right. We'll we're going to change
22 that today.

1 MS. MILLS: That's good.

2 CHAIRMAN VARGAS: Let me start with myself.

3 My name is Felix Vargas, I'm a retired government guy.

4 I retired both from the U.S. State Department, Foreign

5 Service, and also from the U.S. Army.

6 And I have been in government 33 years. I've

7 been in the private sector since the year 2001. And I

8 hail from the great State of Washington.

9 I think I'll leave it at that.

10 MS. MILLS: Mm-hmm.

11 MR. GARCIA: John Garcia on the --

12 MS. MILLS: Tell me what you did in the Army.

13 CHAIRMAN VARGAS: I was an infantry officer.

14 I served in Vietnam as an airborne ranger and a special

15 forces officer. And then during the civil war in

16 Central America in the '80s I was pretty much involved

17 in that conflict as well.

18 MR. GARCIA: Did you say during the Civil War?

19 CHAIRMAN VARGAS: Civil war in Central

20 America.

21 (Discussion was held off the record.)

22 MR. GARCIA: I'm John Garcia, State of New

1 Mexico and a Cabinet Secretary for Department of
2 Veterans Services. Formerly the Secretary for Economic
3 Development. I used to run the Chamber of Commerce in
4 our state.
5 We have a unique program we have established,
6 Veteran Business Resource Office, that's doing very
7 well, helping our vets in business.
8 So a former infantry grunt in '69 in Vietnam.
9 MR. DENNISTON: Good morning. Scott
10 Denniston. I just recently retired from the Department
11 of Veterans Affairs after 20 years running the small
12 business programs, and started the Center for Veterans
13 Enterprise, and was active, as was Bill, in all the
14 legislation that's been promulgated to help veterans.
15 And now I have my own company and work with
16 veteran and service-disabled vets. And I also
17 represent NaVOBA, the National Veteran-Owned Business
18 Association.
19 MS. MILLS: See, now I'm working for you, if
20 you have your own business.
21 MR. GARCIA: There you go, see?
22 (Laughter.)

1 MR. CHICOINE: My name is Jathan Chicoine. I
2 run a veterans resource center in South Dakota. It
3 kind of started out as a student organization and moved
4 into organization.
5 We were unable to form one at the university,
6 so we moved into the community, recognizing that a lot
7 of our student veterans have family members as well.
8 And so that's been interesting. I had a lot
9 of challenges when I came back from everywhere, from
10 benefits being held up to my residency being denied for
11 over six months, no reason why, from them not
12 recognizing military transcripts, from policies and
13 procedures being unclear, inconsistent across the
14 board.
15 So I've been pretty involved that way. I
16 spent six years in the Navy. And voila, I'm here,
17 honored to be here. Honored.
18 MR. MILLER: Ron Miller. I live in Arkansas
19 now, but I ran a small business assistance program and
20 an employment training program in Georgia for about 13
21 years.
22 MS. MILLS: Where in Georgia?

1 MR. MILLER: In Atlanta.

2 MS. MILLS: Atlanta.

3 MR. MILLER: And I currently work a consulting

4 firm with myself, and I've done a couple of

5 documentaries. And I work very heavily with the Small

6 Business Development Center at the state and at the

7 local level in Arkansas.

8 MS. MILLS: We have a good operation in

9 Arkansas.

10 MR. MILLER: Excellent operation.

11 MS. MILLS: We do actually. I was with them

12 last week in Orlando. They're smart. Good. I'm glad.

13 MR. ELMORE: Ron has been very helpful down

14 there in sort of leading to the creation of that

15 program. So we can thank him for that.

16 MS. MILLS: Well, that's great. That's great.

17 MR. WHITE: I'm Steve White. I was with the

18 First Cav in Vietnam and then worked in the banking

19 industry for a few years with the SBA in New Hampshire.

20 For three or four years I worked with the SCORE

21 chapters and a number of other organizations as a

22 consultant.

1 MS. MILLS: Mm-hmm.

2 MR. WHITE: Started my own publishing

3 business, and since then have formed the Veterans

4 Business Network, an association of vet business owners

5 to help them grow their businesses, and also my own

6 company, White & Co., which produces marketing programs

7 mainly for banks targeting small business.

8 Go back and forth between New Hampshire and

9 Long Island. One of these days I'll figure out where I

10 want to live, I guess.

11 MS. MILLS: Yeah?

12 MR. WHITE: In the meantime, I'm pleased to be

13 here. I'm looking forward to helping veterans.

14 MS. MILLS: That's great. And where in New

15 Hampshire?

16 MR. WHITE: Dover, Portsmouth.

17 MS. MILLS: Mm-hmm. So you must sail?

18 MR. WHITE: I fish.

19 MS. MILLS: You fish.

20 MR. WHITE: I've sailed too, but I mean, I

21 like fishing better than sailing.

22 MS. MILLS: You fish, yeah. Well, you have to

1 figure, if he's in New Hampshire, and he's on the
2 water, and he goes to Long Island, there's something
3 going on --
4 MR. WHITE: Absolutely.
5 (Laughter.)
6 MR. WHITE: That salt water in your veins --
7 MS. MILLS: Yeah, I live in Maine, so I know
8 about this.
9 MR. WHITE: Yeah?
10 MR. MACKRELL: Good morning. Patrick MacKrell
11 from New York Business Development Corporation.
12 MS. MILLS: Yes.
13 MR. MACKRELL: We have an affiliate, Empire
14 State CDC from New York. Our two companies combined
15 between NYBDC and our 504 company generate about 30
16 percent, 29 percent in the last quarter of all the SBA
17 approvals in New York State comes through one or both
18 of our companies.
19 MS. MILLS: Wow.
20 MR. MACKRELL: Fourth leading largest CDC in
21 the country.
22 MS. MILLS: I have some questions from you

1 separate from this. Remind me to ask you about them.

2 MR. MACKRELL: We're one of the few companies

3 that have actually increased 7(a) lending over the last

4 few years and on a steady incline.

5 We're a pretty unique organization. We're a

6 consortium of 135 banks that was formed in 1955, two

7 years after the SBA, and really form our state

8 guarantee -- an informal state guarantee program, where

9 it was a shared risk model.

10 MS. MILLS: Wow.

11 MR. MACKRELL: It never turned out that there

12 was risk, because we've never lost money, thankfully.

13 But we've managed to accumulate a fairly sizeable

14 equity position, and continue to have robust support

15 from the banking community.

16 As far as my other backgrounds, I did spend 16

17 years in the Marine Corps, over which time I

18 accumulated a college degree, a law degree, and never

19 had a shot fired at me in anger, unlike many of these

20 other people here.

21 So I come out completely clean in that regard.

22 But I'm also on the State Board of Directors

1 for the New York State SBDC. And I'm sure you met Jim
2 King last week, our state director.
3 MS. MILLS: Yes.
4 MR. MACKRELL: So I'm active with the SBDCs as
5 well. So, pleased to be here. Thanks for joining us.
6 MR. MANCINI: Good morning. My name is Frank
7 Mancini. I'm a small business owner from California.
8 We specialize in two-dimensional and three-dimensional
9 technology.
10 I'm also the President of the Elite StBOP
11 Network down in Los Angeles, and I advocate on behalf
12 of veterans.
13 MS. MILLS: Mm-hmm.
14 MR. MANCINI: I managed to live in California
15 since 1990, and not get a tan, just to show how much I
16 work.
17 (Laughter.)
18 MR. MANCINI: I was a medic.
19 MS. MILLS: Where in California?
20 MR. MANCINI: Santa Monica in West Los
21 Angeles.
22 I joined the Navy in '84. I was medically

1 retired in 1993.

2 And thank you for having me here.

3 MS. MILLS: Yeah.

4 Well, I have to say, you know, I see a lot of

5 our advisory groups, but you've put together one of the

6 most impressive groups.

7 It sounds like you've been working hard too.

8 Do you work well together?

9 CHAIRMAN VARGAS: Absolutely.

10 MS. MILLS: Have a good --

11 CHAIRMAN VARGAS: Absolutely.

12 MS. MILLS: Because I read this and I realize,

13 you know, a lot of the times these things don't work

14 out so well. People aren't committed, they aren't

15 really qualified.

16 That's not the case here. So I know that

17 you've got some thoughts for me.

18 Why don't you talk for a bit.

19 CHAIRMAN VARGAS: Sure.

20 MS. MILLS: And then I can tell you a little

21 bit about what we've been thinking and doing on the

22 veterans side.

1 CHAIRMAN VARGAS: Okay. Real fine.

2 I know that your time is limited, Karen, this

3 morning.

4 MS. MILLS: Mm-hmm.

5 CHAIRMAN VARGAS: So there is too much. We

6 have an elephant and we're going to get this guy one

7 bite at a time.

8 We take our charter very seriously.

9 MS. MILLS: Yes.

10 CHAIRMAN VARGAS: We have assembled I think

11 the most distinguished board that I can remember in

12 recent times.

13 MS. MILLS: Really?

14 CHAIRMAN VARGAS: So I hope that the process

15 works well, where we come and do our job, and we have

16 the opportunity to interact with you and get some

17 feedback.

18 MS. MILLS: Mm-hmm.

19 CHAIRMAN VARGAS: If we're not looking at the

20 right things, please let us know if we should be

21 looking at other things.

22 But we start with that.

1 Access to capital has been an extremely
2 important issue that we have been talking about now for
3 several months. And we have heard what you've heard
4 from veterans' groups around the country, from New York
5 to California, that there are some serious problems in
6 the --
7 MS. MILLS: Have you shown them the six-month
8 report card?
9 MR. ELMORE: No.
10 MS. MILLS: Would you do me a favor and just
11 get that from Chris? Get a bunch of copies. They're
12 in, off Kim's desk there a bunch, and we can give each
13 one of these guys one.
14 CHAIRMAN VARGAS: Sure.
15 So this whole issue of access to capital, I
16 mean, I've gotten e-mails from Seattle here a couple
17 days ago on how bad the situation is there. I got some
18 similar e-mail traffic from Florida.
19 I know the Committee members have also their
20 bit of information. What do we do with this
21 information? We want to make it available to you. And
22 I know it supplements whatever else you got from Denver

1 and other places.

2 We look to Pat to kind of steer us, because we

3 know that with this issue as complex as it is, there

4 are many aspects, so there are many dimensions.

5 MS. MILLS: Mm-hmm.

6 CHAIRMAN VARGAS: You know, it's easy go say

7 the SBA has the ball on this one. Or it's easy to say,

8 look the lenders themselves are at fault. Or no, it's

9 actually the small business owner who's at fault,

10 because he is not creditworthy.

11 So we kind of start from there. And what I'd

12 like to do is ask Pat on our behalf to give you a

13 little bit of an assessment of how we're looking at

14 these, or how we're trying to understand this better,

15 so that we can make some recommendations to you.

16 Pat?

17 MR. MACKRELL: I'm not sure everybody agrees

18 with me on this Committee. So I'm not going to

19 attribute all of my remarks to the Committee.

20 But as Bill knows, I'm a fairly vocal SBA

21 cheerleader.

22 MS. MILLS: Mm-hmm.

1 MR. MACKRELL: I think the SBA has been
2 incredibly responsive on difficult issues that face
3 small business.
4 Refinance parameters, changing those,
5 increasing the good will caps in response to the
6 markets.
7 MS. MILLS: Mm-hmm.
8 MR. MACKRELL: Addressing concerns in the
9 market by establishing, allowing to resort to the swap
10 rate for a fixed rate to allow a higher return, which
11 is coming on line with the next, I think October 1st.
12 All of those things clearly reflect what I
13 think in my involvement in this business, probably
14 about ten years, an agency that's been responsive and
15 creative on some very significant things.
16 As I've said earlier, I'm not a fan of the ARC
17 loan program, and we don't do ARC loans. But people
18 coming in with that kind of hole in their balance
19 sheet, we're fixing them up with 90 percent permanent
20 working capital loans, which is the better solution for
21 that problem.
22 MS. MILLS: You're not the only guy who has

1 told me, you come in for ARC, you get a 7(a) with a no
2 fees right now. It's a better solution.
3 Good for you.
4 MR. MACKRELL: And we're making those links.
5 MS. MILLS: Yeah. It's good, you're happy with
6 that, you're happy with all that?
7 MR. MACKRELL: And we're making those links.
8 But I think that, and I don't want to sort of
9 speak out of school, but I did have an opportunity to
10 speak to some of your center directors in Rhode Island
11 recently at Americas East.
12 MS. MILLS: Yeah.
13 MR. MACKRELL: And one of the things that, you
14 know, the bank's biggest complaint about SBA is the
15 vitality of the guarantee.
16 If we make the SBA loan, if we go out on a
17 limb. And you've --
18 (Discussion was held off the record.)
19 MR. MACKRELL: If you go out on a limb and you
20 make the loan, and now SBA has allowed you to make it
21 in a very profitable way, the secondary market is
22 recharged, premiums are leaning on 110 in the market.

1 You've got the ability for the bank to hold, a
2 community bank, to hold a fixed-rate loan now with the
3 swap rate at a high return. And you've got no fees.
4 So now the issue is, is the guarantee worth
5 it? So whether it's 20 percent guarantee or 120
6 percent guarantee, it's only worth it if you can get
7 it.
8 MS. MILLS: Right. So I'm going to pass out a
9 couple things when you finish.
10 MR. MACKRELL: Right.
11 MS. MILLS: But I want to listen some more.
12 So do you mind if I sort of jump to the end and listen
13 to you, ask you a question on this?
14 MR. MACKRELL: Yes.
15 MS. MILLS: You're going to hear, I'm going
16 to walk you through our sort of six-month report card.
17 Things are back, you know.
18 Really, we're working very hard -- this is
19 just jumping right into work mode -- as to where the
20 gaps still are.
21 So let's say that we did some things in the
22 Recovery Act. I'll show you how they worked. But

1 we're not all the way out of the recovery.

2 We've got programs that we're going, you know,

3 finish. They're going to be done with their money in

4 December. And we're in discussions just to -- it's

5 been in the press, you know, across the Administration

6 as to what's to be done for small business.

7 If you had the opportunity -- there's a bunch

8 of ideas out there -- do you have specific things that

9 you think, you know, would be critical?

10 Let's say the 90 percent guarantee and the fee

11 reduction shield. That was the really important

12 triage. What's the priority going forward?

13 Option one, working capital loans. As you

14 grow out, you know, in a recovery, you need capital.

15 What if we augmented the express loans, made them

16 bigger? What if we increased the guarantee on express?

17 How would you rack those things up versus

18 keeping a 90 percent guarantee? How important are the

19 fees versus the guarantee?

20 I know we want it all, but let's assume stuff

21 costs money, and in fact it costs more and more money

22 now. What's the biggest need out there?

1 MR. MACKRELL: From my perspective as a
2 lender, I would say the 90 percent guarantee is much
3 more valuable to me and much more of an inducement to
4 me to stay in the space than the fee reductions.
5 I mean, I can't give up the fees.
6 MS. MILLS: And the 90 is more than the 75 or
7 85 percent.
8 MR. MACKRELL: Right.
9 MS. MILLS: It makes that much of a
10 difference?
11 MR. MACKRELL: Well, it makes as difference,
12 not so much with the 85 percent, but that was the 150
13 cap at 85 percent. It makes a huge difference on the
14 $1.5 million loan, where you've got, you know, a 25
15 percent exposure on a $1.5 million loan.
16 And those are the kinds of recovery loans that
17 are going to be out there, jump-started. And you know,
18 the buyer's perspective is the fees. But as a lender
19 you say, well, it if's a credit elsewhere program, and
20 you've got other people competing for your business,
21 who are not going to keep doing SBA guarantee and
22 charge fees, well, then you're not really using the SBA

1 program properly.

2 MS. MILLS: Right.

3 MR. MACKRELL: And then you can finance the

4 fees, so it's not an out-of-pocket expense.

5 So the priority of whether you raise the

6 express limit or whether you raise the guarantee limit,

7 I think that having the guarantee limit is critical.

8 MS. MILLS: And is it critical because you

9 don't have to put it on your balance sheet, or because

10 you otherwise wouldn't take the risk?

11 MR. MACKRELL: It's critical because the banks

12 aren't having to reserve against it. That's the key.

13 The banks are putting the asset on their balance sheet

14 100 percent.

15 But its tax on their reserves is 10 percent.

16 You know, most of the examiners really require them to

17 reserve against the unguaranteed exposure, provided

18 they have a reliable history of actually getting the

19 guarantee when the rubber hits the road.

20 MS. MILLS: So let me try to just answer a

21 couple of these question, because let's focus on access

22 to capital for a minute, and tell you a couple things

1 that we're doing.

2 And then Bill's going to tell you more about

3 what these conversations we've been having with

4 the -- we're going to pass these out here.

5 I'm just going to point you quickly to this

6 six-month report card, that gives a summary of what's

7 happened in the Recovery Act.

8 And then I'll talk to you a little bit about

9 the guarantee, and then I'll talk a little bit about

10 what we're doing with the VA.

11 And then I'll let you guys get down to work

12 and hopefully be able to get some more feedback from

13 you or from Bill at the end of the day.

14 Because this conversation is ongoing, really

15 important and really valuable.

16 So your top of mind question was access to

17 capital, right?

18 MR. MACKRELL: Yes.

19 MS. MILLS: That's really the thing in your

20 discussion mode.

21 MR. MACKRELL: Yes.

22 MS. MILLS: It's one of our top-of-mind things

1 in terms of what we're trying to do at the agency.
2 Mostly because if you look on page 3, this is the
3 chart, this is our report card, our six-month report
4 card.
5 So in fiscal year '07 we're going along, '08,
6 it's a little lower. October '08 basically all of our
7 SBA lending falls off a cliff, like all the lending.
8 Small businesses are frozen out, no access to
9 capital. And this I think is what, you know, you're
10 continuing to respond to, we continue to respond to.
11 We bounced around the bottom for a while. The
12 Congress and the President passed the Recovery Act.
13 Immediately, we announce these, in March we announce
14 these 90 percent guarantees in the fee reductions.
15 And I will tell you I think -- we worked hard
16 on this -- I think we got the formula right. We really
17 worked hard on trying to figure out how to get the
18 maximum bang for that buck out there.
19 And immediately loans start going up, SBA
20 loans start going up. And you can see that we are
21 almost at '08 levels, we're almost back.
22 So we're pretty happy. We're even happier we

1 have 1,000 banks, who had not made a loan since
2 October, now lending again.
3 Nine percent of this money has gone to
4 veterans, which is way over-indexed. And the total
5 amount of money we've put out into the hands of small
6 business is over $10 billion.
7 It's about a billion dollars in the hands of
8 veteran-owned businesses since March. So we're moving
9 the needle.
10 We're only about 10 percent of the market,
11 right?
12 MR. MACKRELL: Mm-hmm.
13 MS. MILLS: Where you can't get credit
14 elsewhere. So there's a whole market out there. If
15 you're still hearing things are frozen and small
16 businesses aren't getting credit, they aren't.
17 Because we're not the whole market. We don't
18 have great data in the world. I've been all over to
19 the Fed and everything, to find out how much the whole
20 market is recovered.
21 We've recovered over 60 percent. We don't
22 really know how much the whole market's recovered. We

1 know it's recovered some in terms of lending for small
2 business.
3 We know the whole lending market. But we
4 don't know the small business piece. They don't track
5 it. In regulatory reform, we want to make sure we get
6 that data. I'm sort of a data hound.
7 But I think we're ahead of the game. And
8 we're pulling, you know, we're pulling everybody up
9 with us, particularly our underserved markets, which
10 are veterans, minority-owned businesses, women-owned
11 businesses.
12 So the question that we're talking -- you
13 know, I sit on the National Economic Council. Larry
14 Summers, Tim Geithner, we've been meeting to figure out
15 what's to be done.
16 Things are better. They're not fixed.
17 Particularly for people we care about, you know, we're
18 over-indexing in all these underserved markets. So
19 they're going to be the last people to get the credit
20 back. So we have to continue to be -- so we're
21 thinking really hard about that and what we do.
22 The rest of this, you'll see, we're doing

1 pretty well in fixing the secondary market. That's on
2 page 4. The secondary market froze. That meant if you
3 made a loan and you were a bank, you couldn't sell it
4 and get the money back and make another one.
5 Well, now you can.
6 Premiums are back in the secondary market.
7 Are you finding that?
8 MR. MACKRELL: They are certainly back. We
9 don't sell, we've never sold a secondary loan, but --
10 MS. MILLS: Yeah. That's good.
11 MR. MACKRELL: But the premiums are leaning on
12 110 again. Yeah.
13 MS. MILLS: Yeah. So that's good.
14 So we feel pretty good about that. And that
15 was like the number one objective when I came on in
16 April, fixed this problem.
17 MR. MACKRELL: Right.
18 MS. MILLS: So our report card there we feel
19 pretty good about.
20 You'll see in the last page, we're going okay
21 on service disabled veterans in our contracting, per
22 the Recovery Act dollars. There is no goal for

1 Recovery Act dollars for contracts.

2 But the Vice President said that's okay, we're

3 making goals anyway, and we're going to go drive this

4 stuff into the hands of the constituents, the small

5 business, minority-owned business, service-disabled

6 veterans. And we're doing that.

7 And he asked Gary Locke and myself -- the

8 Secretary of Commerce and myself -- to head that.

9 So we're working hard on that. I think our

10 report card is good, but you know, that's yesterday's

11 news. We've still got problems out there to solve, so

12 we need your real-time information about how to go on

13 and get after them, and what programs we can do.

14 To that end, I'm going to pass out -- oh,

15 there's one other thing. We have a big reputational

16 problem on this guarantee issue that you brought up.

17 MR. MACKRELL: Okay.

18 MS. MILLS: So when I came in, I said, so what

19 are the facts? What are the facts? So this is a

20 one-pager on what the facts are.

21 You know, this is all, what I'm giving you is

22 all public, you know, cleared, vetted. And actually

1 this is not the right one.

2 MR. MACKRELL: Oh, okay.

3 MS. MILLS: You should get the one, which is

4 the one-pager on loan guarantees, that we honor our

5 guarantees.

6 So I'll tell you what it says. This is just a

7 summary of the same thing I was just telling you about,

8 that how many loans we've made, the most updated

9 numbers. It's relevant. But you already heard that.

10 Guarantees. What percentage of our guarantees

11 do we think we honor?

12 MR. MACKRELL: Ninety-seven percent.

13 MS. MILLS: Ninety-five.

14 MR. MACKRELL: Yep. I think the issue -- I

15 mean, I will tell you, an SBA lender since the

16 beginning, we've never had an SBA guarantee repaired or

17 denied. Never.

18 MS. MILLS: And that's --

19 MR. MACKRELL: That's because you stay within

20 the lines.

21 And I think that -- I was talking with the

22 Center Director of Herndon at the Americas East, and I

1 said, "You know what? You've got to take each state,
2 50 states, identify the head of the banking industry,
3 trade association in that state, and get these numbers
4 in their hands."
5 MS. MILLS: Right.
6 MR. MACKRELL: Because what's happening is
7 innuendo, anecdotal stories about --
8 (Discussion was held off the record.)
9 MS. MILLS: Yeah. I'll just tell you what
10 this thing has and he can get it from John Swain.
11 And you should make sure these guys get all of
12 our one-pagers all the time. You should be on this
13 distribution list. Because when we get a problem like
14 this, we get the facts out, we try to do these
15 one-pagers.
16 I know this small type should be bigger. But
17 anyway. So 95 percent of the time we honor our
18 guarantees.
19 MR. MACKRELL: Right.
20 MS. MILLS: We used to sort of mess this stuff
21 up. So what did we do -- and this was Steve Preston,
22 this wasn't us -- about 18 months ago put together a

1 ten-step list. If you followed these ten steps at the
2 start of a loan, you can know you're going to get your
3 guaranteed honored.
4 Because it's the same check list at the end
5 and the beginning. We've check it off now, you're
6 going to get the guarantee honored.
7 So people walk through. So it's not a
8 question of "Did I dot that 'i' and cross that 't'"?
9 Right? This is it. This is what you get judged on
10 later.
11 Number two, made a promise that every
12 guarantee will be processed within 45 days of getting a
13 full package. So far from 18 months to now, we've
14 honored that promise 100 percent of the time.
15 Average is 30 days. It's all within 45 days.
16 So we have this reputation if it takes a year,
17 we never honor it. A reputation -- and a bad
18 reputation is still out there -- we got to do what you
19 said. We got to every single place, talk about it.
20 MR. MACKRELL: Yeah. I mean, it's huge. It's
21 huge.
22 MS. MILLS: I was talking about it in Denver.

1 So those are two things that I wanted to tell
2 you.
3 Let me just tell you third thing that we're
4 doing, and Bill's going to tell you some more.
5 Went over to Veteran Affairs. I said one of
6 the priority things that we have -- you know, I went to
7 talk to the American Legion. And you know this, right?
8 CHAIRMAN VARGAS: Yes.
9 MS. MILLS: Yes?
10 MR. ELMORE: No, you don't. Well, a member of
11 your Committee is from the Legion, but he's not here
12 today.
13 CHAIRMAN VARGAS: He's actually in the, he
14 went to the --
15 MS. MILLS: All right. Well you got to keep
16 these guys informed that I do actually go out and care
17 about this stuff.
18 (Laughter.)
19 MS. MILLS: So I could talk to 3,000 members
20 in Louisville at their convention -- and it was a big
21 deal for me, I hope it was a big deal for them -- and
22 spent some time in that.

1 But I'll tell you what I told them. This is a
2 priority for us. If you've got 300,000 veterans coming
3 home from being in harm's way, a war on two fronts or
4 however many fronts we think we've got it on, you right
5 now, when they come home, and you have 20 percent of
6 them unemployed after two years, it's unacceptable.
7 Unacceptable.
8 Veterans over-index, as all of you know, in
9 small business because they're leadership and
10 entrepreneurial people. But they're coming back to an
11 environment which is tough.
12 We have products and services that can help
13 that. The Veterans Administration has products and
14 services that can help that.
15 We have a bone structure of 900 small business
16 development centers. We have 360 chapters of SCORE.
17 Many of these guys are veterans in SCORE. There's
18 12,000 of them out there. Many of them are veterans.
19 I went and spoke to them in Salt Lake. They
20 really care about this. What are we going to do? We
21 have 100 women's centers. There's 2 million women
22 veterans.

1 We don't want to have a door that you have to
2 walk through if you're veteran. We want to make sure
3 every door you walk through when you're a veteran knows
4 how to serve you.
5 That's our goal. We want every one of those
6 14,000 points of contact to know what's available.
7 What about Patriot Express? And also to know what's
8 available from the VA.
9 So we go over there, and it turns out that
10 Scott Gould, who's the deputy over there -- a terrific
11 guy, he's just a first-class guy -- has a list of what
12 he wants to do with the SBA. And we have a list.
13 MR. ELMORE: We had our first meeting last
14 week.
15 MS. MILLS: It's pretty good, right?
16 MR. ELMORE: Oh, yes.
17 MS. MILLS: Their interests and our interests
18 are pretty aligned.
19 CHAIRMAN VARGAS: So how come we don't know
20 about this, Bill?
21 MR. JENKINS: Well, because I hadn't briefed
22 you yet --

1 MS. MILLS: Just about to brief us. He's
2 going to tell you the details of this meeting, but I'm
3 going to steal his thunder for two seconds, and just
4 tell a couple things.
5 So he's going down his list. This is what he
6 wants. He goes, "We want to train you guys." We're
7 thinking, you know, how much are we going to have pay,
8 or whatever. He goes, "We'll do it for free, if you
9 guys just pay travel. And we'll do it at our veterans'
10 training center." I mean, we're a little place;
11 they're 210,000 people, we're 2,000 -- I mean, they've
12 got a nice veterans' training center, right?
13 We say, "Okay, we'll go." So I go down to the
14 District Directors' meeting in Orlando. We had all our
15 district directors and also our SBDCs. We had them
16 together, because we're bringing together -- the first
17 time in seven years or so they've had it -- we
18 deliberately made our meetings in the same location as
19 the SBDCs had already.
20 So I spoke to both of them. And I said to the
21 veterans guys, "Okay, how many will you train?" They
22 said, "We have like all of our field operations. And

1 we'll train them. And then we'll work through the
2 SBDCs."
3 So we want to make sure we have at least
4 somebody in every office, if not more, who has been
5 through this veterans' training.
6 Everybody's pretty excited about it in MRDDs.
7 Everybody's pretty excited in the small business
8 development centers.
9 And the Veterans guys are over the moon. They
10 can't believe that they've got access to a
11 thousand -- we have a thousand people in the field, and
12 then we have 900 small business development centers.
13 And then we've got all the SCORE guys, who we
14 can train on line.
15 So with probably not a lot of money, some
16 investment of our people and our time, we can have
17 14,000 people out there who can serve veterans.
18 There's probably somebody who can serve veterans, then,
19 within 45 minutes to an hour of every small business.
20 So I think, you know, that's like our first
21 thing. You know, I said, we'll be ready to do that.
22 CHAIRMAN VARGAS: May I offer?

1 MR. GARCIA: Can I? Please.

2 MS. MILLS: Mm-hmm.

3 MR. GARCIA: No, I just want to add one thing,

4 and I really appreciate what you're saying, and I

5 really hear that. And I think that's exciting.

6 But I think there's one component that is

7 always left out. And that is the states. The States

8 Director, Secretary of Veteran Affairs.

9 MS. MILLS: Yep.

10 MR. GARCIA: I know where my vets are.

11 MS. MILLS: Yep.

12 MR. GARCIA: I know where my vets are.

13 MS. MILLS: Yep.

14 MR. GARCIA: I can honestly tell you, you're

15 SBDCs and your SBAs don't know where my vets are.

16 MS. MILLS: Right.

17 MR. GARCIA: I do.

18 MS. MILLS: Right. That's a really good

19 point.

20 MR. GARCIA: And I know all of my secretary of

21 veteran affairs do.

22 CHAIRMAN VARGAS: Yes it is.

1 MR. GARCIA: As a member of NASDVA, National
2 Association of Directors of Veteran Affairs, we've been
3 advocating that I really think that's a key for you.
4 They're under-utilized, they're not utilized,
5 they're invisible. And in my state, this --
6 MS. MILLS: Do you guys coordinate with the
7 Veteran Affairs here?
8 MR. GARCIA: With who?
9 MS. MILLS: With the VA here?
10 MR. GARCIA: Well, it's the same issue, you
11 know.
12 The VA sees us almost like an advisor group,
13 but they don't fund us. But yet we are in the front
14 line. We're the point man for the VA.
15 MS. MILLS: Yeah.
16 MR. GARCIA: When there is a VA benefit or an
17 SBA benefit for veterans, do you know who implements
18 it? The states.
19 MS. MILLS: Right, you guys, you guys.
20 MR. GARCIA: And then the states collectively
21 put $6 billion of state money to do outreach for
22 veterans.

1 MS. MILLS: Right.

2 MR. GARCIA: And that's no money from SBA and

3 no money from VA.

4 MS. MILLS: Right.

5 MR. GARCIA: That's state money. And so we

6 have our state offices, our VSOs, and we link in with

7 all the veterans service organizations -- is

8 under-utilized.

9 And I'm going to give you one case in point.

10 MS. MILLS: Right. So I need to go? All

11 right. Let me just hear what you were going to say.

12 CHAIRMAN VARGAS: No, the comment I was going

13 to make is that, as impressive as these figures are,

14 it's not enough. We need to have more funded veteran

15 business centers, veteran business centers, who know

16 where the community of veterans is, much in line with

17 what John was saying.

18 So I want to be on record that we've got to

19 have some more resources.

20 MS. MILLS: All right.

21 So I'm going to challenge you on that a little

22 bit. We're never going to have 100 or 900 veterans'

1 centers. It's just never going to happen.

2 CHAIRMAN VARGAS: Well, that's what the

3 women's center a couple years ago --

4 MR. GARCIA: Well, but let me tell you can

5 have.

6 MS. MILLS: Hold on, hold on. Because the

7 money is not there, and we can't execute it fast enough

8 to solve these problems. We can execute these things

9 fast enough.

10 If we get through all this and everybody gets

11 trained, and you still say that -- and I'm not saying

12 there shouldn't be more.

13 But let's say, you know, we add ten or we

14 add -- we should add them where it makes the sense to

15 have a special door for veterans.

16 I mean, there's a whole set of communities or

17 problems or things where it really does make sense.

18 It's just -- Native Americans the same thing.

19 I mean, sometimes there's a place-based need

20 for it, and it works, and it's the right thing to do.

21 Other places I think we've got to just make sure that

22 we've made sure we have an open access to veterans in

1 these areas.

2 It may not work, but I think it's better bang

3 for the buck. You guys can talk about it today and

4 tell me I'm wrong.

5 And I'll tell you, I've been doing this

6 around, and I think, you know, we've got a lot of

7 momentum and support for getting that kind of access

8 across the board.

9 As I said, it doesn't mean we're not going to

10 do more. It just means that we're going to try to make

11 sure every door in the SBA -- I have to go speak to

12 the --

13 CHAIRMAN VARGAS: Well, we hope we have this

14 opportunity to --

15 MS. MILLS: Listen, no, you guys are going to

16 have a long time to chat with us, and you're going to

17 hear some more things that we're going to do together

18 with the VA.

19 CHAIRMAN VARGAS: Okay.

20 MS. MILLS: But I think we have to be very

21 careful about this idea about exclusive centers versus

22 the --

1 If you guys really disagree with me, I want to
2 hear it, if you think we're going in the wrong
3 direction. Because that's the direction we're going. I
4 think it's a better bang for the buck.
5 But you've been around longer, you know what's
6 going on, on this stuff.
7 CHAIRMAN VARGAS: I've been through about ten
8 administrations.
9 MS. MILLS: Yeah. So let know if this is not
10 the right balance.
11 And the other thing is, you make a really good
12 point about the states. And we should think very hard,
13 and you should help us make a plan for how we're going
14 to get better coordinated with the states.
15 CHAIRMAN VARGAS: Mm-hmm.
16 MS. MILLS: You know, the SBDCs are
17 very -- and the district offices are our points of
18 linkage.
19 MR. GARCIA: Absolutely.
20 MS. MILLS: And I said to them when I saw them
21 the other day, they said, "What's the meaning of the
22 field in this?" I said, "It's not field at

1 headquarters." But if you want to know who's
2 coordinating, who's doing what I call "link, leverage,
3 and align," it's happening at our district office
4 level.
5 If we don't have a connection to our SCORE
6 people, our SVDCs, veterans -- you make a really good
7 point -- what's happening in veterans? Stuff gets
8 mismanaged and under-utilized.
9 And it's just a coordination nightmare. We
10 should be that coordinating arm.
11 MR. GARCIA: Absolutely.
12 MS. MILLS: And we don't really have the key
13 to that puzzle. You can help us think about that.
14 MR. GARCIA: Yeah. Absolutely.
15 CHAIRMAN VARGAS: Thank you very much.
16 MS. MILLS: All right. You let me know.
17 CHAIRMAN VARGAS: We appreciate your time.
18 MS. MILLS: You let me know.
19 CHAIRMAN VARGAS: Absolutely. Thank you.
20 MS. MILLS: Thank you very much. Sorry guys.
21 CHAIRMAN VARGAS: That's all right.
22 MS. MILLS: But Bill's here and you guys are

1 going to be solving the problem, right?

2 CHAIRMAN VARGAS: We'll try.

3 Okay. Does anyone want to take a little break

4 before we get --

5 MR. WHITE: Just before we break, I just want

6 to make a little point of what I was going to say to

7 her. I think all that she just mentioned is great. I

8 mean, coordination and more explanation, more

9 everything.

10 The one thing that I found when I was running

11 an entrepreneurial training program for veterans in

12 Manhattan, the Veterans Leadership Program -- and I

13 think Bill was doing this and Pat Heavey was doing it

14 in different areas -- and Ronnie, you were doing

15 it -- is the one thing I found was the veterans that we

16 served that came in to attend the classes, many of them

17 had already been to small business development centers,

18 to SCORE programs, to other entrepreneurial training

19 programs, and said they got so much more out of ours

20 because it was all veterans.

21 Just because you go to an SBDC center and they

22 have fantastic programs, and I totally support what

1 they're doing and I love SCORE, if you get the right
2 people.
3 CHAIRMAN VARGAS: If you get the right
4 people.
5 MR. WHITE: Yeah. But they're getting better
6 all the time on that too.
7 CHAIRMAN VARGAS: Yeah.
8 MR. WHITE: Is you're in a group that you
9 can't open up and express yourself the way you want to,
10 because you're in a class, you got kids, you got this
11 and that.
12 You know, there might be one other person in
13 the program, but nobody's just got shot at. You know,
14 they're not in that mode, so they come in when they can
15 express their feelings comfortably because everybody's
16 a vet.
17 Whether they're old or young or women, black,
18 white, it doesn't make any difference. The learning
19 experience is a hundred times easier.
20 And I think if the SBDCs want to do it, there
21 are very few, there's a couple. There's one in Jersey
22 I know. There might be others around the country that

1 promote, they have programs specifically, an
2 entrepreneurial program for veterans.
3 And my other point is that I know, I just
4 absolutely know that this is a fact that they'll learn
5 better as a veterans' group than they will individually
6 in a class of 30 other people that have no concept, and
7 could be totally against the war, and hate the poor
8 bastard because he just came back.
9 CHAIRMAN VARGAS: I agree. I occasionally
10 hear that from other people too. But you know, the
11 14,000 points of light that you mentioned -- contacts
12 you said -- just doesn't do it for the reasons you say.
13 These are not veteran-friendly or focused.
14 MR. WHITE: But they can be.
15 CHAIRMAN VARGAS: They can be. But if we have
16 an expanding military that we have now, in order to be
17 sending more veteran-producing measures, like more
18 troops for Afghanistan, we're going to have a million
19 vets on our steps, young vets, who need support.
20 And this kaleidoscope of SCORE and SBDC
21 structure is not going to be enough. We're going to
22 need more vet-friendly sources.

1 And she says, you know, we don't have it
2 because we don't have the funding. That's not the
3 answer. You made the case for additional funding.
4 MR. GARCIA: Well, you know, I totally agree
5 with what you're saying, but my point of irritation
6 is -- it's a simple answer also, you know. As I
7 stated, my state gave me some funding. And with that
8 funding, we've been able to move forward.
9 If I had funding from the SBA or the VA match
10 money, I could even do bigger better.
11 I've teamed up with the SBDC, and I tell you,
12 they didn't know where my vets were. They don't even
13 think vets. I went to my SBA director the first time
14 the Patriot Express loan came out. He had no clue what
15 it was about.
16 I don't care what they say, they don't know.
17 And because they're not thinking vets. You know, you
18 got to put them in that environment.
19 But I honestly think that the states -- Bill,
20 we've talked about that -- are extremely key, if we can
21 get them fired up on this thing.
22 That's all I deal with is my vets.

1 MR. ELMORE: Well, if I can jump in here for a
2 second, how I think of this is -- and you're right
3 Felix, it's really a matter of requesting the securing
4 of funding from Congress to be able to do an adequate
5 nationwide system.
6 And John, you and I have talked about this.
7 Whether it's a not-for-profit model or whether
8 it's a state corporation, what it's a state entity,
9 whether it's a veterans' service organization, whether
10 it's an SBDC, I really don't particularly care. As
11 long as they're capable of doing a good job to reach
12 into vets and reservists and their families.
13 So that's what I'd like to be able to find.
14 You know, the real issue for my office has been that
15 I've had enough funds this year for eight centers.
16 Before that it was five centers.
17 She's right, we're not going to get 150
18 centers. That's what people say to me inside the
19 agency. But that's not what I'm asking for.
20 I'm asking for centers of activity that
21 understand the world of veterans, how to engage the
22 world of veterans, how to walk not just small business

1 but as necessary into VA, into state government, into
2 VSOs, to bring the other kinds of assistance that
3 sometimes is critical for these guys.
4 MR. GARCIA: Bill, why is when it's the VA or
5 SBA, when it comes to veterans, the answer always is
6 "but there's no money"?
7 MR. ELMORE: Mm-hmm.
8 MR. GARCIA: To me it's whatever it takes.
9 We're serious about my vets, it's whatever it takes
10 then. If it's a priority, there's got to be money for
11 my vets.
12 MR. ELMORE: Well, and I think that's the
13 point that you make.
14 MR. MACKRELL: Well, what's the SBA's mission?
15 MR. ELMORE: The SBA's mission? That's a good
16 question.
17 MR. MACKRELL: I mean, when you craft the vet
18 center, when you say what you want in a vet center, how
19 many of the key functions of that fall under the
20 auspices of the SBA?
21 MR. ELMORE: Yeah.
22 MR. MACKRELL: And we are asking the SBA to

1 be, because they happen to be the peer person who is
2 listening to us today -- you're saying "You ought to do
3 this," well, guess what? They ought not to do it.
4 It's not in their charter.
5 MR. ELMORE: Yeah.
6 MR. MACKRELL: It's not in their budget. And
7 it's not within their area of expertise.
8 CHAIRMAN VARGAS: It is within their charter
9 and it can be within their budget.
10 MR. MACKRELL: But what about the Department
11 of Veterans Affairs?
12 MR. ELMORE: Well --
13 MR. MACKRELL: You're talking about -- things.
14 That's a very small piece of --
15 CHAIRMAN VARGAS: Well, we're going to hear
16 from Bill today about it.
17 (Simultaneous conversation.)
18 MR. GARCIA: You know, no one even talks about
19 the Department of Commerce. What's their role?
20 CHAIRMAN VARGAS: Yeah.
21 MR. GARCIA: In the Congress they have MBDC,
22 the Minority Business Development Agency.

1 CHAIRMAN VARGAS: Yeah.

2 MR. GARCIA: What are they doing? Why isn't

3 there then an agency for veterans, that just focuses on

4 that?

5 MR. MACKRELL: Well, again I would say it's

6 the number of different titles in the number of

7 different agencies focus very clearly on the reason why

8 we shouldn't have separate veterans' centers.

9 We shouldn't be making more silos, we should

10 be knocking down more silos and direct responsibility

11 towards very specific reorganization across a wide

12 variety of things.

13 Many of the things is that we have

14 not-for-profits, government agencies that are competing

15 with each other.

16 MR. GARCIA: Sure.

17 MR. MACKRELL: That are spending money to

18 compete with each other.

19 MR. GARCIA: Sure.

20 CHAIRMAN VARGAS: Well, listen, shall we take

21 a quick break here, five or ten minutes? What's the

22 consensus here? Ten minutes. And then we'll continue

1 with Pat's presentation.

2 MR. MILLER: And I think most of you know

3 where the rest rooms are.

4 (A brief recess was taken.)

5 CHAIRMAN VARGAS: I think what I heard from

6 her was -- first it was very, very good of her to make

7 this time. And this is exactly the kind of exchange we

8 should be having with the Administrator, I think.

9 Productive and constructive, reasoned. And I

10 think she gave us a challenge. If it's not working,

11 come back and tell me, you know, what you propose and

12 we'll talk about it later.

13 So we'll see. We'll look at this across the

14 board later on.

15 But for now let's go back to Pat and pick it

16 up where we left off, in your presentation, Pat.

17 MR. MACKRELL: Okay.

18 MR. WHITE: There was a guy needing an ice

19 cream truck.

20 (Laughter.)

21 MR. MACKRELL: The article claim was he needed

22 a refrigerated truck and couldn't find any financing to

1 get it.

2 And it had a nice picture of his company,

3 Hispanics-owned company, and sort of a large foot print

4 of the Bronx.

5 And a very well-known company. If you're in

6 the Bronx, you'd see their trucks all over the place,

7 and you'd recognize that company. And that's important

8 for another reason.

9 But my guy gets up there. "I want to talk to

10 you about your issue that you're having with

11 financing."

12 "Oh, how did know we wanted financing?"

13 "Well, it was in the God damn newspaper this

14 morning."

15 (Laughter.)

16 MR. MACKRELL: "You know, because we read

17 about it with three million other New Yorkers when we

18 got up this morning."

19 "And I want to tell you -- well, you know,

20 we're not really sure what we're doing."

21 "What do you mean, you're not sure what you're

22 doing? You're not sure what you" --

1 "We're not sure if we want to buy them a
2 truck."
3 "What do you mean, you're not sure if you want
4 to buy them a truck"?
5 "Well, we have to decide whether we want to
6 buy them a truck and how we're going to do that."
7 "Well, you said you were trying to get another
8 truck, and you couldn't get financing for it. Where
9 did that come from?"
10 "Oh, that was just a hypothetical conversation
11 we had with the newspaper reporter."
12 (Laughter.)
13 MR. MACKRELL: I said, "And how did you get to
14 the point where you couldn't get financing?"
15 "Well, the newspaper reporter told us that if
16 we wanted a truck, we wouldn't be able to get
17 financing, because none of the banks are giving
18 financing."
19 CHAIRMAN VARGAS: Hmm.
20 MR. MILLER: Wow.
21 MR. MACKRELL: Right?
22 MR. DENNISTON: A media story.

1 MR. MACKRELL: Okay. Now, it's irrelevant,
2 because that company had no current financing needs.
3 Okay?
4 CHAIRMAN VARGAS: Wow.
5 MR. MACKRELL: But the problem is three
6 million read that story in New York City. And I don't
7 know how many -- well, probably tens of thousands,
8 small businesses that that company had customers see
9 that truck show up at their place every day.
10 And they pay their money to this company. And
11 they say, "Wow, if they couldn't get money, why would I
12 even bother applying? Because I know this company.
13 And you know, you see that kind of stuff,
14 where, as I say, they go on a story, and I'm sure we
15 have all gotten many, many calls from reporters -- I'm
16 not alone in that -- and they say, "Well, tell us
17 about, you know, the difficulties people are having
18 getting capital."
19 "Well, I want to tell you about some success
20 story."
21 (Simultaneous conversation.)
22 MR. GARCIA: That's not the --

1 MR. MACKRELL: That's not the direction he
2 wants his story to go.
3 MR. GARCIA: Yeah.
4 MR. MACKRELL: "Okay. Well, guess what?
5 That's the only direction I'm going to. See you
6 later."
7 MR. GARCIA: Yeah.
8 MR. MACKRELL: And you know, that
9 self-fulfilling prophecy of gloom is not -- you know,
10 when you read about a company in the newspaper you know
11 and respect as appearing not to get credit, it impacts
12 a lot of other companies, because they think they'll
13 not get credit.
14 MR. GARCIA: Might give up.
15 MR. MACKRELL: You when US Today writes about
16 you know, people with good credit scores getting their
17 credit lines reduced on their cards, there's two things
18 that they leave out.
19 One is they haven't used the lines for five or
20 six years. It's unused capacity. And two, the unused
21 capacity puts a strain on the bank's balance sheet,
22 because it's there but it's not being used, so they

1 have to reserve against it as a financing commitment;
2 but it's never getting used by the person who's using
3 it.
4 CHAIRMAN VARGAS: Mm-hmm.
5 MR. MACKRELL: So, but what does the newspaper
6 report? Lines of credit being cut on --
7 CHAIRMAN VARGAS: Small businesses.
8 MR. MACKRELL: Well, I'll tell you small
9 businesses aren't getting lines of credit. But these
10 are wealthy individuals having their credit lines cut
11 on their credit cards.
12 So you're working in an environment where the
13 media is trying to create, you know, what they do.
14 We went to -- I do town hall meetings across
15 the state with members of Congress. Last week,
16 Saturday, we did one with Congressman Scott Murphy, a
17 relatively new congressman in upstate New York. Sixty
18 small businesses in attendance.
19 Last year at this time, same type of meeting,
20 we did it with a congressman up in the north
21 country -- hmm, the guy's going to be the Secretary of
22 the Army. Hmm, John?

1 CHAIRMAN VARGAS: McCue.

2 MR. MACKRELL: McCue. Did it with John McCue.

3 Forty people in the audience. Forty

4 businesses. Fifty percent complained about government

5 regulation, taxes. Fifty percent complained about

6 access to capital for small business.

7 Fast forward a year later with Congressman

8 Murphy in the Hudson Valley of New York. Sixty

9 businesses present. The uniform complaint was taxes,

10 government regulation. Not a single business

11 complained about inability to access capital.

12 So you know, the issue really is you have to

13 make sure that, as I started to say, we don't waste our

14 credibility on those folks that couldn't borrow lunch

15 money from their mother. All right?

16 We have to make sure that we focus on making

17 sure, if we're dealing with a business that's needing

18 access to capital, we have to understand the difference

19 between a loan and a grant.

20 Loaning money to people who couldn't pay it

21 back has got us where we are. And loaning money to

22 people who can't pay it back, is not, despite the

1 popular business, going to get us out of where we are.
2 Okay?
3 And then you make the decision to process.
4 And many banks are asked, "Have you changed your credit
5 standards over the last, you know, year and a half?"
6 Most banks will say, "Yes." But in reality,
7 most banks haven't really changed their credit
8 standards all that much.
9 But now they're looking at them to make sure
10 they can pay the money back, as opposed to simply
11 looking at a credit score, which only indicates to you
12 if they had the money, they'll pay.
13 It doesn't indicate how they generate the
14 money. The credit score alone would say, "If I have
15 the money in my check book, I'll pay my bills." It
16 doesn't project or predict how that money is going to
17 be in the checkbook.
18 Now banks are looking at projections to make
19 sure that happens.
20 So I think the first thing we always, when
21 we're out there, we need to look in terms of dealing
22 with small business, we have to make sure that we're

1 not wasting our credibility on most people that don't
2 have viable plans.
3 Okay?
4 When we talk about a million veterans or a
5 half a million veterans that's going to be produced,
6 you have to understand that 95 percent of them are
7 going to be employees. All right?
8 And most of the services that they are going
9 to need aren't going to be related to entrepreneurial.
10 To try to force a veteran or to make a veteran seem
11 that he's less of a contributor to our society or less
12 of a person because he's not entrepreneurial, is a
13 disservice.
14 So the fact of the matter is that most of
15 these people will come out and they'll be employees of
16 companies. And hopefully those companies will be able
17 to serve their needs.
18 But the portion that is entrepreneurial we
19 have to make sure we understand that business and
20 credit are fundamental issues that are analyzed in
21 fundamental ways, and have been analyzed in the same
22 way for many years.

1 The difference is people got away from that.
2 And you know, the pendulum never swings back to the
3 middle. We all know that. The pendulum is, you know,
4 is swung way up here. And I suspect it's probably
5 halfway back to center.
6 But it doesn't mean that everyone who gets a
7 "No" decision is going to be creditworthy. I mean,
8 many of them are in fact not creditworthy.
9 So if you look at the business, you think
10 about, as you're talking to these folks, you have to
11 make sure -- and as we're advocating for them, we have
12 to make sure that we're advocating for businesses that
13 are really valid, businesses that had the opportunity
14 to succeed, to create jobs.
15 You know, the SBA idea is that the small
16 business economy and ours creates jobs, creates
17 opportunity, and ultimately will retain and grow, as
18 our country grows and opportunity grows; these people
19 will be generators of economic activity.
20 So overall, we have to make sure that these
21 people perceive themselves as, you know, pitched right
22 on the edge of the ability to promote economic

1 prosperity, not only for themselves but for their town,
2 for their community and state on a larger basis.
3 So these businesses are going to get subject
4 to financial scrutiny. The fact that your a veteran is
5 going to get you a warm spot, it should earn you a warm
6 spot in the lender's heart.
7 It should help round the corner. It should
8 help get you the benefit of the doubt on certain
9 assumptions.
10 But it's not going to make cockamamie
11 projections valid, okay? It's not going to make
12 historically horrible cash flow valid. It's not going
13 to make the fact that you didn't file your tax returns
14 for three years after you've been out of the military
15 okay. And it's not going to make the fact that you
16 don't pill your bills, you don't pay your taxes, and
17 you don't do other things okay.
18 Those will impact you as negatively as a
19 veteran as anyone else. All right?
20 Now obviously, you know, Jathan, you talked
21 about the things that happen with people get screwed
22 up. The veterans should give a open eye to

1 understanding how veterans' service impacts thing like
2 filing timely and those kinds of things.
3 And there should be an open dialogue about
4 those issues. But they're not going to be a panacea or
5 an anecdote for all sorts of things that you've done in
6 your life that were not impacted by your veteran's
7 status.
8 CHAIRMAN VARGAS: Mm-hmm.
9 MR. MACKRELL: And if you have residual
10 psychological issues, if you have residual adjustment
11 or emotional issues, giving you money is not going to
12 solve that.
13 Okay? It's not going to solve that. That's
14 not the place for the business analysis. That's not
15 the place for access to capital.
16 It will only make you feel good for a short
17 period of time, and then it's going to be gone, and
18 then you're going to get a bill, and the bankruptcy.
19 And you know, you're down into the spiral of
20 pain that begins with debt.
21 So you have to capture, I think, the business
22 and making sure you have a business. You know, we've

1 had many -- I will tell you, from the view of the
2 lender, strictly from the lender's perspective, I've
3 had more cockamamie veterans' organizations come to me
4 for loans.
5 And when you peeled it back, it was a job for
6 one guy who was making a lot of money on the backs of a
7 lot of other people. And that was the guy who was the
8 executive director.
9 Okay?
10 You know, there's a lot of luggage that the
11 veterans' organizations have. Because a lot of them
12 you know -- I say a lot of them -- certainly many that
13 I've been approached by for loans, have been con games.
14 You know, moving private assets into the
15 organization as a not-for-profit, moving things back
16 and forth. The wife is on the payroll, the son is on
17 the payroll, the husband -- you know -- and we all have
18 seen those experiences, I'm sure.
19 And those give a bad wrap to the
20 organizational point of view of veterans.
21 So make sure there's a real business there,
22 okay? Make sure that there's a real business there.

1 Make sure that it will pass some of the basic tests
2 that will give you credibility when you bring somebody
3 or offer someone your support, or your organization's
4 support and getting credit.
5 Or when you're training individuals and
6 veterans about what they're going to need to get
7 capital, they need to understand that, as I said, their
8 service is going to get them around the corner, but
9 it's not going to create cash flow, and it's not going
10 to create a successful business.
11 But I want to talk about more opportunities, I
12 guess, to develop, with the sort of time we have, to
13 develop opportunities for veterans, some of the things
14 that we have done.
15 Almost -- as far as I can tell, most areas of
16 the country have been able to general local loan funds,
17 and to have those local loan funds capitalized by a
18 variety of different sources.
19 You have USDA intermediary re-lending
20 programs, which capitalizes certain areas, small loan
21 funds. You have various commerce -- Department of
22 Commerce have capitalized small loan funds.

1 You have EDA loan funds that are out there,
2 often, without an agenda, often have substantial
3 dollars sitting on deposit generally. They don't know
4 how to lend it out and haven't figured out an
5 appropriate or consistent way to lend it out and get it
6 back.
7 I would urge you to go into your communities
8 and try to catalogue those loan funds. They tend to be
9 very difficult to find.
10 And what will happen generally is that the
11 administrator of a loan fund will tend to be affiliated
12 with a local economic development, either a regional
13 planning commission or a town, or in New York an
14 industrial development agency, or some not-for-profit
15 quasi-governmental entity.
16 And just find out, what kind of loan funds do
17 these people have? And what kind of money are they
18 sitting on?
19 Generally, they're sitting at DDA accounts in
20 local banks, and it gets the administrator of the loan
21 fund around the golf and the lunch once a year from the
22 bank manager, who's happy that the money sits there at

1 .0001 percent interest, and could care less whether
2 it's ever loaned out.
3 Some of them are very effective, but there are
4 vast majorities of untapped capital.
5 And the reason that the local community funds
6 are important, because they're also subject to the same
7 kind of community pressures and advantages that a
8 veterans' organization might be able to bring to bear
9 on these.
10 When you bring a community, when you bring the
11 politically sympathetic, the politically attractive
12 alliance with veterans in the community for a community
13 loan fund that basically has zero cost of funds -- this
14 is money that they got through Commerce or EDA over the
15 years -- zero cost of funds, they don't have to repay
16 anybody with this money.
17 If they get it out the door, and it doesn't
18 get repaid, you know, nobody has to write a check, and
19 nobody has to increase taxes.
20 So they're out there. In New York, we've
21 started cataloguing the funds that are held on a local
22 basis. And we're up to the hundreds of millions of

1 dollars. And we're only to Syracuse. And we started
2 at Buffalo.
3 (Laughter.)
4 MR. MACKRELL: So we've got a long way to go
5 yet. And the information is not -- we are doing it by
6 knocking on doors, making phone calls. The information
7 is not catalogued anywhere. Okay?
8 But it's there. And there are hundreds of
9 millions of dollars that's underdeployed, that's
10 sitting on deposit. I'm not talking about the stuff
11 they managed to deploy. This is just sitting there on
12 deposit. No cost of funds.
13 So get out there, tap into these loan funds.
14 Identify those resources in the community, so that can
15 be available.
16 And most of them will not allow support
17 not-for-profits for just your actual activities; but
18 you may be able to develop programs with them that they
19 would be able to fund.
20 MR. DENNISTON: Pat, let me ask a question.
21 Those funds that are sitting there untapped, are they
22 kind of like the stories you hearing about scholarships

1 available, but they have so many limitations on them,
2 that you got to be a left-handed, bald guy in order to
3 get them? Or are they --
4 MR. MACKRELL: No. They're really -- you
5 know, in some cases, you know, some of the stuff you
6 couldn't us it for retail, for instance.
7 MR. DENNISTON: Mm-hmm.
8 MR. MACKRELL: But you know, it's very rare
9 that they're not promoted to a community development
10 type of project.
11 Usually you have to be a for-profit business.
12 You have to be located within a certain geographic
13 area.
14 MR. DENNISTON: Mm-hmm.
15 MR. MACKRELL: Rarely does it require that you
16 create or retain, you know, a certain formula. There's
17 rarely any formulaic.
18 Some of the state programs have those
19 formulaic, you have to create X-number of jobs for
20 X-number of credit.
21 But these funds are largely unregulated in
22 terms of the source of the uses of the funds, and are a

1 very fruitful source for small businesses, particularly
2 those that are at, you know, the start-up stages.
3 CHAIRMAN VARGAS: Mm-hmm.
4 MR. MACKRELL: And there the veteran edge may
5 get you more attention than you might otherwise
6 get -- the local politicians about the employment of
7 the fund.
8 MR. ELMORE: Pat, I ran a revolving loan
9 program and my source of funds were community
10 development block rent funds.
11 MR. MACKRELL: CDFI?
12 MR. ELMORE: Yeah. Out of HUD.
13 And not only did I run this into neighborhoods
14 in St. Louis; there were a number of those kinds of
15 programs around the City of St. Louis.
16 MR. MACKRELL: Right.
17 MR. ELMORE: But if you didn't talk to the
18 block grant folks, or the political folks that made
19 those decisions, you never knew about them.
20 MR. MACKRELL: Yeah. I mean, you could -- I
21 mean, Rick Powers out in St. Louis. I mean, you know
22 Rick.

1 MR. ELMORE: Yeah.

2 MR. MACKRELL: And you know, they've

3 got -- the list of loan funds and the source of funds

4 are massive. You've just to catalogue those and

5 understand what they are.

6 Community and regional banks, I mean, you

7 know, the Bank of Americas, Chases, you know, they all

8 do their thing, and they do it on a massive scale.

9 MR. ELMORE: Mm-hmm.

10 MR. MACKRELL: They'll donate millions of

11 dollars to this, a million to that. When it comes down

12 to supporting veterans in the community and creating

13 loan funds, we've had much, the greatest success with

14 dealing with community banks.

15 We tend to be more responsive to the

16 community. And most importantly, decision-making is

17 made on a local basis.

18 I can't go sit with Ken Lewis, you know? I

19 can go sit with the president of the Adirondack Trust

20 Company, though, and I can talk to Charlie and say,

21 "Charlie, what do you think? You know, would you kick

22 in 50 grand to do this?"

1 And then, you know, you do that with a bunch
2 of banks.
3 We've had very recent success in -- you know,
4 we have a big, huge loan fund that's supported by 135
5 banks; but we've had very good recent success in
6 getting five or six banks together in a community in a
7 county, which is one of many governmental subdivisions
8 we have in New York -- which is one of our biggest
9 problems, we have too much government there.
10 But the five banks that are the most active in
11 that country were each willing to put 100 grand into
12 this loan fund, to start.
13 MR. ELMORE: Mm-hmm.
14 MR. MACKRELL: The proviso would be that we
15 would administer our company, we wouldn't adopt a new
16 credit policy, because they'll say, "Okay, what's the
17 credit policy going to be?"
18 And we say we're going to use the SBA credit
19 policy. Everybody knows that. It's even-handed. We
20 don't decide it. It's what it is.
21 Who makes the credit decision? We make the
22 credit decision process. We're not going to have five

1 banks sitting there, you know, arguing about whether
2 it's a small dog to puppy or puppy to small dog.
3 You delegated that to us, you trust us with
4 millions of dollars. You're going to trust us with
5 $100,000. We put in $100,000 too, so we've got skin in
6 the game as well. We administer it for no cost, which
7 is probably not going to happen in you know, many
8 places.
9 But the fact of the matter of getting three or
10 four or five banks together to pool, you know,
11 individually a small amount of money to start a
12 revolving loan fund will have a tremendous traction
13 from an emotional point of view, have a tremendous
14 traction from a PR point of view.
15 And there's no better time for four or five
16 bank presidents to stand on the steps of whatever your
17 municipal subdivision is, and say, "Hey, look, we all
18 kicked in some money to form a veterans' revolving loan
19 fund, okay?"
20 Because we know if there are unmet needs in
21 our community today, they're only going to grow. And
22 if there aren't unmet needs, those needs will be unmet

1 at some point in the future, as we, you know, contract
2 the forces that we have employed abroad.
3 So I think the time to sit down and try to
4 find probably the most, the respected bank on the lot,
5 and to try to get them to agree to administer the
6 program without fee.
7 It's a very, very -- once you spin it to them,
8 in terms of the free advertising and the things that
9 will flow to them from the community service point of
10 view, you know, it's a tremendous opportunity.
11 And as I said, we've had some recent success
12 in that. A small number of participants starting out
13 with a small number of dollars. And each have clearly
14 a long-term commitment.
15 I mean, some of the loan funds that when we
16 first started, the exec says, "Why won't you go get a
17 million dollars from each of these banks?" That was
18 their sort of a chartered, you know --
19 I said, "What are you going to do with 5
20 million dollars? I don't think you can deploy 5
21 million in ten years." And everybody's going to say
22 no.

1 And the reality is we could probably deploy
2 $150 to $200 thousand a year if we really worked it.
3 Because you remember, these are loans the banks aren't
4 doing, right?
5 MR. ELMORE: Mm-hmm.
6 MR. MACKRELL: There's only going to be a thin
7 band that are going to be creditworthy. You're looking
8 for the ones in the shade, all right, of the black
9 line.
10 The black line is where the bank's going to
11 be, and you're doing to be working in the shade. Not
12 to far, you'll only be working below the shade, because
13 you're not going to get paid back.
14 So you go for a relatively small amount of
15 money. You get press, you get repayment. And they'll
16 say, "Wait a second, there's no problem."
17 And then it becomes almost an evergreen kind
18 of a loan fund, okay? And you can start to build that.
19 We've done that with the World Trade Center
20 fund in New York. We now are out in leverage capital;
21 we're out actually borrowing money for the fund. More
22 money to support loans and having a fairly sizeable

1 return, and taking a fair amount of risk.

2 But it's shared risk on a smaller basis than

3 what would be the more aggressive NYBDC model, which we

4 have on a more local basis.

5 Intermediary re-lending programs. I would

6 suggest to you that there are any number of

7 not-for-profits in your state, CDFIs, who would love to

8 get a loan from the U.S. Department of Agriculture at 1

9 percent for 30 years repayment. Okay?

10 That's what the IRP intermediary re-lending

11 programs are.

12 The difficulty with the IRP programs is you

13 have to have some sort of lending track record, so you

14 have to ferret out some, you know, not for profit, or

15 actually for-profits are eligible, but the slope is a

16 little slipperier for them.

17 But you have to find some not-for-profit with

18 lending experience. And usually you can find one in

19 your community, maybe your most successful revolving

20 loan fund. And have them put in a IRP application.

21 And the difference between what the IRP, USDA,

22 they like to have you identify your target market,

1 okay? And they don't like to have overlapping.

2 So if I want to say, "I'm going to do all the

3 hotels in the Adirondacks," they would say, "Okay,

4 that's your target market, that's what you'll do."

5 But I would suspect that in no state, except

6 in New York, where we intend to make the application,

7 has there been any IRP application the USDA made to

8 veteran-owned business.

9 And I think that that would be an attractive

10 source of funding. And now it's modest. I mean, I

11 think their first year of funding is limited to $350.

12 But the beauty is that once you do it, it's the gift

13 that keeps on giving.

14 You know, if you deploy that, you can make an

15 annual application to USDA to recharge that loan fund,

16 and you could theoretically have repayment obviously on

17 your loan. And also, you know, the growth of that as

18 you get additional incremental things.

19 And you know, at 30 years at 1 percent -- and

20 I think they even give you a five years where you don't

21 even have to pay interest moratorium -- it's a pretty

22 attractive way to bring capital to bear where, you

1 know, if you charged a reasonable rate, you could fund
2 a fairly substantial loan loss reserve and probably
3 easily preserve your principal, if you know, are under
4 wise stewardship.
5 So those are generally what we see as some
6 untapped sources. And we talk to people around the
7 country. We're involved in the number one national
8 associations basically with SBA lending types. And
9 those are really untapped.
10 And as you get to times where banks are
11 finding more and more challenges, I mean, the fact
12 of -- I will tell you, no bank examiner is going into a
13 bank now and saying, "Well, tell me about your CIA
14 programs." It ain't happening.
15 They could give a hoot. They'd say, "Talk to
16 me about your capital." To your own capital, that's
17 all they want to talk about.
18 MR. GARCIA: Let me ask you, have you ever
19 thought of opening up a veteran-owned bank?
20 MR. MACKRELL: Never.
21 MR. GARCIA: Is that possible?
22 MR. MACKRELL: Anything's possible.

1 MR. GARCIA: Do you think there's an advantage
2 to that?
3 MR. MACKRELL: No.
4 MR. GARCIA: No? Okay.
5 MR. MACKRELL: No. I mean, if you look -- I
6 mean, the reason I say that is because there's been a
7 lot of banks that have been opened in New York City,
8 for instance, that have been a specific group, and that
9 have targeted a specific group in it -- ethnic group or
10 a religious group, or you know, a national origin.
11 MR. GARCIA: Right.
12 MR. MACKRELL: They've all been miserably
13 unsuccessful.
14 MR. GARCIA: Okay.
15 MR. MACKRELL: With one exception. Carver
16 Federal, which was founded in like 1940, and remains
17 the largest African American-owned bank in the country.
18 But most of those have been -- because they
19 would not get the loyalty of the group they had tended
20 to serve.
21 MR. GARCIA: Yeah, okay.
22 MR. MACKRELL: Because that veteran wouldn't

1 pay a premium to do business with that bank. And
2 there's no real unique service that I think you could
3 afford a veteran.
4 MR. GARCIA: Okay.
5 MR. WHITE: What about credit unions?
6 MR. ELMORE: Well, the Navy Federal Credit
7 Union is the biggest credit union in the world. And
8 they're open to everybody in the military now.
9 MR. MACKRELL: Right.
10 MR. ELMORE: USAA Savings Bank is available
11 now to the majority of the military.
12 MR. MACKRELL: Right.
13 MR. ELMORE: So I mean, it's already there.
14 Between those two.
15 MR. MACKRELL: Right.
16 MR. ELMORE: And there's a bank called
17 Eisenhower Bank as well that operates out of Texas, on
18 some military bases that's focused into that community.
19 Right?
20 MR. MACKRELL: Right.
21 MR. MILLER: I think you're right, Pat.
22 MR. MACKRELL: Yeah, I mean, when I thought

1 you were talking, I assumed you were talking of a
2 retail branch bank, you know. You know, Navy Federal
3 or USA, really, I mean, USA doesn't have any branches.
4 Navy Federal has branches at military installations.
5 But I mean, I've used Navy Federal for --
6 MR. GARCIA: You're saying if there's any
7 leverage in that, but apparently not, okay.
8 MR. MACKRELL: Yeah. I mean, I don't think,
9 you know, if veterans got together and had $25 million,
10 they could start a bank in New York and they call it
11 whatever they want.
12 MR. GARCIA: Yeah.
13 MR. MACKRELL: The question next, is "What
14 would it serve?" Would it serve that community and
15 would it be able to make money doing that? And I
16 suspect the answer would be no, because it would have
17 to be competitive, because we would not be able to
18 offer a unique service.
19 So looking for alternatives to banks that
20 have, you know, issues; looking for alternate sources,
21 you know, in the four corners of your community,
22 there's a lot there.

1 And I don't think that necessarily the answer
2 is always "Look to the bank," or "Look to the credit
3 unions." Your point.
4 It may very well be that you have other
5 sources that you can create or manicure to serve
6 specifically. They may in fact be looking for a way to
7 deploy their capital.
8 Because now more than ever, when you're doing
9 CDFI applications, we're getting approached by a lot of
10 CDFIs that are due in for another round of funding, and
11 their advisors are telling them they're not going to
12 get it, because they haven't been able to deploy what
13 they had.
14 And the little that they deployed they didn't
15 get back. So in other words, they weren't
16 underwriting, they weren't structuring, they weren't
17 servicing, and they weren't collecting the way the
18 should. So why give you any more money?
19 So now they're trying to link up with
20 organizations that have experience in that area. So if
21 you look to -- and even CDFIs in your community, maybe
22 there's an opportunity to get a block grant, maybe

1 there's opportunity -- because there's a lot of
2 treasury money sitting out there, that these CDFIs can
3 get for revolving loan funds.
4 And if you feel that you have a compelling
5 case to make, find yourself a well-respected CDFI in
6 your state or your area, and sort of urge them to make
7 an application to Treasury for a veteran loan fund, or
8 a small business loan fund that will have wide-enough
9 parameters to deal with veterans.
10 Sort of create your own solutions here.
11 CHAIRMAN VARGAS: Do you have any idea what
12 the acronym stands for, CDFI?
13 MR. MACKRELL: That's Community Development
14 Financial Institution, I believe.
15 MR. ELMORE: Yes. It's got to do with tax
16 credits. When the veterans' corporation came before
17 you three meetings ago. Jim Menge talked about that,
18 because that's where his experience was.
19 MR. MACKRELL: Yeah. A lot of the tax
20 crediting issues like New Market's tax credit, they're
21 not going to have a substantial impact on small
22 business, because the units are so small that you can't

1 deploy the tax credits economically to do that.

2 MR. ELMORE: Pat, have you had any dealings at

3 all with SBA micro-lenders?

4 MR. MACKRELL: Like AXEOS?

5 MR. ELMORE: Yeah. Well that's one of them.

6 (Laughter.)

7 MR. MACKRELL: No.

8 MR. ELMORE: Well, the reason I ask is because

9 in the Recovery Act, that's the one program area that

10 got additional funds to go out and try to create this,

11 and they understand that they're under-reaching

12 veterans.

13 MR. MACKRELL: Yes.

14 MR. ELMORE: So I've urged some of my centers,

15 for example, to compete for those funds.

16 MR. MACKRELL: Yeah. I think that, you know,

17 the SBA -- that's a whole different cat. You know,

18 we're charging like six percent interest. A

19 micro-lender might charge prime plus ten.

20 MR. ELMORE: Yeah.

21 MR. MACKRELL: And with the SBA's blessing.

22 You know, and biweekly payments.

1 MR. ELMORE: Yes.

2 MR. MACKRELL: And most of the payments in New

3 York at AXEOS are collected by the guy stopping by the

4 shop and taking it out of the register.

5 I mean, it's not the mafia, but it's pretty

6 close.

7 (Laughter.)

8 MR. ELMORE: It's pretty close to that.

9 MR. MACKRELL: But in their defense, they're

10 taking massive risk. Because they're not doing

11 underwriting, they're not requiring tax returns. And

12 they're making loans, quite frankly, in the gray

13 economy, because they're making loans to people who

14 aren't filing tax returns, which is a difficult sort of

15 slippery slope to be in, which we're not even leaning

16 on that peak.

17 But you know, they fill a need that we

18 wouldn't fill. They said, you know, "We got it when

19 you need it bad."

20 (Laughter.)

21 MR. MACKRELL: So we got cheap when you need

22 it bad. You know, they sort of got it when you need it

1 bad. And they fill a gap.

2 Certainly, ACORN in New York State is having

3 some difficulties.

4 MR. ELMORE: Yes.

5 MR. MACKRELL: I suspect AXEOS may change

6 their name, because it sounds an awful lot like ACORN.

7 MR. ELMORE: Yeah.

8 MR. MACKRELL: If you look at, you if you read

9 it quickly.

10 MR. ELMORE: Yeah.

11 MR. MACKRELL: So look in real communities to

12 try to create those kind of things. Try to find

13 partners in the SBA. Get them working, challenge them.

14 I mean, if you challenge the SBA, go to your

15 office and say, "Hey, guess what? I met with the

16 administrator and I was talking about veterans' issues.

17 And you know, the next time we have our meeting, I want

18 to be able to talk about what a great job you're

19 doing."

20 Like you know, BJ in Syracuse.

21 MR. ELMORE: Right.

22 MR. MACKRELL: I mean, they didn't need that

1 prodding. That was there -- you know, that's their way
2 of doing.
3 MR. ELMORE: Mm-hmm.
4 MR. MACKRELL: We are blessed with -- we serve
5 three districts and one of them is absolutely drop-dead
6 terrific. The others are merely great, but --
7 MR. ELMORE: That's where we met.
8 MR. MACKRELL: And that's how Bill and I met
9 the first time.
10 But you know, look to them. Have them get
11 involved in Veterans Affairs. And one of the things
12 that we've done now, for, I think '09 was the third
13 year, was this Operation Start Up and Grow, which was
14 where Bill and I met for the first time.
15 MR. ELMORE: Mm-hmm.
16 MR. MACKRELL: That brought veterans'
17 businesses together. It had brought together -- we do
18 it at the Onondaga Community College, which has a great
19 inaccessible venue.
20 It's a place where many veterans -- you know,
21 the reason we chose a community college is because it's
22 a place that many veterans are attending.

1 MR. ELMORE: Mm-hmm.

2 MR. MACKRELL: You know, so it's not only a

3 great facility overall, but it's a place that may are

4 comfortable at, because they're attending school there

5 and it's the biggest community college in the area.

6 And brought together a number of different

7 people, successful veteran entrepreneurs, resources

8 that -- you know, the exhibiters really were just sort

9 of helped us, I guess for lack of a better world.

10 They were all positioned around the room, and

11 there was plenty of time for people to circulate

12 amongst them. You know, we bought them breakfast, we

13 bought them a nice lunch, and had some door prizes.

14 The only area that we've been falling down on

15 is we haven't really been able -- and this might

16 indicate, you know, maybe we've overstated the need in

17 this particular community -- but we've been unable go

18 really find substantial success stories that flow from

19 all of this interaction.

20 MR. ELMORE: Hmm.

21 MR. MACKRELL: And that's you know, metric

22 progress and success.

1 You know, so a few good stories but no, you
2 know, sort of -- you don't feel strong about an overall
3 undercurrent as a veteran-specific activity. Okay?
4 CHAIRMAN VARGAS: Mm-hmm.
5 MR. MACKRELL: And obviously we had a lot of
6 players there. And they were all enthusiastic about
7 being there.
8 So I would say 60 percent of the people who
9 attended were veterans who came for a meal. Not
10 because they were hungry, but because there was
11 breakfast and lunch included. All right?
12 Twenty or thirty percent -- probably 20
13 percent -- wanted to start either a snow plowing,
14 lawn-mowing, or a trades business out of their house.
15 Okay? They had a job, they wanted to do something
16 else. They wanted to start basically a cash business.
17 And 10 percent were just plain crazy. You
18 know, wanted to -- "I've always liked to eat, I want
19 money for a restaurant" kind of thing.
20 (Laughter.)
21 MR. MACKRELL: And you know, the success we've
22 had of this, you know, the effort continues, terrific

1 presenters. I think terrific help desk opportunities.
2 Good follow-up.
3 Not a lot of real traction, as far as I'm
4 concerned. Nonetheless, we'll continue to do it.
5 Now the reason I speak a little bit critically
6 of that is because it compares absolutely markedly with
7 the matchmaker event, which is non-veteran-specific,
8 and invites all businesses.
9 We have more successful stories that affect
10 veterans out of this matchmaker event than we have out
11 of the veterans only event.
12 MR. ELMORE: Mm-hmm.
13 MR. MACKRELL: Okay. And the matchmaker event
14 is something that we started a year ago. This agenda
15 here is for the second year that we did it.
16 And it's not cheap. I mean, it's a fairly
17 expensive item for us to sponsor. But this year I
18 think we had over 300 small business participants.
19 (Discussion was held off the record.)
20 MR. MACKRELL: And we're talking 30 to 40
21 actual contracting opportunities, job connections,
22 success stories out of this.

1 Because you have both banks represented there,
2 and you have multiple banks represented, as opposed to
3 the veterans, where you only have one.
4 We have multiple banks present. But we had a
5 lot of private sector entities that consume goods and
6 services.
7 We had people that were looking -- it was in
8 some respects a quasi-job fair, because people were
9 interviewing people for employment. And you had other
10 opportunities to direct contracting opportunities which
11 veteran-owned businesses could do that.
12 And they also had the ability the connect for
13 financing. The SBA was there, the SBDCs we're there.
14 SCORE was there. We were there. The banks were there.
15 And it really was, to me -- of all of the
16 events that we do, and we do a lot of them -- this is
17 the single most effective. And it was effective for
18 everybody.
19 MR. WHITE: Do you think it's more because a
20 lot of the people already had established businesses,
21 the majority of people going there?
22 MR. MACKRELL: I think that it helped the

1 first year for that. But what happened is the
2 success -- I mean, I think the businesses that came
3 there, looking for goods and services that wanted to
4 buy goods and services, I think we had a better
5 representation the second year, because they figured
6 out this was the real deal.
7 MR. WHITE: Yeah.
8 MR. MACKRELL: You know, they could find
9 people who could provide them, and they could provide
10 veteran-owned businesses.
11 Because a lot of these people are searching
12 for -- you know, for lack of a better word -- a block.
13 You know, "I've got to get a veteran-owned business to
14 supply this."
15 MR. GARCIA: And when you charge, they know
16 they're going to get value for the dollar. When you
17 don't charge, you give a free lunch, that's what
18 they're getting, a free lunch.
19 MR. MACKRELL: But we usually get a
20 motivational speaker. I mean, the charge that we get,
21 I mean, I think we paid $15,000 for the speaker, out of
22 my pocket.

1 MR. GARCIA: Who was the speaker?

2 MR. MACKRELL: It was some motivational

3 speaker. Actually, I wasn't even in attendance,

4 because I had to be across the state somewhere else.

5 But you know, you make sure what to chart for.

6 You make it the real deal, you make it important.

7 MR. GARCIA: Absolutely.

8 MR. MACKRELL: And it's going to grow. This

9 is the last year we're going to be able to have it in

10 this facility. We're going to have to go a facility

11 that accommodates at least a third as many people.

12 And as I said, it wasn't veteran-specific, but

13 it offered genuine opportunities and contracting

14 opportunities from a wide variety of folks.

15 MR. DENNISTON: The other advantage of doing

16 the matchmaking is that it's more targeted and focused,

17 so that the people that are talking are talking to

18 people that are a better chance of being a potential

19 customer.

20 MR. GARCIA: Exactly.

21 MR. MACKRELL: Yeah. I mean it's the real

22 deal. It's no bull-shitting around and people are

1 drinking coffee. It's things that are happening.

2 CHAIRMAN VARGAS: Pat, how much more time do

3 you need?

4 MR. MACKRELL: I'm going to take as much time

5 as you'll give me. But I can get it done in five

6 minutes.

7 CHAIRMAN VARGAS: Okay. Because we have our

8 next speaker here, and if you can if you can wrap it

9 up.

10 MR. MACKRELL: So I've talked about the

11 Veterans Resource Program in terms of promotion. You

12 know, I'd be happy to get off line with you and talk

13 about how to organization that, how to get that

14 started, how to get support.

15 We got some financial support -- you know, one

16 of the advantages I have is I can put on the arm on a

17 number of banks to come up with cash. And you can do

18 that in your own communities too.

19 But matchmaker events, specialized loan

20 programs, targeted technical systems. And I think

21 that's an area that you know, the SBDCs can work

22 together on with you.

1 And I would go to your state economic
2 development people and say, "What do you do?" They're
3 all searching for a reason to be relevant now, because
4 they're haven't got a lot of money.
5 MR. GARCIA: Right.
6 MR. MACKRELL: Most of them. So if you can
7 give them something where they can promote veterans'
8 opportunities as a specific way, and you provide them
9 some of the ideas, like "Why don't you get behind me?
10 Why don't you stay in economic development? Why don't
11 you undertake cataloguing all the loan funds in the
12 state?"
13 MR. GARCIA: Mm-hmm.
14 MR. MACKRELL: "Why don't you take that as
15 your job? You got people sitting around who can do
16 that."
17 And quite frankly, I'll be happy to answer any
18 questions off line at a later point in time.
19 We had a veterans' loan program, which I think
20 I distributed last year to everybody. And we continue
21 to run that program, you know, basically, you know, put
22 money out the door, fixed rates under 4 percent for

1 five years for veteran-owned businesses.

2 And believe it or not, it's gotten very little

3 in the way of traction. Because banks -- and what

4 happens is when they say "I can't do this loan,"

5 instead of saying, "But I know who can," or "I know who

6 can help you," too many times the buck stops before it

7 really has lost momentum.

8 And I think one thing that you can do to make

9 things happen is not necessarily put pressure on people

10 to do things they don't want to do or can't get done,

11 but just make sure that they know, as part of they're

12 saying "No" to veteran, that they can give them three

13 or four alternatives. Okay?

14 Go to the SBDC. They can tell you who's in

15 the business, who's in the game, who's financing this

16 now. So they can tell you how to make that work.

17 And that's I think a great service, as a

18 closing remark. But just get all the people who have

19 the money and say, "Look, we understand you have your

20 limitations. They'll come and go, and sometimes you'll

21 be in the market. Great. Now you're not. Great."

22 But don't cut this off at the knees. Keep it

1 moving and get it to a source that maybe can at least,
2 you know, position this business so they can get
3 advantage and access to capital.
4 So I'll close there.
5 CHAIRMAN VARGAS: Excellent. Very, very good.
6 Very informative and there was a lot of food for
7 thought there.
8 We can get back to this as far as a discussion
9 period is concerned; but we want to keep with the
10 agenda here, and stay on track as close as we can.
11 We now have Josh Silver, Vice President of
12 Research and Policy of the National Community
13 Reinvestment Coalition.
14 And I'll let Josh explain what he does. And
15 welcome him to the Committee. Welcome, Josh.
16 MR. SILVER: Well, thank you. And thank you
17 for having me this morning. Of course, I got off at
18 the Metro Station. And the way these government
19 buildings are built, you walk around the block, you end
20 up at the Food and Drug Administration Building. You
21 end up at Health and Human Services. You end up at the
22 Ford Housing Building.

1 And the last one you go to is this building.
2 So I worked up a sweat. And then you get into this
3 building, and they say, "Oh, go to the 7th floor." And
4 of course, all the doors are locked.
5 So I just happened to run into a good
6 samaritan who works here, and walked me through the
7 maze of the hall. I thought I was going to get some
8 cheese, you know, at the end of all this.
9 (Laughter.)
10 MR. MACKRELL: That's actually why I kept
11 talking, to give you a chance to get here.
12 MR. SILVER: Yeah, to cool off. But I got
13 some water, so that's better than cheese.
14 MR. JENKINS: They don't call you hem and haw,
15 do they?
16 MR. SILVER: But I was asked to come today and
17 speak to you about the Community Reinvestment Act.
18 But first, let me just tell you a little bit
19 about the organization I work for. I work for an
20 organization called The National Community Reinvestment
21 Coalition, which is a coalition of 600 community
22 organizations. And no, ACORN is not one of our

1 members.

2 But we 600 community organizations around the

3 country, dedicated to increasing access to capital and

4 credit for working class and minority communities. And

5 a major way that we advocate for increasing in lending

6 and investments in low-to-moderate-income communities

7 is the Community Reinvestment Act and the laws against

8 discrimination in banking.

9 So we advocate before Congress and the Federal

10 Regulatory Agencies on behalf of our members.

11 We also run a number of programs with our

12 member organizations. We run a foreclosure prevention

13 program called the National Home Ownership

14 Sustainability Fund.

15 So if you know somebody who has gotten into an

16 abusive loan situation and is on the brink of

17 foreclosure, we want to know about it.

18 Our counselors help mediate with lenders and

19 servicers to rework the loan and to hopefully find an

20 affordable solution for people and prevent

21 foreclosures.

22 Since the program started in 2001, we have

1 prevented about 5,000 foreclosures.

2 We also operate a small business technical

3 assistance program for minority-owned small businesses,

4 primarily in the D.C. Metropolitan area.

5 So we can also hook you up with those

6 individuals as well.

7 I have a handout. I think there's about eight

8 people in the room. So I'll pass some down this side,

9 and I have some more if there's not enough.

10 But I'm talking to you at a very interesting

11 time. Because, as you know, in Congress as well as

12 health care reform, they are considering the reform of

13 the regulatory oversight of the financial industry.

14 And we know what's happened in the last year

15 with record foreclosures, with the collapse of major

16 financial institutions. This is perhaps the second top

17 priority of the Obama Administration, how to reform the

18 regulatory oversight of these financial institutions,

19 so this crisis does not happen again?

20 And we think that this is an opportunity to

21 update the Community Reinvestment Act. So let me tell

22 you briefly what the Community Reinvestment Act is, how

1 it can help increase access to credit for veterans and
2 veterans who are running small businesses; and then
3 talk to you a little bit about the legislation being
4 considered by Congress right now, to reform the
5 regulatory oversight of the financial industry, and to
6 update the Community Reinvestment Act.
7 Congress passed the Community Reinvestment Act
8 in 1977. And I would have had a Powerpoint; but I was
9 not successful in communicating for what he's saying,
10 please have a Powerpoint.
11 So I'll do this off the top of my head. But
12 I've done this talk many times; and you know, you'll
13 see some more information in the brochures that I gave
14 you.
15 Congress passed the Community Reinvestment Act
16 in 1977 to outlaw discrimination in lending against
17 neighborhoods. I'm sure most of you have heard the
18 term, "redlining," where financial institutions would
19 literally draw red lines around neighborhoods and
20 instruct their loan officers not to lend in the
21 neighborhoods, even though the banks had branches in
22 the neighborhoods.

1 So the bank branches were collecting deposits,
2 but refusing to make loans in the neighborhood, without
3 even considering the creditworthiness of the
4 neighborhood residents.
5 And there is no quicker way for a neighborhood
6 to die than through the process of redlining. People
7 can't get loans to buy homes. Small businesses can't
8 get loans to expand their small business. Or an
9 entrepreneur can't get a loan to start a small
10 business.
11 So Congress perceived that this was a
12 particularly invidious form of discrimination. And in
13 fact, if you said to the financial institutions, "You
14 have an affirmative obligation to serve communities,"
15 that's one of the best hopes of communities.
16 The financial institutions are among the most
17 important institutions in the community to provide
18 opportunities for home ownership, small business
19 ownership, and generally speaking economic development
20 in communities.
21 So in 1977 Congress passed a law called the
22 Community Reinvestment Act, imposing an affirmative and

1 continuing obligation on banks to serve the credit
2 needs of communities, particularly low-and-moderate
3 income communities.
4 So then the question is, "How do you impose an
5 affirmative and continuing obligation to serve
6 communities?"
7 Well, what the CRA does is the CRA establishes
8 an examination regime. Approximately once every two
9 years most banks in this country are examined. And
10 they are given a report card.
11 It's a public report card that's publicly
12 available on the World Wide Web. You can get the
13 report card for Bank of America, the biggest banks in
14 the country, down to the community bank in small towns
15 and rural areas.
16 And imagine when we were going to school, if
17 our report card was on the internet, you know, I
18 probably would have worked harder in school.
19 (Laughter.)
20 MR. SILVER: That was the theory, that if you
21 have a publicly available report card, that it is a
22 level of public accountability, then if these exams

1 occurred in secret in a room somewhere, and there was
2 no report card disseminated to the public, that's
3 actually how it began.
4 There were these exams conducted and there was
5 no public report card. But then in the year 1990 it
6 was mandated that the exams become public.
7 And the exams used publicly available data on
8 home lending and small-business lending to see how well
9 the banks are doing in terms of making loans to low-and
10 moderate-income communities and low-and-moderate-income
11 neighborhoods.
12 So you have different types of tests. And
13 what's important for community organizations is anybody
14 from the general public can comment on a CRA exam.
15 So that's an additional level of
16 accountability, and it's a very important mechanism.
17 We train our community organizations, "How do you
18 comment on a CRA exam?"
19 You know, it's virtually impossible for a
20 community organization to conduct its own CRA exam of
21 Bank of America, because Bank of America might operate
22 in 15 different states.

1 But if you are a community organization
2 located in Philadelphia, we can help you figure out
3 whether Bank of America is succeeding in serving small
4 businesses in Philadelphia, or not succeeding -- needs
5 to do better in serving small businesses in
6 Philadelphia.
7 And even those comments on the Philadelphia
8 part of the Bank of America exam can be influential.
9 Because not only does the bank get a grade for its
10 overall performance in all of its states and
11 localities, but the bank also gets grades in specific
12 geographical areas.
13 So your comments can influence a grade on a
14 CRA exam.
15 And different banks have different types of
16 exams. The smallest banks in the country have the
17 easiest exam. These are institutions with $250 million
18 in assets or less. The regularies call them small
19 banks. To us $250 million is a pretty hefty
20 institution.
21 But they get the easiest test, which is just
22 called "The Lending Test," which looks at just the

1 bank's lending activity. Things like the
2 loan-to-deposit ratio. Is it loaning out the deposits
3 it received?
4 The number and percentage of loans, home loans
5 to low-and-moderate income people, small business loans
6 in low-and-moderate income neighborhoods.
7 Then there is another category of banks that
8 they call "small intermediate banks." Or, no, it's
9 called "intermediate small banks". But I call it
10 mid-size banks. It's kind of easier to wrap your head
11 around.
12 It's a mid-size bank, assets between $250
13 million and $1 billion. They get a lending test, and
14 then they get a test called the Community Development
15 test. And the Community Development test looks at
16 something that's called Community Development Lending
17 or Community Development Investing.
18 A construction loan for a shopping center,
19 that's a type of a community development loan. A
20 community development investment. I'm sure some of you
21 are familiar with small business investment
22 corporations, or SBICs.

1 Banks can get points on their CRA exam by
2 making investments in SBICs -- you know, including the
3 mid-size banks.
4 And then go to the large banks, banks with
5 assets of a billion dollars or more. And these are the
6 largest banks in the country, so they have the most
7 sophisticated CRA exams, that consist of a lending
8 test, the investment test, and the service test.
9 So you have the lending test, which I
10 described before. The investment test looks a little
11 more intensively at things like investments in small
12 business investment corporations, low-income housing
13 tax credits, and grants.
14 Say, grants to a non-profit that provides
15 assistance to small businesses. That's an activity, or
16 would actually occur, that would actually count on the
17 investment test. In a sense you're making an
18 investment in community infrastructure.
19 Then the service test on the large bank exam
20 looks at the number of branches in
21 low-and-moderate-income neighborhoods, and the
22 distribution of branches across neighborhoods of

1 different income levels.

2 And the service test is important for small

3 businesses. We did research for the Appalachian

4 Regional Commission a couple years ago, and we found

5 that there was more small business lending in counties

6 in Appalachia where there are more bank branches.

7 It makes intuitive sense. The small-business

8 lending literature suggests that more so than home

9 lending, small businesses really establish

10 relationships through branches.

11 Small businesses put their deposits in

12 branches, get to know the loan officers, and hopefully

13 after a while if they need a loan, they can get a loan.

14 So we found that to be the case when we did a

15 report for the Appalachian Regional Commission. So

16 that's a large bank exam.

17 Then, how effective has CRA been over the

18 years? We know in the last 13 years, for example,

19 there has been about half a trillion dollars of small

20 business lending.

21 Certainly it could be probably more effective

22 in reaching the smallest of the small businesses.

1 (Simultaneous conversation.)

2 MR. SILVER: But we can talk about that a

3 little bit, about CRA can be improved. But it is clear

4 that it has increased lending. The publicly available

5 studies does suggest that it has increased access to

6 credit and capital for communities.

7 But the enforcement could be tougher. When

8 the CRA exams first became public, there was about a 10

9 percent failure rate. But then after the first five

10 years, the failure rate became like 5 percent.

11 And now the failure rate's about 1 percent.

12 Now clearly, banks probably improve their CRA

13 lending. But a 1 percent failure rate does suggest

14 some CRA grade inflation. Now sometimes I get the

15 question, "Well, if 99 percent of the banks pass, where

16 is the teeth in the law?"

17 And the teeth in the law is even if Bank of

18 America passes this exam, in West Virginia, even though

19 it got an 'A' on its overall grade, it might be

20 scraping through in West Virginia and be getting the

21 equivalent of a B- or a C.

22 And if you're Bank of America, and you're not

1 going to go to the governor of West Virginia and say,
2 "Please take our deposits and put them Bank of America,
3 because we've have been judged to have a B- or a C in
4 reinvestment in your state."
5 It would be much more effective for business
6 relationship purposes to be able to go to the governor
7 of West Virginia and say, "We got an A in your state."
8 So there is some leverage there, that on
9 different parts of the CRA exam, a bank can get a low
10 grade, or in different geographical areas.
11 And you know, again, we train community
12 organizations, and public agencies about how to be
13 involved in the CRA process and how to use the CRA
14 process to increase lending and investments in their
15 community.
16 Last but not least, there is a major
17 application process. You know, I keep picking on Bank
18 of America. The Bank of America certainly does some
19 good things; but remember when Bank of America was
20 acquiring Countrywide?
21 We all know what happened with Countrywide, a
22 lot of risky lending, which basically did that large

1 mortgage company in. And when Bank of America was
2 acquiring Countrywide, that raised a lot of questions
3 about how when you acquire Countrywide are you going to
4 assure fairness in lending?
5 How are you going to insure when a lot of
6 these risky loans are going into foreclosure, that
7 people who were given loans that were really
8 ill-advised, that those people are going to have a fair
9 chance of getting affordable refinances?
10 And these questions occur on a merger
11 application process. There's a public comment period,
12 usually 60 days, and anyone can comment, whether it's a
13 state attorney general or a community organization.
14 And eventually all these mortgages get
15 approved -- not surprising -- but occasionally the
16 regulatory agency will say, "Okay, your merger is
17 approved, but you have to institute this fair lending
18 reform, where you are going to agree to this program,
19 to make sure that people have access to affordable
20 refinances, for example, of these risky loans."
21 If you option arm subprime loans have a
22 delinquency rate of 30 percent -- in some cases it's

1 that high -- you know, let's do a program to get people
2 into affordable refinances.
3 So there is a merger application process as
4 well, which is a key time to influencing the outcome of
5 a merger application, so that, you know, 50 branches
6 don't close in Philadelphia, or 50 branches don't close
7 in West Virginia.
8 If that was to happen, you know, small
9 businesses in those communities would have less access
10 to loans or basic banking services.
11 So is there something we can work out with the
12 financial institution to at least make sure that, you
13 know, if they have to close some branches, that maybe
14 the branches close instead of 50.
15 So CRA provides important opportunities for
16 the public to have input, and opportunities that -- if
17 it wasn't for CRA, there would be less access to credit
18 and capital for communities.
19 Let me stop there and take questions. And
20 then I want to talk about the landscape this fall in
21 Congress, and opportunities to increase enforcement,
22 and opportunities to update the Community Reinvestment

1 Act.

2 MR. ELMORE: Felix, let me jump in just for a

3 minute kind of to help preface this.

4 CHAIRMAN VARGAS: Sure.

5 MR. ELMORE: And thank you for coming.

6 This is a result of me actually having a

7 couple of sort of really simple discussions with the

8 Coalition about veterans including in CRA or at this

9 point not included in CRA.

10 MR. SILVER: Mm-hmm.

11 MR. ELMORE: And this has been a discussion

12 that's been sort of below the radar but part of the

13 veterans' entrepreneurial world now for at least ten

14 years.

15 And I was aware that there was legislation

16 moving, so I began this sort of simple dialogue about:

17 Does it make sense to see if veterans should be

18 included in CRA? And Steve and I have had some

19 discussions about this as well.

20 So thank you for coming.

21 MR. SILVER: Mm-hmm.

22 MR. ELMORE: And that was kind of the premise

1 for this, just to get a dialogue going and explore that
2 idea and see whether or not it makes sense or it might
3 be helpful for our community to at least consider it.
4 MR. SILVER: Mm-hmm.
5 MR. ELMORE: So thank you.
6 MR. SILVER: And I can take questions.
7 MR. MACKRELL: You know, the statistics that
8 historically CRA has relied upon, are those holding up
9 as well now, in light of the economic situation and
10 failures in terms of the credit?
11 MR. SILVER: Mm-hmm. I think credit has
12 tightened. And I think that a really good time of CRA
13 lending was the early-to-mid 1990s.
14 The Clinton Administration took on an
15 initiative to strengthen the CRA exams, in making them
16 more objective. Before the Clinton Administration
17 reform, they would do things like look at the board of
18 directors' minutes and see if the CRA program was
19 serious.
20 The Clinton Administration said "Let's really
21 measure results." And you know, the lending test I
22 described, lending, investing, and services for large

1 bank exams, and objective measures like the number and
2 percents of loans, that was the Clinton Administration
3 reform making the tests more objective.
4 So you did see from the early to mid to late
5 1990s a significant increase in home-lending that was
6 documented.
7 Interestingly enough, the small business
8 lending only became available in 1996. The home
9 lending has been available for years.
10 So this was a time of increase in home
11 lending, where it was really before the huge increase
12 in subprime lending. So we know that CRA was
13 responsible for an increase in responsible lending to
14 communities.
15 Now that we have the subprime mess, there has
16 clearly been a tightening of credit, but we hope that
17 now is an opportunity -- and I'll talk after we answer
18 some questions about CRA -- now hopefully is an
19 opportunity to institute some reforms, so we can see a
20 resumption of increase in responsible lending.
21 MR. MACKRELL: Just to follow onto Bill's
22 comment, now is it a statutory or a legislative issue

1 to have veterans identified as a CRA-eligible activity?
2 Or is that regulatory?
3 MR. SILVER: It probably would be statutory.
4 Because for years -- one of the things I'm going to
5 talk about -- well, I'll mention it now -- is you
6 notice how I kept saying low-and-moderate-income
7 communities and low-and-moderate income borrowers.
8 CRA is an income-based law. It does not
9 measure how many loans or the percentage of loans to
10 minorities, for example. And we know that minorities
11 received a disproportionate amount of the high-cost
12 risky loans, even after controlling for
13 creditworthiness.
14 You know, we did a study and the Federal
15 Reserve did a study. So we actually think that CRA
16 should consider lending to minorities.
17 So if we had CRA consider lending to
18 minorities as well as lending to all moderate-income
19 people, you'd have just right there a good chunk of the
20 veteran population.
21 You would be missing perhaps the white middle
22 and upper income part of the veterans population.

1 Now I think probably even within NCRC -- you
2 know, I can't speak for NCRC, because I'd have to go
3 back and take this to our board -- you know, do we want
4 to expand CRA to veterans?
5 But I think even within NCRC's membership,
6 you'd probably find a difference of opinion. You'd
7 probably find those that say "Redlining really
8 afflicted low-and-moderate-income communities and
9 minority communities."
10 We know what minority communities were
11 victimized during this recent surge of predatory
12 lending. We should stick with low-and-moderate income
13 and minority communities. You know, that should be the
14 focus of CRA.
15 You know, you'll probably have others, other
16 community organizations that do serve veterans that
17 say, "No, veterans have had special, you know,
18 extenuating circumstances when they go serve overseas
19 and they come back."
20 And you know, in some cases a credit is messed
21 up, you know, even though there are some laws,
22 that -- I'm not familiar with the laws -- maybe you're

1 more familiar with them -- about you know, where
2 they're serving overseas there's like a stay that a
3 lender can't go after the delinquency of default.
4 MR. ELMORE: Right, yes, correct.
5 MR. SILVER: Yeah.
6 So you know, you'd probably even have a debate
7 within NCRC about that very question.
8 But what I should also --
9 MR. MACKRELL: Aren't there loans? I mean,
10 SBA loans, like if you do a 504 loan, the bank does a
11 504 loan, isn't that by regulation considered to be a
12 CRA consideration? Irrespective of the recipient or
13 the location of the project?
14 MR. SILVER: I think at this point -- and
15 there is actually, you have the law, you have the
16 regulation, you have something else called a
17 "Question-and-Answer document".
18 MR. MACKRELL: Right.
19 MR. SILVER: And the Question-and-Answer
20 document, you can get from a website called the Federal
21 Financial Institutions Examination Council. Say that
22 ten times fast.

1 Or FFIEC.gov. And then there's a CRA section
2 in the FFIEC, and you can look at the regulation. It's
3 not in the regulation of 504 lending stuff. It would
4 be in the Question-and-Answer document.
5 And my recollection, you know, although I
6 would double-check it, is SBA lending, you know, really
7 targeted to low-and-moderate income communities, you
8 get, you know, kind of points on your CRA exam.
9 But, you know, I myself would go to the
10 Question-and-Answer document and verify that.
11 MR. MANCINI: I'm a little confused about the
12 CRA. Why don't you include veterans if they're
13 included anyway, as they go by income only right?
14 MR. SILVER: Mm-hmm.
15 MR. MANCINI: Is that correct? So there's no
16 need to --
17 MR. ELMORE: Let me tell you why I asked the
18 question. First off, there was sort of a low-level
19 history of some discussion in the veterans' community
20 about the CRA.
21 MR. MANCINI: Right.
22 MR. ELMORE: And the other was that one of the

1 things that I discovered here at SBA is that the only
2 loan program right now that requires veterans' status
3 acknowledgement is the Patriot Express.
4 And that's not a veterans' loan, it's really a
5 military loan.
6 The other SBA loans, it's not a mandatory
7 question on our loan products. So we never know how
8 many veterans are actually accessed in our capital
9 programs.
10 So in my discussions with them, it was sort of
11 a -- what we know is we don't know is we don't know.
12 MR. MANCINI: Yes.
13 MR. ELMORE: We don't know how well veterans
14 are doing in business lending or in home lending, for
15 that matter.
16 And given that there's legislation going
17 through right now, is now the time to at least have a
18 dialogue. And I thought let's get the Committee to
19 have this discussion, kick it around and see whether or
20 not it's something that we wanted to take a harder look
21 at.
22 MR. MANCINI: Now that takes me to my next

1 question. I tried for the past, I think, year -- I
2 mean, maybe I didn't try hard enough to find the report
3 cards for the CRA on line.
4 MR. SILVER: Mm-hmm.
5 MR. MANCINI: I haven't been able to -- I
6 mean, is there a website you can give us?
7 MR. SILVER: Yeah. Actually FFIEC.gov.
8 MR. MANCINI: Okay.
9 MR. SILVER: And go to their CRA section, and
10 there is a section that says, "CRA ratings" or
11 something like that.
12 MR. MANCINI: Okay.
13 MR. SILVER: And you go there and you find a
14 search engine. And you can type in any bank.
15 MR. MANCINI: Okay.
16 MR. SILVER: And it might say "The Bank of
17 Main Street," and then it will say, "FDIC". That means
18 it's regulated by the FDIC. And there's a link to the
19 FDIC webpage.
20 MR. MANCINI: Mm-hmm.
21 MR. SILVER: And then take you to another
22 search engine, and then you can get the CRA exam.

1 One thing I'll make a comment about that is,
2 believe it or not, can anyone tell me how many agencies
3 conduct CRA exams?
4 It's not one. It's more than one. Four bank
5 agencies conduct CRA exams. And it depends whether you
6 are a national bank. Then you're chartered with the
7 Office of the Comptroller of Currency. Some of you may
8 have heard of the OCC.
9 MR. MANCINI: Mm-hmm.
10 MR. SILVER: If you are a small bank that is
11 chartered with the state, more than likely you'll have
12 a CRA exam with either the FDIC or the Federal Reserve
13 Board.
14 And there's one more agency, called the Office
15 of Thrift Supervision, which conducts CRA exams for
16 savings and loans.
17 The way to make life simpler, if we had one
18 agency that conducted CRA exams. And that's actually
19 part of the reforms that we're discussing in the fall,
20 that one thing that would happen is -- so anyway, you
21 can go to the FFIEC website.
22 MR. MANCINI: Right.

1 MR. SILVER: And you know --

2 MR. MANCINI: FFIEC? Right?

3 MR. SILVER: FFIEC.gov.

4 MR. MANCINI: All right.

5 MR. SILVER: And if you're planning around

6 with --

7 MR. WHITE: Could you say it a littler slower?

8 MR. SILVER: Sure. FF, Frank Frank, Isaac,

9 Elizabeth, Charles dot gov.

10 MR. WHITE: Obviously he was a vet.

11 (Laughter.)

12 MR. MANCINI: But I'd like to ask you if this

13 is a possibility -- and actually we talked about it for

14 a long time about this -- is there a scenario where, I

15 mean, I think I've witnessed this happening several

16 times I California, but I want to know if it's true,

17 where you may have two individuals. Let's say you have

18 a woman-owned business, and you may have a veteran

19 applying for a loan.

20 MR. SILVER: Mm-hmm.

21 MR. MANCINI: And I've seen this happen where

22 the veteran with a better credit score, stronger

1 numbers, they were rejected, while the woman-owned
2 business was accepted.
3 MR. SILVER: Mm-hmm.
4 MR. MANCINI: Even though they had a lower
5 credit score and lower projection, and lower
6 assumptions.
7 MR. SILVER: Mm-hmm.
8 MS. MILLS: Is that the reason, because the
9 woman-owned business is directly affected actually the
10 CRA, the Community Reinvestment Act?
11 MR. SILVER: Well, no, because women are not a
12 category under CRA. And if you can document that a
13 veteran with a better credit history --
14 MR. MANCINI: Yeah --
15 MR. SILVER: I mean, you know, I don't know
16 the situation there. Maybe there was something else
17 going on. Maybe there was collateral. Or, you know.
18 MR. MANCINI: Right.
19 MR. SILVER: So, you know, can't say. But
20 assume that everything is equal, except one person was
21 a vet and one person was not a vet. You might have a
22 fair-lending case, a discrimination case.

1 MR. MANCINI: But the CRA never affects that
2 kind of a scenario?
3 MR. SILVER: No, it cannot be that women get
4 the loan and --
5 MR. MANCINI: What about minorities?
6 MR. SILVER: That's not acceptable either.
7 You know, if you have two people and everything else is
8 equal, and one is more creditworthy, and everything
9 else is equal, you know, the one that's more
10 creditworthy should also get the loan.
11 But let me also -- there is one way, perhaps
12 one way that veterans right now are sort of included on
13 CRA exams. There is a section on CRA exams called
14 "Whether Your Lending Programs are Innovative and
15 Flexible."
16 And if you have a population that has
17 traditionally had a harder time getting access to
18 credit, and if you're a bank and you design a loan
19 program that is specifically geared towards that
20 population, and particularly if that population has a
21 lot of low-and-moderate income people in it, you can
22 get points on your CRA exam for having an innovative

1 and flexible loan program.

2 And especially if that innovative and flexible

3 loan program is successful in reaching a large number

4 of veterans.

5 So, you know, if there's no other take-away

6 from my talk, one take-away from my talk is: Engage

7 banks in these types of discussions, because every

8 single bank has a CRA officer, or an officer whose job

9 is to ensure compliance with the Community Reinvestment

10 Act.

11 And talk to the CRA officers. If they don't

12 have a small business loan program and it's geared for

13 veterans, would they be interested in starting one?

14 And if you're bringing to them a non-profit

15 organization partner that has expertise in this area,

16 you know, perhaps you could interest them in a

17 partnership, in a programmatic partnership that

18 eventually gets some points on the CRA exam.

19 If the bank has a smart CRA officer, the bank

20 hopefully will talk to you.

21 But let me talk about like these four agencies

22 for a second. Believe it or not, they compete for

1 banks. These agencies get paid -- a lot of their
2 budget depends on the fees that the banks pay.
3 So you're setting up a situation that is not
4 going to necessarily result in the most vigorous
5 regulation, yet they literally compete for banks.
6 So part of the regulatory reform discussion
7 right now in Congress is: Should we basically take
8 these four agencies and make it one agency for purposes
9 of consumer protection? And the proposal from the
10 Obama Administration is the Consumer Financial
11 Protection Agency, or CFPA.
12 And should we take all the anti-discrimination
13 laws and the other consumer protection laws, and put
14 these laws under the jurisdiction of the Consumer
15 Financial Protection Agency?
16 From what NCRC has seen in the last decade or
17 so, it makes a lot of sense to put the consumer
18 protection laws and CRA under the jurisdiction of the
19 Consumer Financial Protection Agency.
20 That is what the Obama Administration has
21 proposed. But then on the House, the House Financial
22 Services Committee is the first Committee to consider,

1 you know, financial reform legislation.

2 Chairman Barney Frank has chosen not to put

3 CRA under the jurisdiction of the Consumer Financial

4 Protection Agency, even though the Protection Agency

5 will have a lot of jurisdiction over the other consumer

6 protection laws.

7 So that's a debate that we're having right now

8 with Chairman Frank, and we hope we can change his

9 mind. But, you know, we acknowledge that will be an

10 uphill battle on the House side. But we also have the

11 Senate.

12 And the Senate's a little bit behind the House

13 in consideration of financial reform. At this point,

14 mid-October will be the point when the House Financial

15 Services Committee will be marking up and considering

16 the Consumer Financial Protection Agency legislation.

17 It's actually called HR 3126, if anyone wants

18 to look up the bill.

19 And the other thing I'll mention to you real

20 quick, is we this in a crisis as opportunities. And I

21 think it was Secretary of State Hillary Clinton said,

22 you know, "Don't waste a crisis. A crisis is a

1 terrible thing to waste."

2 And another opportunity in this crisis is to

3 update the Community Reinvestment Act, because what I

4 haven't said is CRA requires lending and service to

5 communities consistent with safety and soundness.

6 And that was in the 1997 law, and that's very,

7 very important. And actually banks that had a CRA

8 obligation, the Federal Reserve Board has done research

9 that showed guess what? That their lending was safer

10 and sounder than the lending of mortgage companies that

11 were not covered by CRA.

12 And also investment banks on Wall Street were

13 not covered by CRA. So you kind of had two parts of

14 the lending industry. You had banks making loans, and

15 then you had investment banks and mortgage companies

16 making loans.

17 And a lot of the risky lending, most of it,

18 the great majority of it was being done by the mortgage

19 companies and financed by the investment banks and the

20 hedge funds that did not have CRA obligations to lend

21 consistent with safety and soundness.

22 And it's actually pretty startling, the

1 studies that show that the bank lending was a lot safer
2 and sounder.
3 Now there were other things that banks were
4 doing that wasn't so great. Banks themselves were
5 financing this risky lending. But guess what? That
6 activity, the financing of risky lending, was not on
7 CRA exams.
8 So again, that's another argument. You know,
9 consider all of the financial activity on CRA exams,
10 not just direct lending.
11 So there's a bill called HR 1479, or the
12 Community Reinvestment Modernization Act of 2009, and
13 there's a lot in this brochure on HR 1479, and it do
14 three essential things.
15 It would broadly apply CRA throughout the
16 financial industry, mortgage companies, and Wall Street
17 investment banks to make sure the investments were
18 serving communities in a safe and sound way; large
19 credit units.
20 Large credit unions. Some of you might be
21 surprised by that.
22 MR. MACKRELL: Why only large credit unions?

1 MR. SILVER: Well, I'd say mainstream credit
2 unions. Because there's a lot of credit unions. I was
3 actually say it should be applied to every credit union
4 in the country.
5 But the credit union lobby, you know, the
6 reality is the credit union lobby is very powerful on
7 Capitol Hill.
8 MR. MACKRELL: No kidding.
9 MR. SILVER: So as a compromise, we are
10 saying, lets exempt the smaller credit unions, the ones
11 3,000 members or less, from the CRA -- that's the way
12 H.R. 1479 is written.
13 So we're going to apply, believe it or not,
14 credit unions with more than $1 billion in assets hold
15 about $350 billion in assets. That's a big industry.
16 Navy Federal Credit Union. There are some
17 other big credit unions. And actually when you look at
18 their data, and compare it to the banks, the banks
19 actually serve a higher percentage of minorities,
20 women, people in low-and-moderate income communities,
21 and credit unions.
22 We have a study. And our hypothesis is

1 because banks are covered by CRA and credit unions are
2 not. And actually there's even a better experiment in
3 Massachusetts.
4 Massachusetts has a state CRA law. So the
5 credit unions that are chartered by the State of
6 Massachusetts, you can compare their lending to the
7 credit unions in Massachusetts that are charted by the
8 federal government.
9 And guess what? The credit unions that have
10 the state CRA law do better in lending to
11 low-and-moderate income people and minorities than the
12 credit unions that don't have CRA and have a federal
13 charter.
14 So mortgage companies, credit unions,
15 insurance companies, if you can't get homeowner's
16 insurance or small business insurance, it's much harder
17 to get a loan.
18 So the securities industry impose an
19 obligation that they have to make investments in
20 communities consistent with safety and soundness.
21 Heck, when I had my bar mitzvah when I was 13,
22 I got a money market fund. Let's see if we can get

1 money market funds more widely available to
2 low-and-moderate income people with, you know, less
3 fees that you'd have to pay for money market.
4 You know, real wealth-building opportunity.
5 So H.R. 1479 applies CRA broadly throughout
6 the financial industry. It strengthens CRA as applied
7 to banks. And we talked about CRA minorities, for
8 example.
9 The other thing is CRA was passed in 1977, and
10 banks did their lending where their branches are. But
11 now in 2009, they do a lot of lending through brokers
12 and other non-branch means.
13 So the geographical areas where you don't have
14 bank branches tend to be not on the CRA exams. And we
15 think that ought to change. Because actually guess
16 what?
17 In geographical areas where banks don't have
18 their CRA exams, they tend to do a little more of the
19 risky lending. They're not examined. It's almost as
20 simple as that.
21 So we want to strengthen CRA as applied to
22 banks, and that's in H.R. 1479.

1 And last but not least, we want more publicly
2 available data. There's publicly available data on
3 small business lending; but we don't know whether it's
4 a loan that goes to a women-owned small business, or a
5 minority-owned small business, or a veteran-owned small
6 business.
7 You know, there is an opportunity there. If
8 you guys want to get active in advocating for -- you
9 know, even if we don't have veterans on CRA
10 exams -- and you know, I personally have some mixed
11 feelings about it -- maybe we can still get in the
12 small business data whether it's a loan going to a
13 veteran, for example.
14 That would be very useful. Because if you
15 just knew, there's nothing like data disclosure to
16 motivate increasing lending to traditionally
17 underserved populations.
18 MR. WHITE: So what's your mixed feelings?
19 MR. SILVER: Well, my mixed feelings is I
20 think that, you know, in a discussion I said before,
21 whether CRA you can clearly make a case for
22 low-and-moderate income communities and minority

1 communities.

2 But then within the veterans' population, you

3 do have a lot of low-and-moderate income people and

4 minorities, clearly. But then when you get to the

5 upper income levels, have those veterans experience,

6 you know, specific hurdles than a

7 middle-and-upper-income person that's not a veteran.

8 You know, has a middle-and-upper-income person

9 that's not a veteran have had easier access to loans?

10 If the answer is "Yes," you know, I'll come on board.

11 But --

12 MR. WHITE: I think you could probably make a

13 case that that's the case. But also it's the same

14 thing I said to Congress when we were testifying for

15 the passage of the veterans' entrepreneurship bill, was

16 that if you didn't have veterans, you wouldn't even be

17 worried about any of this stuff.

18 So why would veterans be discriminated against

19 in any federal program?

20 MR. SILVER: Mm-hmm.

21 MR. WHITE: So I mean, I just think no matter

22 what is said in a federal law, "and veterans" should be

1 included when you specifically say any federal program.

2 MR. SILVER: Mm-hmm.

3 MR. WHITE: But I would venture to say that

4 you could say that you had just come back from your

5 third tour. You're not going to be in the best

6 financial shape, most likely, you know, that you might

7 have been before you left.

8 MR. SILVER: Mm-hmm.

9 MR. WHITE: You're definitely not going to be

10 there now. And very easily could be not an active

11 duty; you could be an activated reservist or guard

12 member, who already had a business going. Now he

13 doesn't, or she doesn't.

14 So there are a lot of issues that could change

15 very quickly.

16 MR. SILVER: Mm-hmm.

17 MR. MACKRELL: But I mean, that's pretty

18 radical, what you're saying. I mean, you're almost

19 saying that veterans should be a constitutionally

20 protected status.

21 MR. ELMORE: In essence, yeah. I would agree

22 with that.

1 MR. MACKRELL: Well, that's okay. But you
2 can't just say minorities and veterans, and just sort
3 of carve those out as an area of people who have had,
4 you know, public service.
5 I mean, why would you carve out people and
6 anybody who was in the Peace Corp, or carve out anybody
7 who is in the CIA?
8 MR. MANCINI: Because without veterans, we
9 would not even have a country.
10 MR. MACKRELL: Well, but what I'm saying, but
11 the argument is much broader than here. I mean, what
12 you're saying basically is that ought to be a
13 constitutionally protected group, and have strong in
14 every program --
15 MR. MANCINI: Well, it's above the pendulum
16 you were referring to. You got to go way the opposite
17 way in order to get some -- because the realities at
18 least for disabled veterans, I mean --
19 MR. ELMORE: Well, if I can jump back in, I
20 think I tried to say this. At this point we don't have
21 data. And I didn't realize that in this proposed
22 legislation, that the opportunity to perhaps just

1 impact data without specifically putting veterans into
2 CRA, then over some period of time, whether it's a
3 couple of years or whatever, you could identify whether
4 or not, Steve, what you're saying is true.
5 MR. WHITE: Yes.
6 MR. ELMORE: Because I tend to agree with you.
7 I think for some reservists, for example, access to
8 capital may be an issue, because they do get activated.
9 But we don't know that. And we've never been
10 able to quite put out finger on that. In fact, we're
11 going to have a presentation here in just a few minutes
12 from Advocacy about some resource that they're doing
13 about the effect of activation on business --
14 MR. SILVER: So I think, going forward, I
15 mean, H.R. 1479, we hope will be in the mix in a big
16 way, in the fall on the House side.
17 We don't have a bill on the Senate, but we
18 hope to get a bill on the Senate side soon. So whether
19 it's CRA for veterans, or improving the small business
20 data, so you know whether it's a loan going to a
21 veteran small business, there's many helpful things
22 that can be done.

1 And whether it's one thing or something else,
2 you know, go in with some flexibility. And also even
3 if you don't get a change in the statute, you can get a
4 change in a regulation, or even a question-and-answer
5 document, that can be helpful.
6 And even right now, even the law as is,
7 hopefully you can work with the bank to convince the
8 bank to do an innovative and flexible small business
9 lending program for, say, veterans.
10 So we just had a hearing on September 16th
11 about CRA before the House Financial Services
12 Committee. And NCRC's testimony is on our website,
13 which is NCRC.org.
14 And you can contact me through our website.
15 And if you're looking at CRA exams, and you know, you
16 just can't find the search engine, or it looks pretty
17 obscure, which it should be more user friendly, because
18 you have four agencies, it should be just one.
19 But if you want some technical assistance
20 about even how to get a CRA exam, you know, feel free
21 to go to NCRC.org, and you can find me through
22 NCRC.org. My phone number, my direct line is (202)

1 464-2780. Or the main number is 628-8866.

2 So we just testified last week on CRA and H.R.

3 1479 before the House Financial Services Committee.

4 And the House Financial Services Committee will

5 probably even have another hearing on just H.R. 1479.

6 Representative Luis Guterriez of Chicago says he wants

7 to hold a hearing just on H.R. 1479.

8 And then we also just read over the weekend

9 Senator Dodd, who is Chairman of the Senate Banking

10 Committee, has his own ideas about regulatory reform,

11 which is a little bit different than the

12 Administration.

13 But we're going to engage staff to on the

14 Senate side, on the Senate Banking Committee, and see

15 you know, is there an opportunity to put CRA in a mix

16 on the Senate side as well?

17 And also I should urge you, if you agree with

18 us about H.R. 1479, and think it's important, please by

19 all means contact your members of Congress and ask your

20 member of Congress to co-sponsor HR 1479. The more

21 co-sponsors we get, the more momentum we build.

22 And there is a list of co-sponsors on our

1 website, the current co-sponsors of the bill. But we
2 have about 50 right now on the House side.
3 Any other questions?
4 CHAIRMAN VARGAS: How about an e-mail address
5 for you?
6 MR. SILVER: I'm JSilver@ncrc.org.
7 CHAIRMAN VARGAS: Okay. Right.
8 Any other comments of questions? We're right
9 on schedule here, and we're going to come to the end of
10 the time allotted for this presentation. But if there
11 is any burning comment or question, now is the time to
12 do it.
13 Otherwise, I want to commend you. I'm sorry
14 you had such a hard time getting here.
15 MR. SILVER: I got here, I got the water.
16 CHAIRMAN VARGAS: It's a problem. We've got
17 to make this building a little more access-friendly, I
18 think. Especially for visitors who have never been
19 here before.
20 So thank you very much.
21 MR. SILVER: Sure, thank you. I got here, I
22 appreciate it.

1 CHAIRMAN VARGAS: A good job, I appreciate it.
2 (Discussion was held off the record.)
3 CHAIRMAN VARGAS: Okay. So we have our old
4 friend, Joe Sobota back with us. Joe, good to see you.
5 MR. SOBOTA: Good to be back.
6 CHAIRMAN VARGAS: Chad, why don't you pull up
7 a chair. Here. We're good, we're good.
8 Okay.
9 MR. ELMORE: If I could premise this just a
10 second? I think most of you are aware that each year
11 my office tries to work with our Independent Office of
12 Advocacy on Veteran Related Research.
13 And they've really done I think an outstanding
14 job over the last few years in developing a much
15 broader understanding of the veterans' business
16 community through their work.
17 And last year I had the opportunity again to
18 provide comments, and they decided to conduct some
19 research. And I'll introduce Joe Sobota, who is the
20 veterans' -- I call him the veterans' liaison in our
21 Office of Advocacy.
22 And I shouldn't say "our" office. It's in the

1 independent office that happens to be housed inside
2 SBA.
3 MR. SOBOTA: Better shut the door when you say
4 that.
5 (Laughter.)
6 MR. SOBOTA: The good news is that we're the
7 last presentation before lunch. And the additional
8 good news is that we're just going to be here for a few
9 minutes, so, 15 minutes or so.
10 But thank you, Bill, for introducing me. And
11 I think I know everybody here. As Bill points out, our
12 research is independent, and now is the time for me to
13 put in our usual disclaimer that because our research
14 is not reviewed in advance by the agency or the White
15 House, or OMB or anybody else that normal government
16 work would be done by, then, it doesn't necessarily
17 represent the views of the Administration.
18 It is our own independent research. Actually
19 it's independent research of a contractor. And so we
20 don't even necessarily endorse it; we're just trying to
21 put more information on the table.
22 The reason that we're kind of shoe-horned in

1 here, very briefly, is that this research that we're
2 going to talk about briefly is just finished. It came
3 to us, the final edits and so on, just in the last two
4 weeks.
5 And I wasn't even sure that we were able to
6 get a printed copy together, an embargoed copy, and
7 they appeared on my desk magically yesterday morning.
8 And so we were able to move ahead.
9 And I asked Bill, did he have a few minutes
10 that we could distribute this advance copy. This is
11 not a technical presentation, so I'm not going to
12 pretend like I know everything that's in here.
13 Why don't we just distribute these here. And
14 we only have three directions. So --
15 MR. DENNISTON: Actually, Joe, there's one
16 other here.
17 MR. SOBOTA: Oh, is there?
18 MR. DENNISTON: He just stepped out, so we
19 have another.
20 MR. WHITE: Okay. Fine, we got plenty right
21 now.
22 MR. SOBOTA: Okay.

1 Please notice at the top it says "Embargoed."
2 This is the very first group that we have presented
3 this to, and we have had a formal release yet. That
4 will happen very shortly.
5 This is the period on these kind of studies,
6 in which we are sharing with other federal agencies
7 that have an interest with the Department of Veterans
8 Affairs: with The White House, with the Congress, of
9 the folks that might have an interest, so that they'll
10 have a chance to look at it before it actually is
11 released.
12 And we're not circulating it for changes or
13 edits; it's just that we give them a little advance.
14 And so you are actually the first group that we've sat
15 down with, and this was only printed yesterday.
16 So that's why it says "Embargoed."
17 This study, as you see it though, will be
18 shortly posted on our web, and as the research summary.
19 By the way, I have the research summaries to go with
20 this.
21 And could you send a few of those down that
22 way? A few of those this way.

1 Now basically let me just say this about it.
2 This study has to do with the effect of reserve
3 activation on small firms. And this is ground-breaking
4 work in some respects, because the work that's been
5 done in this area before dealt more with activation
6 effects on individuals, on earnings of individuals of
7 employees, if you will, rather than the firms
8 themselves.
9 And there has been some work done in that area
10 before, all the way back to the first Gulf War.
11 And there is a brief literature review in this
12 study, which talks briefly about some of that earlier
13 work.
14 What's a little different about this study,
15 and the reason that we commission this study, is that
16 it is more concerned with businesses, with the
17 employers, if you will.
18 And we were interested in what kind of effects
19 that they have. And because it's ground-breaking
20 research, you almost always encounter a few problems
21 when you open up a brand new area.
22 And our contractor did find some difficulties

1 with data sources that he was using. And they're
2 explained in there. We are very thankful, by the way,
3 for the cooperation and sponsorship for access to
4 closed data that was given to us by the Department of
5 Defense Office of the Assistant Secretary for Reserve
6 Affairs.
7 Without their assistance, we could not have
8 done this study. And the Defense Manpower Data Center
9 keeps a lot of data; but access to it must be sponsored
10 by other DOD components.
11 So I was not the co-chair on this study. I'm
12 not going to make a technical presentation. I'll just
13 briefly say that the study does confirm anecdotal
14 suspicions we've had for a long time that there is a
15 differential effect on small businesses.
16 They seem to be affected more than large
17 businesses by activation. We've had lots of anecdotal
18 tales about that in the past. And of course, we know
19 individuals whose businesses were severely affected and
20 disrupted in all kinds of different ways.
21 Self-employed people were particularly
22 adversely affected when they had to leave their

1 business for a year for multiple activations.

2 But this is really the first study that I know

3 of, where we have an econometric analyses that really

4 compares affects after all kinds of other variables are

5 controlled for.

6 So industries and locations and all kinds of

7 things. So we've opened up some new ground here.

8 He also suggests avenues to improve future

9 research, and hopefully additional research will follow

10 up on this and address some of the problems that he had

11 with the data sources here.

12 In the little one-page summary here, you'll

13 note that his data indicates that. Well, it's not just

14 his, it's DMDC data. There's no question about this,

15 that about 70 percent of all private sector employers

16 of activated National Guard and reserve members have

17 fewer than 100 employees.

18 And there's further a breakout that is

19 mentioned in the report about even smaller sizes. So

20 we know that the majority of private-sector employees

21 are smaller businesses. For his purposes 100 is the

22 definition of small.

1 In the summary and in the report, you'll see
2 some rather arcane formulas and numbers and so on. I
3 wouldn't be too concerned. This is not really the main
4 point of the study.
5 I think the main take-away from this is simply
6 that he was able to show, using his models and his
7 comparative econometric analyses that there is a
8 significant differential effect when smaller businesses
9 are affected much worse than large businesses by
10 reserve activations.
11 That's the basic here. And there's a lot more
12 detail that goes into that. But I promised not to go
13 any further than that.
14 Now this study, as mentioned, will be posted
15 on our web, and we do have some other projects
16 underway. And for that, I want to introduce, for those
17 of you who haven't met him before, Dr. Chad Moutray is
18 our Director of Economic Research.
19 And he has an announcement too that hasn't
20 been made.
21 MR. MOUTRAY: Of course, I'm surrounded here
22 by two veteran advocates. And every year --

1 MR. SOBOTA: Everybody here is a veteran.
2 (Laughter.)
3 MR. MOUTRAY: Yeah. So every year when we
4 start thinking of new topics, Bill always finds a way
5 to my office, usually to raze me about the Cubs, but
6 also to talk about the events.
7 And so this was actually one of Bill's ideas
8 last year, was to look at these reserve issue, and I'm
9 happy that it's finally done. And hopefully we can
10 release it in the next couple weeks.
11 We do have a couple of other things coming
12 down the queue here.
13 The next up, we were asked last year to do a
14 study on the effect of the tax and regulatory
15 environment on veterans. And we have a contractor,
16 Henry Beal, who is working on that. And hopefully we
17 will have something on that in the coming months.
18 I know that we've seen some early drafts, but
19 I don't have a time line in terms of when that would
20 come out; but hopefully that will come again soon.
21 In addition to that, we just did make some
22 awards for the most recent round of requests for

1 quotations that we had out for this year's money. And
2 one of them was on this topic of veterans.
3 One of the things that Bill and I continued
4 talking about as far as possible topics, one of them
5 was an extension of some of my work actually, where I
6 have shown that veterans are highly entrepreneurial,
7 and there are a lot of other studies that continue to
8 show the activity of veterans in terms of
9 self-employment and other factors.
10 So that always asks the question -- I get
11 questions from the media -- so why are veterans so
12 entrepreneurial? And with that question, we simply put
13 out, asking for people to come back with some research.
14 And so we made an award. I can announce it,
15 because it was made official a week or so ago. This
16 same company, SAG Corporation, which happens to be a
17 service-disabled firm, veteran firm, has got a
18 contract, which was just started, which will look at
19 the factors affecting entrepreneurship amongst
20 veterans.
21 So hopefully we can better answer that
22 question moving forward.

1 One of the other questions that was in that
2 statement of work, which I don't remember to what
3 extent this contractor will address, but certainly it
4 was something that we put out there.
5 We know that the current crop of veterans are
6 extremely entrepreneurial, if crop is pulling up the
7 right word. But you know, usually when we're doing a
8 lot of studies, we're talking about veterans from World
9 War II and Korea and Vietnam.
10 We know very little about the more recent
11 veterans from the Persian Gulf War and Iraq and
12 Afghanistan.
13 And we wanted to know a little bit more about
14 them. We didn't get a lot of proposals on that topic,
15 but that's certainly something moving forward that I
16 think our office is very interested in, simply because
17 the dynamics are changing very rapidly there, and we'd
18 like to at least confirm that that group is as
19 entrepreneurial as their fathers and grandfathers.
20 So anyway that's my announcement. And we
21 continue to look at this issue, hopefully. If you have
22 suggestions, you can feed them through Joseph or

1 myself. And obviously, Bill Elmore is a very good
2 advocate, he knows how to get his way to my office.
3 And we hopefully will be continue looking at
4 this issue as far as veteran entrepreneurship.
5 MR. SOBOTA: This is one of these areas in
6 which we have prior, very titillating indications, and
7 I'm so happy that we're able to look more deeply
8 especially into this, that causes entrepreneurial
9 activity amongst veterans.
10 We know, for instance, Fairley's study that
11 over a very long period for the entire 25-year study
12 period that I'm referring to here from 1979 to 2003,
13 that the self-employment rates of veterans were
14 significantly higher than they were for non-veterans
15 through the entire period every single year.
16 So it's not a fluke in the data or something.
17 There's something going on here. And there are other
18 studies that have alluded to this as well.
19 So this new study that we're going to do will
20 maybe tell us a little bit more about why that is.
21 MR. ELMORE: You know, interesting
22 enough -- and I'll pass this out later -- we did a

1 survey of customer satisfaction of our centers.

2 And for the first time in '09 that survey

3 showed us that 27 percent of our customers in those

4 eight centers we find were between the age of 25 and

5 34. And that's the first time that that age cohort has

6 been the majority or the largest percent of the users

7 of our services.

8 The second largest are age 45 to 54. So we've

9 had a change in who's beginning to come to our centers,

10 that I think kind of mirrors what you just said,

11 doctor.

12 CHAIRMAN VARGAS: Quick question. When would

13 this study be?

14 MR. MOUTRAY: The new one that was just

15 commissioned?

16 CHAIRMAN VARGAS: Yeah.

17 MR. MOUTRAY: They have a year to work on it,

18 so hopefully this time next year. ;

19 CHAIRMAN VARGAS: Wow.

20 MR. MOUTRAY: And literally the purchase order

21 went out a week ago, which is why I'm able to even say

22 who got the contract.

1 But, so they have a year.

2 CHAIRMAN VARGAS: Okay.

3 Questions, comments, folks?

4 MR. SOBOTA: Scott and I turn up in all the

5 best meetings.

6 (Simultaneous conversation.)

7 MR. DENNISTON: Now I know we've gotten your

8 contact information before. But if we wanted to spout

9 off with you on a point or two?

10 MR. SOBOTA: Sure. First of all, our website,

11 by the way, where all of our research studies are

12 posted and are not just on veterans, but everything.

13 You can go to www.sba.gov/advo. It's right on the top

14 here. Now if you add one more slash and say veterans

15 after advo, that will take you directly to the veterans

16 research page, and you'll see everything there.

17 And some of those studies there aren't

18 entirely about veterans. They may be about a bigger

19 subject, like education or whatever. But they contain

20 veterans' information in them.

21 And that's another thing we're trying to do.

22 The previous speaker mentioned data, and you know,

1 that's a recurring theme with us, is oftentimes we
2 would just love to have information on this; but there
3 isn't a veteran marker in the data.
4 And so we're trying to develop information in
5 our more general studies any time that there's a
6 veterans data marker in there. And Chat actually found
7 some veteran markers and data that I didn't know about,
8 and we developed some very interesting info.
9 You mentioned that the --
10 MR. MOUTRAY: Well, you know, my primary
11 research is in the area of human capital, educational
12 team. And I'm the former dean.
13 And so a couple years ago I did a study which
14 looked at the effect of educational attainment on
15 self-employment. And one of the more important
16 determinants actually was whether or not you were a
17 military veteran.
18 MR. SOBOTA: Mm-hmm.
19 MR. MOUTRAY: So I think that that's certainly
20 an example, where if you have a data set in there, that
21 this data exists for the U.S. Department of Education.
22 Its primary purpose is to look at the effects of

1 education.

2 And yet because there is a veterans' marker in

3 there, and quite frankly because there is a

4 self-employment marker, we are able to do some

5 interesting things with it.

6 MR. SOBOTA: We're actually working with

7 several other agencies right now in projects that we

8 don't know whether they'll bear fruit or not. But

9 we're trying to tease out, pry out the information from

10 other data sets that were never designed to tell us

11 anything about veterans.

12 But if we can somehow match veterans up with

13 those data sets, we can learn a lot. So we have a lot

14 of other projects ongoing.

15 So I'm holding everybody up from lunch.

16 Please let us know if you have any questions about what

17 you see in here. And it will be posted on our website

18 very shortly, so that you can share it with anybody

19 else.

20 CHAIRMAN VARGAS: Very good. Good, Joe.

21 We'll take you up on that. Thank you very much.

22 MR. SOBOTA: Thank you. Good to see you.

1 (Simultaneous conversation.)

2 CHAIRMAN VARGAS: Before we break up, folks, I

3 just wanted to note that we're only allotted one hour

4 for lunch. And I know some of you have working

5 lunches.

6 (Discussion was held off the record.)

7 CHAIRMAN VARGAS: Yeah. And I'd like to get

8 Bill's input on this. Would anyone have any objection

9 if we reconvene at 1:30 to give us a little more time

10 to do our lunches and other business that we need to

11 do?

12 MR. ELMORE: I just need to go make sure that

13 that's not going to be a problem for the woman who's

14 running her entrepreneurial development. But I'll go

15 see her.

16 CHAIRMAN VARGAS: Yeah. Because we have her

17 for an hour and a half.

18 MR. ELMORE: Right.

19 (Whereupon, at 12:06 p.m., a luncheon recess

20 was taken.)

21

22

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

2 CHAIRMAN VARGAS: We're still minus a few

3 folks from lunch. Now let's go again. I know you'd

4 like to make some introductions, Penny, of your people

5 you brought with you?

6 MS. PICKETT: Absolutely.

7 MR. CHICOINE: I'm Jathan Chicoine. Nice to

8 meet you.

9 MS. PICKETT: I'm Penny Pickett.

10 (Discussion was held off the record.)

11 MS. PICKETT: And as you know, we're from the

12 area of entrepreneurial development, which is one of

13 the four pillars for SBA.

14 And I would like to boast about my team.

15 (Laughter.)

16 MS. PICKETT: Because they are really

17 phenomenal in their day-to-day work that many people

18 don't hear, but we all see, because of the changes

19 we're seeing in the entrepreneurial community, the

20 changes we're seeing from the Recovery.

21 And they're here day in and day out.

22 Ellen Thrasher heads our Office of

1 Entrepreneurial Education. And the reason I brought
2 them is that they could tell you really what they're
3 doing, and the details of her programs, and what's
4 under what we consider education as opposed to other
5 parts of our office, which include Ana Harvey with the
6 Office of Women's Business Ownership, and the women's
7 business centers.
8 And Antonio Doss, who heads up our small
9 business development centers, that extensive network
10 that we have throughout the country.
11 Under the entrepreneurial education is the
12 SCORE Program. So Ellen will talk in more detail about
13 what's happening with SCORE and the impact that SCORE
14 is having.
15 Some of the most recent discussions we've had
16 with many of the veterans' groups have involved
17 government contracting, which is great. We support it.
18 We are thinking of programs, ways to do that.
19 But one of the main things I'd like to
20 emphasize is that there are a lot of veterans, who are
21 never going to do government contracting, who are going
22 to start and run or be part of some phenomenal

1 companies that never occurred to them to do
2 contracting.
3 But we want to make sure that the support
4 services are there, both for that -- I think that's a
5 little bit more a Washington idea of what businesses
6 might be available.
7 But we're looking at the whole country and
8 saying we have veterans everywhere, we have businesses
9 everywhere, so we want to supply the services that help
10 those.
11 I'm not sure how much time Karen was able to
12 spend with you this morning. She's looking at this as
13 much more, since we have this phenomenal network. And
14 on the back of your slides, we've attached this map
15 that before I got to the office, this was a visual way
16 of showing just how many places and how much reach we
17 have at this point.
18 And the Administrator is saying we really
19 won't get this, the funding, or the resources for those
20 100 veterans' centers throughout the country. But what
21 we do is the opportunity to have veterans walk into any
22 center, any time, any place, and get the services and

1 the assistance and the encouragement and the networks
2 that they need to build their companies.
3 And we had just spent -- Antonio can go into
4 more detail -- we had just spent the full week last
5 week, working with our partners at the small business
6 development centers, talking about how we train, and
7 how we meet these needs, which is our mission.
8 That's what we do.
9 So the network -- that map shows we've got
10 over 900 SBDCs. We have over 350 SCORE chapters. We
11 have, we will bring on for you women's business centers
12 that are just being ruled out right now. Ana will give
13 you more ideas about that.
14 We even have 20 of the USEACs, or the U.S.
15 Export Assistance Centers, that are collaborative with
16 the Department of Commerce and the Export Import Bank
17 to support our companies. We staffed 20 and I must say
18 that people in our USEACs are very, very strong.
19 So, these are all opportunities to build this
20 network.
21 We certainly work with Bill. When I came here
22 on day one (laughing), Bill was one of the first people

1 I saw to talk about what's going on.

2 We certainly worked with the veterans'

3 centers. We certainly know how to oversee, both from a

4 programmatic and financial outlook.

5 CHAIRMAN VARGAS: How many veterans' centers

6 are there?

7 MS. PICKETT: There are eight. And I have not

8 had the opportunity to go walk through one. I think

9 site visits are actually critical to seeing where we

10 can fit the leverage.

11 But that's on my agenda.

12 MR. ELMORE: Yeah. And I believe tomorrow my

13 staff person is going to visit our St. Louis Center,

14 and then from there, early next week she'll be up in

15 Flint, Michigan.

16 MS. PICKETT: Mm-hmm. So it's eight centers.

17 But again, we are looking to see how this network, the

18 existing network, can improve it and support.

19 CHAIRMAN VARGAS: May I ask, have you visited

20 women's business centers?

21 MS. PICKETT: Mm-hmm.

22 CHAIRMAN VARGAS: How many times?

1 MS. PICKETT: Since I've been at SBA, or when
2 I was doing my other work prior to SBA?
3 CHAIRMAN VARGAS: At SBA.
4 MS. PICKETT: Well, since I've been at SBA,
5 I've been to two. Prior to that, I was President of
6 the Washington, D.C. Technology Council. And I
7 probably visited women's business centers, probably
8 once month.
9 So that was part of it.
10 Prior to that I was with a venture capital
11 firm that specialized in outreach, and part of my
12 mission was to see the leverages networks.
13 So, yeah, I do spend time. And our SBDCs,
14 I've visited quite a few of those as well.
15 In fact, we were just talking this
16 morning -- here in Washington, D.C., the Small Business
17 Development Center, the lead center is Howard
18 University. And they have a very active satellite
19 center over in the Anacostia area, which has been a
20 real tough neighborhood in Washington for a long time.
21 And that has been a huge success in that's
22 become a center.

1 So, yeah, do we go to their sites? Mm-hmm. I
2 do that.
3 So you know, we're working to collaborate with
4 those. But we're also working with other agencies. We
5 think that this is absolutely critical.
6 I was on a very long conference call earlier
7 today with the Department of Labor. They have gotten
8 some statistics and some evaluations of some of their
9 sole proprietorships that they have been counseling.
10 And it was good news and bad news.
11 But with obviously Labor, Commerce, special
12 things to the White House include how we're building,
13 you know, green jobs, and how we're pulling people into
14 those kinds of things.
15 So, we're breaking down the barriers. We're
16 communicating internally at SBA, much, much better than
17 I think has been in previous years. We're
18 communicating to our federal agencies much better.
19 It's not perfect.
20 I'm not saying we'll get it all done in six
21 months or that we won't make it -- but that's a high
22 priority.

1 And we're also looking at more state, local,
2 and private foundations, non-profits. Those are all
3 partners.
4 And I think we need to extend and open up
5 doors, and not sit here and think we can do our jobs
6 from this little spot.
7 So, I'd like to go ahead and ask our people
8 here. They can tell you more specifically on the
9 programs and how they work.
10 I'm going to let you start, since you did
11 mention women's business centers.
12 MS. HARVEY: Sure. Right.
13 Well, thank you so much for the opportunity.
14 It's a true pleasure, you know, being part of the SBA.
15 I've been here for about four and half months.
16 But I was very close to the SBA from the
17 outside. I'm a woman, I'm a mother, a business owner.
18 I was an 8(a) participant. I was a federal contractor.
19 And now I'm on this side of the SBA.
20 So everything looks a little different from
21 the inside out. So, one thing that I like to do when I
22 visit my centers and I talk to the women business

1 owners that I find there is that they cannot tell me
2 what it's like. I know what it feels like. And I
3 know, you know, what it takes to get a business going
4 as a woman.
5 But also, we are very aware of the almost two
6 million veteran women that are coming back. And that
7 is a priority on my agenda, not only strengthening my
8 centers; it's 111 that we have right now.
9 We have four new coming up, you know, one in
10 Washington, D.C. Many of them are micro-lenders.
11 They're a little different from the SBDCs, because
12 women's business centers are based and they're hosted
13 in non-profit organizations.
14 So it is a less threatening environment for a
15 woman to go into a smaller environment for some of
16 them. Some of them don't have any problems going
17 anywhere.
18 But the access to the community is a little
19 closer. So that makes a difference for women business
20 owners.
21 Also we cater to their needs in terms of
22 schedules. We're open after hours and on the weekends.

1 So if they have children, they can actually leave them
2 in a safe place, while they can go and get trained to
3 become women business owners.
4 One of the important things that I,
5 personally, as my mission when it comes to women, is to
6 veteran women that are coming back, or actually, you
7 know, any woman that wishes to become a business owner,
8 is to actually create the wealth, the personal wealth
9 that they are able to generate, but in an orderly
10 manner.
11 I don't want them to go through what I went
12 through, because I was not prepared to run a business.
13 And that personally I want to convey to anybody that
14 some people are very good at that and natural. Some
15 people are not.
16 They have the knowledge to produce something,
17 some service or a product. But running a business is
18 very different.
19 And I would like all these women to come and
20 be prepared for the road. And the SBA, and especially
21 me in particular, I like to say I have no hidden agenda
22 but to help women.

1 If that's what they want to do, you support
2 them all the way through.
3 So just to give you a little bit of the
4 demographics, women own at least 50 percent stake in
5 about 10.5 million businesses in the United States,
6 which is about roughly 41 percent of all privately
7 owned companies are now at least 50 percent
8 women-owned.
9 So we have a huge impact in the economy.
10 But I think it's a little bit of a silent
11 impact; because those numbers are staggering. And I
12 know that women impacting public policy is coming up
13 with some new numbers that are just mind-boggling.
14 It's just amazing.
15 So definitely the potential to help women
16 there is immense, and it's truly an honor to be, you
17 know, heading this department.
18 Just as an example, we just started just this
19 week an initiative to increase the federal procurement
20 opportunities for women. And we are actually
21 relocating some money to get my women's business
22 centers trained through the federal procurement.

1 I would like to do the same thing in terms of
2 directing the service to veterans. If there is a
3 special training they need to go through, the special
4 things, that's where your advice is very helpful to me.
5 Business plans are business plans, whoever you
6 are. So the basic training is the same. Is there a
7 better way to reach them, that we need to be prepared
8 to do that?
9 This is something that I'm taking into
10 consideration now. And actually we can do the same
11 strategy that we did with procurement, allocate some
12 funding for that special type of training, so we can
13 reach out to women veterans and incorporate them into
14 our center.
15 So I think this pilot that we're putting
16 together right now is working very well, and I think it
17 can be easily adapted to that.
18 So I would like my centers to be prepared to
19 support women that are coming back.
20 CHAIRMAN VARGAS: Would this be just for women
21 veterans?
22 MS. HARVEY: Well, this is my department right

1 now. But I think it's more than 10 percent of the
2 people that come to the center are men.
3 MS. PICKETT: A good percentage of them are
4 men.
5 MS. HARVEY: Absolutely. I just have to, you
6 know, I have a mandate from Congress for women; but
7 definitely we never turn anybody away.
8 MR. ELMORE: Yeah. And it might be helpful,
9 Felix, if you understand that even my centers, not
10 everybody that comes into the VA centers I found are
11 veterans. Because the statute says that we're going to
12 serve anybody that comes in the door.
13 MS. HARVEY: Absolutely.
14 MR. ELMORE: But we focus on veterans. They
15 focus on women.
16 MS. PICKETT: Ana, you probably have at least
17 10 percent men.
18 MS. HARVEY: Ten percent are men, yes.
19 Absolutely. So definitely anybody that comes through
20 the doors. But what we want is to be prepared to cater
21 to the specific needs. And that's probably --
22 MR. WHITE: I'm sorry, at the women's business

1 centers, 10 percent of the people you see are men?

2 MS. HARVEY: Mm-hmm. Yes.

3 MS. PICKETT: Yes.

4 MS. HARVEY: Some of them --

5 MR. DOSS: There's a special economic element

6 to --

7 MS. HARVEY: Yes.

8 MR. WHITE: The location?

9 MS. HARVEY: Yes.

10 MS. PICKETT: Mm-hmm. Yes.

11 MS. HARVEY: The location and yeah, the

12 accessibility and where they are.

13 MS. PICKETT: The women's centers do tend to

14 have a higher percentage of minority and economically

15 disadvantaged people using those centers.

16 MS. HARVEY: Economically disadvantaged.

17 MS. PICKETT: And they tend to be a lot more

18 at a very early stage.

19 MS. HARVEY: And they get extra points if they

20 are located in a CRA, you know, Community Reinvestment

21 Act area. So all those things, you know, come into

22 consideration, where we place a center.

1 And they have to when they submit their
2 application to become a center, they need to prove that
3 they will be catering to or servicing that demographic,
4 underserved, under the areas in the CRA area.
5 So that's a little different from SBDCs.
6 MR. MILLER: When did you start this effort of
7 outreaching veteran --
8 MS. HARVEY: This is just starting.
9 MR. MILLER: It hasn't started yet?
10 MS. PICKETT: No, we just found out last week
11 that we had a little bit more money left in our pot
12 that we --
13 MS. HARVEY: Actually we're putting it
14 together as we speak.
15 MS. PICKETT: Yes, we're putting it together,
16 and we want to make sure we have until September 30th
17 to make sure that's committed.
18 So we started looking at how we can use that
19 money to improve the services that these centers
20 provide.
21 And there were two areas: Government
22 contracting, which we think is of interest to a lot of

1 veterans; and training Ana's team to, if there are
2 special needs, special requirements, anything that
3 those two million women out there that -- what do they
4 need?
5 So, we're looking for training in both of
6 those. And we were able, we think we've come up with
7 the solution, so we can get the money back out to the
8 centers, earmarked for that kind of --
9 MS. HARVEY: Training.
10 MR. ELMORE: Well, and it might be helpful if
11 you all understand that obviously this is -- the more
12 administrations come in and take on a special effort,
13 my office has now for a number of years been providing
14 veteran-specific materials out to women's business
15 centers, SBDC SCORE chapters and so on.
16 So we've seen the number of veterans go up
17 every year now for about the last four or five years,
18 through the women's business centers programs.
19 MS. PICKETT: The administrators let us know
20 if this is a high priority.
21 MR. MILLER: And you'll have an outreach
22 program in all of these centers to notify the veterans

1 that you're there, you're available and ready to go?

2 MS. HARVEY: Yes, we will. Because I don't

3 know if you knew about women's business centers before

4 you came here today. I didn't either.

5 So we need a lot of outreach in terms of

6 women. So it is one of the programs that's actually

7 coming up to the surface. And as we come up,

8 definitely a veteran is somebody that is --

9 MR. MILLER: Your advocate generals of the

10 states will be most helpful to you, most helpful to

11 you.

12 MS. PICKETT: What we'd like is making sure

13 that all these women's centers are performing as well

14 as they probably can. And then if we want to start

15 looking at some -- this Office of Women's Business

16 Ownership is more than just the centers.

17 MR. MILLER: Mm-hmm.

18 MS. PICKETT: So there will be some

19 opportunities to do some special initiatives, special

20 programs, and I think these would certainly be --

21 CHAIRMAN VARGAS: Just as follow-up to Ron's

22 question. As you do this, will you be doing this on

1 your own? Or would you gauge veterans' service
2 organizations to assist you?
3 MS. HARVEY: We definitely engage members of
4 the community always, because we cannot do it alone.
5 The funding is quite limited for women's business
6 centers. So they do have to leverage whatever
7 resources we have around.
8 So in terms of veterans, they will leverage
9 whatever is in their community to do it. So definitely
10 this is an important part.
11 CHAIRMAN VARGAS: It would be useful to see
12 your plan, and then allow us maybe a chance to offer a
13 thought or two, and how we can help, and through the
14 veterans' service organizations.
15 MS. HARVEY: Absolutely.
16 MS. THRASHER: Bill, do you have links on your
17 website to the resource partners, the locations? So if
18 someone thought veterans first, women, could they
19 go --
20 MR. ELMORE: Not on our site now. We've
21 actually given a series of updates for our website to
22 Public Affairs, really as a follow-up to the VA

1 meeting. We hadn't thought, I don't think, to go
2 directly to SBDCs for our women's business centers; but
3 if that makes sense, because I understand we're
4 redesigning the entire website, we're absolutely open
5 to that.
6 I mean, the more that we can do this link and
7 get people to these spots, the better off we are.
8 MS. PICKETT: That would make your point.
9 Because the more the SCORE site links to veterans,
10 veterans it should link to SCORE.
11 MR. ELMORE: Right, yeah.
12 MS. PICKETT: We're definitely on a two-way
13 street, guys.
14 MR. ELMORE: Right. Yeah, and then as a
15 follow-up I think to help people understand kind of how
16 functionally this operates -- and Penny already told
17 you that I was one of the first faces she saw that
18 first morning -- as they work on their plan, I'll have
19 a little bit of input into that, so directing them to
20 the state adjutant generals, to the state National
21 Guard adjutant, to the state veterans affairs
22 departments.

1 Those are the things I will share as they put
2 their plan together to make sure that each of those
3 centers know how to proceed.
4 CHAIRMAN VARGAS: Well, Bill, my question is:
5 I know this information will be coming to you, but will
6 you have time to share it with us?
7 MR. ELMORE: Yeah. Yeah. If I get the plan,
8 absolutely.
9 CHAIRMAN VARGAS: That will be --
10 MR. ELMORE: As long as they give me the
11 permission to send stuff outside the agency, I'm fine
12 with that.
13 MS. PICKETT: Now just everything you've got
14 will be marked "Draft."
15 (Laughter.)
16 MS. PICKETT: "For Working Purposes," because
17 we don't want to delay things. And we trust any
18 proposals would certainly state -- as an advisory
19 board, you all would be very helpful.
20 But these shouldn't be circulated until we
21 actually decide on what the actual plan is.
22 MR. ELMORE: Right.

1 MS. HARVEY: And if I could just make the last
2 point. We're also working very closely with the
3 Presidential Council of Women and Girls. And it's
4 about economic empowerment and wealth creation of
5 women.
6 And two of the focus areas that we're working
7 on is women in the military and military families. So
8 this is something else that we're just exploring, it's
9 just brand new. But this is something else that is --
10 MS. PICKETT: And we had talked about this,
11 whether the women's centers do is to see what might be
12 done for spouses, men or women, whatever the spouse may
13 be. Because it's certainly a big issue.
14 So as a comparison, I'd like to ask Antonio to
15 talk a little bit about the SBDCs, because they're
16 similar, but they're different.
17 MR. DOSS: Okay. There's a handout in here
18 that's a slide that looks sort of like a pyramid. It's
19 not a trapezoid. Everybody see that?
20 I wanted to start off with this because this
21 really encapsulates our program, I think, very well.
22 The SBDC program is really a program that's successful

1 because of partnership.

2 And that's at the core. But it's a

3 partnership with educational institutions, it's a

4 partnership with economic developmental organizations,

5 it's a partnership obviously with the SBA, the District

6 offices.

7 And really without the partnership aspect, we

8 probably don't have a program. In fact, you know that

9 by Congressional standards, we have a mandate of

10 matching funds, which obviously brings in the

11 universities and the community colleges, et cetera.

12 But as I walk through this, just starting from

13 top to bottom, each year we're counseling in the range

14 of 200,000 clients each year, and another 360,000 or so

15 that are being trained.

16 The blue box speaks to the affiliated

17 partners. We literally have across our network

18 thousands of entities that have signed up and said they

19 like our program, they're going to work with us.

20 They're either providing hard dollars, they're

21 providing soft dollars, space, in-kind contributions.

22 They're providing staff time, they're

1 providing office space at chambers for us to meet. And
2 that's really, really a big significant piece for us,
3 because it gives us the ability to not only be in the
4 communities where our universities and community
5 colleges and things are; but it also puts us in those
6 economic centers, whether it's a small-town chamber
7 office, or just a downtown location as opposed to a
8 client coming on a campus, which, if you're not in the
9 20s any more, sometimes walking on a campus is not the
10 easiest thing to do.
11 So we use this partnership very effectively to
12 deliver our services through approximately 2,600 field
13 personnel. So this includes our counselors, our
14 trainers, our center directors.
15 And we're at about 884 service locations.
16 We're actually down from where we were in prior years,
17 when the budget was stable and inflation wasn't. At
18 some point in order to keep giving people increases and
19 things, we sort of had to cannibalize ourself, and as
20 money was flat, we weren't able to have as many service
21 centers available.
22 So we're down. But we still have the 63

1 leads. We're now at $110 million in funding, which is
2 an increase from where we had been in the '88 range for
3 several years.
4 And that money is leveraged by an additional
5 $111 million or more.
6 (Phone rings.)
7 MR. WHITE: I'm sorry. I thought I had this
8 thing turned off.
9 MR. DOSS: Not a problem.
10 We may have the $111 million, but not all of
11 our hosts tell us exactly how much additional money is
12 matching. Someone just disclosed the actually match.
13 So that's one piece I wanted to just bring to
14 your attention.
15 I believe we hit on a couple other things too,
16 just from a roles-and-responsibilities perspective.
17 Our office of Small Business Development Centers, we've
18 got policy responsibility for the program.
19 So we're the office that sets the performance
20 metrics, we set the goals for the program. We
21 establish how the program's going to work. There's an
22 association, which is an Association of Small Business

1 Development Centers, Penny mentioned.

2 We were at their conference last week.

3 Through our Small Business Act, they are identified

4 very clearly in certain roles and ways that we are to

5 work with them.

6 And so we do that in the spirit of what

7 Congress has asked us to do, but also we found it to be

8 a good business practice. Because it helps us help the

9 program be a stronger program.

10 So we work very closely with them. We have

11 our SBA district offices that are big partners with us.

12 They have an oversight responsibility and a partnership

13 responsibility with our SBDCs.

14 At the conference last week we also had our

15 district directors in town and our project officers,

16 who were people working the district office.

17 And we even did a panel discussion, where we

18 had four pairs of district directors and SBDC

19 directors, talking about how they worked together to

20 address challenges with lending and funding and other

21 common things.

22 And that really was our first time being able

1 to do that. That worked well.

2 We obviously have a relationship with the lead

3 centers. We have a cooperative agreement relationship.

4 And that's a term of a little bit of a distinction, not

5 just a grant.

6 You know, where a grant you give money and you

7 say, "Here's the money. Let us know how you're doing.

8 We'll see you next time that you want more money."

9 With the cooperative agreement, we give money,

10 and we hold onto it at the same time. And we're

11 constantly in communication with the awardee about how

12 they're running the program.

13 And that is part of the partnership as well.

14 Obviously our service centers are where all

15 the client engagement takes place. That's where we

16 meet with clients. And that's probably the most

17 critical part of any operation is the service delivery.

18 What we're focused on now is we just completed

19 project officer training as part of our time in Orlando

20 at the ASBDC's conference, and our fall strategy

21 conference for the agency.

22 So we trained all of our project officers on

1 how they're to conduct the oversight.

2 Within our office, we're shifting our focus

3 away from just a compliance oversight of the SBDC

4 programs, which has primarily been what our oversight

5 has been.

6 And we're really relying on our district

7 office partners to handle that. We're now looking at

8 performance, and we're looking at what does the SBDC

9 say they're going to do in their proposal? What are

10 they proposing to do in their strategic plan? How are

11 they going about implementing and running this program

12 and this network?

13 Is it effective? Where are there

14 opportunities for improvement? Where are there

15 learnings that we can take from one SBDC and share with

16 others?

17 So we're looking at a much more aggressive

18 pro-active approach towards service delivery.

19 Each year we have a program announcement as

20 well, which basically tells the SBDCs, "This is what we

21 expect of you each year."

22 And somewhere a couple months from now, we'll

1 come knocking on Bill's door and say, "Bill, we've got
2 a program announcement that will be coming out again."
3 And Bill will communicate back to us areas in
4 our program announcement that he'd like to see us
5 strengthen around veterans. And we routinely do that
6 each of the years that I've been --
7 MR. ELMORE: Yeah. We've done it every year
8 since I've been in here actually. And I think we have
9 a lot of really good, strong, cooperative language in
10 there now for vets and reservists.
11 MR. DOSS: Yeah.
12 MR. ELMORE: And families as well, also.
13 MR. DOSS: Yeah. So that's been a big help.
14 And we'll continue to do that.
15 I mentioned that we are focused more on
16 performance. We are also revisiting our performance
17 metrics. We have three drivers for the SBDC program:
18 Something called extended engagement clients, where
19 those are people we work with for five hours or more.
20 And we found out through studies and validated through
21 the studies that when we spend more time with clients,
22 we're better able to help them have the economic impact

1 for their businesses and for the communities that
2 everybody is really after.
3 We also focus on new businesses being created.
4 So each SBDC has a target for how many new businesses
5 they're going to create.
6 And then we look at capital infusion.
7 Obviously, capital is the life blood of the business.
8 And what we surprisingly have seen this year -- and I'm
9 still somewhat amazed at it -- we've typically around
10 $3.2 billion in capital assistance that SBDC counselors
11 help clients obtain.
12 And so this is SBA loans, non-SBA loans,
13 venture capital, angel investors, whatever it might be
14 that helps that business.
15 Last year we were at $3.6 billion. With the
16 economy being the way it was, I was surprised we went
17 up some last year, fully expecting we would drop down
18 considerably in '09, and we actually budgeted only $2.5
19 billion based on what we expected from the economy.
20 As of three quarters, we're at $2.4 billion.
21 So we're going to obviously make our goal. I'm sure
22 today by the quarter report, I'd know that we made it.

1 But we're really in that three-point-something
2 range again, which is absolutely amazing to me. And
3 the feedback we've heard from our counselors and our
4 center directors is that as the economy got tight, as
5 the credit box that lenders use shrunk, and as the
6 availability of businesses to report that they actually
7 could fit in that box, shrunk at the same time, people
8 turned to our SBDC counselors more and more and more.
9 They turned, whether they were a lender trying
10 to get something through a committee, or a business
11 trying to figure out how they get engaged to a bank,
12 because we've got great relationships with bankers
13 across the country.
14 So that was a surprise that we had at that
15 level, and we're really glad that we did.
16 We're continuing to look at also how do we
17 focus on maximizing our relationships with
18 universities.
19 There's a ton of things that are happening
20 across the country, where we're really having good
21 success getting the business offices, the business
22 schools, now more and more the engineering schools, and

1 other technical aspects of universities, not only with
2 the students but with the professors, to participate
3 with this.
4 Obviously more and more colleges are looking
5 at entrepreneurialism as well. So we're looping in
6 with them.
7 And when the last year and then -- the second
8 year we'll do it, we'll have a special grant, which is
9 the veterans' grant. It's actually the Veterans
10 Assistance and Services Program grant.
11 Last year, Congress provided us a way to do
12 that grant, and we were able to have $500,000 awarded.
13 And I think last time you all were together,
14 our SBDC from Arkansas came and presented. And we were
15 thrilled with what Arkansas is doing.
16 MR. ELMORE: Yeah. I might introduce Ron
17 Miller down at the end of the table. He's from
18 Arkansas. He's been very helpful in helping to build
19 that up down there.
20 MR. DOSS: Yeah. It's really, really working
21 very well.
22 MR. MILLER: I was just going to say later, if

1 you need a prototype for how to outreach for the rest
2 of the states, just go down and visit him.
3 MR. DOSS: Yeah. Well, I'll tell you what we
4 did that you would find interesting, then. At the
5 conference last week there was a big exhibit trade
6 floor.
7 And sometimes it's so packed that you really
8 can't even navigate to get through it. So we get a lot
9 of visibility down there.
10 We took and had several of our special grant
11 recipients -- and Arkansas was one that I actually had
12 the very first day -- and we set them up in our booth.
13 And we said, "You're part of our team. You talk about
14 what you're doing with this veterans' program."
15 And so they were there for the day to share
16 with anybody who had an interest in what they were
17 doing and could ask a lot of questions about it.
18 So it's one where we exposed the rest of the
19 network to something that's basically a best practice.
20 CHAIRMAN VARGAS: And this is called the
21 Veterans Assistance?
22 MR. DOSS: Yeah, Veterans Assistance and

1 Services Program.

2 And so this grant is a special grant. This

3 year it's a million dollars. It was at $500,000 last

4 year. So we're anticipating doing ten awards at

5 $100,000 each.

6 And these awards are really for marketing

7 purposes, to help the SBDC expand its reach to

8 veterans' communities in those specific markets.

9 And so literally today we just got word that

10 our program announcement cleared the office of our

11 general counsel. So we can now move swiftly to get a

12 program announcement posted.

13 MR. MILLER: Will the current people who are

14 operating a proposal, will they have to resubmit?

15 MR. DOSS: They'll have to resubmit a

16 proposal, because that's part of the process.

17 MR. MILLER: Mm-hmm.

18 MR. DOSS: Just like our regular grant used to

19 be, just like our grant used to each year.

20 MR. MILLER: Mm-hmm. Yeah.

21 MR. DOSS: So we anticipate funding each of

22 those again, and then five new ones.

1 MR. ELMORE: And maybe to share a little more
2 insight into kind of how these things tend to work, for
3 example, the Virginia George Mason University is one of
4 those program sites, and they've been to visit mew
5 twice in my office.
6 And we've done a video tape with them, and
7 some other things to help them reach into the veterans'
8 community. And when I was down at Louisville for the
9 American Legions National Convention about a month ago,
10 I spent a significant amount of time with the woman
11 from Kentucky, who was running the Kentucky program
12 like the Arkansas program.
13 MR. DOSS: Mm-hmm. Yes.
14 MR. ELMORE: So they're more than aggressive
15 enough to come pick my brain, for whatever good that
16 does now.
17 MR. MILLER: Yeah. Who were the other two,
18 then, if it's just the Arkansas --
19 MR. DOSS: Yeah. Arkansas, Kentucky, New
20 York, Virginia.
21 (Simultaneous conversation.)
22 MR. DOSS: I don't know if we talked over each

1 other, so I'll try it again. So Arkansas, Kentucky,
2 New York, Virginia, and San Antonio, which is the
3 Southwest Texas border.
4 MR. ELMORE: San Antonio --
5 MR. DOSS: So it's more than the city of --
6 (Simultaneous conversation.)
7 MR. DOSS: So we're making strides. And we've
8 been very aggressive with helping on the veterans'
9 front all along.
10 And a number of our SBDC directors obviously
11 are veterans. When I visited Wally Kearns out in
12 Kansas, you know, he's a veteran through and through.
13 And he still goes and runs at lunch time and the whole
14 deal.
15 So we've got people who are in our communities
16 who are in our program here in our marketplaces, who
17 understand the needs of veterans and are enthusiastic
18 about helping that community as well.
19 And we help everybody, so we're not just
20 veterans. I mean, we're a needs-based organization and
21 we have to help anyone who comes in. And we do that to
22 the best of our ability.

1 So I'll stop --

2 MR. MACKRELL: I'm from New York.

3 MR. DOSS: Okay.

4 MR. MACKRELL: And I have a great relationship

5 with Jim King.

6 MR. DOSS: Oh, good.

7 MR. MACKRELL: Jim's on the board, actually.

8 MR. DOSS: Oh, okay, good.

9 MR. MACKRELL: And I'm on the SBA board here.

10 But it struck me as rather odd that the SBDCs have not

11 found a way to link up and consolidate with the P-TAP,

12 P-TAC program.

13 MR. DOSS: Mm-hmm.

14 MR. MACKRELL: Which, you know, has limited

15 resources in terms of having to get sponsors.

16 MR. DOSS: Yeah.

17 MR. MACKRELL: They have a similar matching,

18 you know, dollar-for-dollar matching requirement. And

19 it would appear, you know -- resource across the board

20 I mean, in New York State we have three or four P-TAPs,

21 P-TACs.

22 MR. DOSS: Yeah. I think --

1 MR. MACKRELL: You can call them either way.
2 I'm not really sure what the right one is.
3 (Simultaneous conversation.)
4 MR. DOSS: One's program and one's center.
5 MR. MACKRELL: They're Procurement Technical
6 Assistance Centers.
7 MR. DOSS: Yeah.
8 MR. MACKRELL: They're basically, 50 percent
9 is funded by some combination of defense logistics and
10 DOD, and 50 percent is raised in the local community.
11 MR. DOSS: Mm-hmm.
12 MR. MACKRELL: Their goal is to assist small
13 businesses -- and correct me if I'm wrong, because I
14 may be mistaken in this -- but as I understand it,
15 their goal is to assist small businesses gaining access
16 to federal contracting opportunities.
17 MR. DOSS: And it was initially really focused
18 on DOD opportunities.
19 MR. MACKRELL: Well, and I understand.
20 MR. DOSS: And it's expanded out --
21 MR. MACKRELL: And I understand that. But I
22 mean, that to me appears to me that if you're trying to

1 minimize, you know, the number of bricks and mortars
2 you have to pay for and concentrate and focus on
3 services that you can deliver -- and I think the
4 Administrator talked to us today about the one door,
5 you know, having, you know, as many things go through
6 that one door as possible.
7 MR. DOSS: Yeah.
8 MR. MACKRELL: Do you think that's worth
9 exploring?
10 MR. DOSS: Well, there are actually a lot of
11 our SBDCs that are either co-located with the P-TACs
12 right now; some of them have, they're even part of the
13 same organizational structure.
14 MR. MACKRELL: Right.
15 MR. DOSS: I think more than anything it's
16 probably a matter of who started when. And if you had
17 two organizations that were out separately, and they've
18 got their own funding streams and everybody's
19 comfortable and they still refer back and forth, they
20 haven't found a compelling reason to join. Sometimes,
21 you know, joining is a difficult --
22 MR. MACKRELL: Well, you know, compelling

1 reasons usually come from taxpayers. So we've had
2 enough, you know, we'd like to see our money end up
3 more.
4 MR. DOSS: Yeah.
5 MR. MACKRELL: And with less rent and
6 utilities and more services. Okay?
7 MR. DOSS: Yeah.
8 MR. MACKRELL: So I would just maybe ask you
9 to consider that. I mean, we haven't got them
10 co-located in New York.
11 MR. DOSS: Right.
12 MR. MACKRELL: And you know, we sponsor, you
13 know, we've provided about 25 grand a year, so they can
14 match that with DLA money.
15 MR. DOSS: Okay. Okay.
16 MR. MACKRELL: But it seems to me that they're
17 the same, you know, they're the extension of the same
18 thing. And you know, whether you had it linked up with
19 a veterans' center or with the SBDC, that would be
20 something that a veteran could easily understand.
21 MR. DOSS: Yes.
22 MR. MACKRELL: I mean, they could understand

1 what the goods were, you know, and what the whole
2 process was.
3 So I'd just ask you to maybe try to figure out
4 a way to bring those, if not combine them, which I
5 think would be the best of all possible worlds, but
6 somehow to bring those closer together to provide a
7 greater level of service.
8 And even if it's just simply cross-training,
9 like we talked about this morning for the veterans.
10 MR. DOSS: Mm-hmm.
11 MR. MACKRELL: But you know, that's where the
12 money is.
13 MR. DOSS: Yeah.
14 MR. MACKRELL: I mean, that's what they say.
15 When they sent the famous guy, they asked him why he
16 robbed the bank. So he said, because we said that's
17 where the money is. Right?
18 (Laughter.)
19 MR. DOSS: I'm sorry, sir?
20 MR. GARCIA: I'd like to ask you a question.
21 John Garcia of the State of New Mexico, and the
22 Secretary for Veteran Affairs.

1 I appreciate everything you're saying, and
2 what I hear about SBDCs and the SBA. But
3 honestly -- and this is just, it aggravates
4 me -- there's a missing component to this whole thing
5 that you and the SBA are doing. And you're leaving the
6 states out.
7 MR. DOSS: Okay.
8 MR. GARCIA: You know, the State Secretary of
9 Veteran Affairs, I represent all my vets. The SBDCs
10 don't know where my vets are. The SBA administrators
11 don't know where my veterans are.
12 MR. DOSS: Mm-hmm.
13 MR. GARCIA: And I honestly think there's got
14 to be a partnership with the states. The states put
15 money into outreach for veterans.
16 MR. DOSS: Mm-hmm.
17 MR. GARCIA: You know, and Vet Business
18 Development. In our state we have a veteran program
19 similar to Arkansas'. You know, the Veteran Business
20 Development program just recently teamed up with the
21 SBDC, because they were going to hire on in our state
22 seven new technical procurement specialists.

1 MR. DOSS: Mm-hmm.

2 MR. GARCIA: Nothing toward my veterans until

3 we sat down with them. And then they agreed, yes, one

4 of their procurement specialists should be in our

5 office, providing procurement technical assistance.

6 But it's almost as I've got to go to the door,

7 knock on the door and bring them in.

8 And so I just want to, if there's anything

9 that you have on your plate that's going to peak at the

10 states that team up, my state puts money towards Vet

11 Biz outreach. I get no federal funds or nothing.

12 Collectively all the states put in about $8

13 billion to do outreach for vets. And that's not with

14 VA money or SBA money.

15 MR. DOSS: Wow.

16 MR. GARCIA: But is a missing component to

17 this whole picture of service to vets.

18 MR. DOSS: And you said eight with a "B," is

19 that right?

20 MR. GARCIA: Yeah, $8 billion. Now that's

21 state money, that the state's putting in. Like into my

22 agency.

1 MR. DOSS: Yeah.

2 MR. GARCIA: You know, I'm a small agency.

3 But the state of Florida, 1.5 million vets. State of

4 California, 3 point some million veterans, and their

5 state puts money for vet outreach.

6 But yet there's nothing coming from SBA or

7 SBDCs or the VA for that initiative. The secretaries

8 of veteran affairs have to do that.

9 And there is the National Association of State

10 Directors of Veteran Affairs. We represent all 50

11 states in five territories.

12 MR. DOSS: Mm-hmm.

13 MR. GARCIA: There's got to be a partnership

14 with this group here. These are all the secretaries or

15 commissioners of veteran affairs. And there just

16 doesn't seem to be that partnership. It's missing.

17 MS. PICKETT: It's like you said, if you'll

18 give me your card, I will call our district director,

19 SBA District Director this afternoon.

20 MR. GARCIA: Well, this morning just with your

21 Administrator, she was surprised that the states aren't

22 involved.

1 MS. PICKETT: Yeah. I am too, because our
2 district director --
3 MR. GARCIA: And I just think it's truly a
4 missing component.
5 MS. PICKETT: I think what we learned in the
6 last week was partnering with the Association and
7 bringing all the district directors in. I think the
8 message was communicated a lot better.
9 MR. GARCIA: So what's key? If I had
10 funding -- and I've told Bill this -- from the SBA or
11 the VA, I could take that to my legislative guys and
12 ask him to match it. Do you know what? They'll match
13 it for me.
14 MS. PICKETT: Mm-hmm.
15 MR. GARCIA: Because it's patriotic and it's
16 the thing to do.
17 MS. PICKETT: Mm-hmm.
18 MR. GARCIA: And it just gets me when people
19 say, "Well, what is it going to cost?" And always for
20 me, it's whatever it takes. These are our veterans.
21 And we've got to give them the best we can back.
22 MR. DOSS: And so, were you saying we did

1 connect with John Owsley and Ray Miller? Or?

2 MR. GARCIA: Well, John Owsley has become a

3 very good partner of mine, and we work very good

4 together. But he depends on us, my agency, to pull it

5 together.

6 We do a vet biz conference, for example.

7 You've been out there.

8 MR. DOSS: Yes.

9 MR. GARCIA: I draw 400 veteran business

10 owners every time I do it.

11 MR. DOSS: Okay.

12 MR. GARCIA: Every time.

13 MR. DOSS: Wow.

14 MR. GARCIA: And we've done it in the central

15 part of the state, the southern part of the state. And

16 we do matchmaking and everything.

17 But the SBA needs us. Roy Miller of your

18 SBDC, he says, "John, you know where the vets are.

19 Bring them in."

20 MR. DOSS: Yeah.

21 MR. GARCIA: These guys don't. And we also

22 educate them on why's going on with the vets, you know.

1 Prior to John Owsley, you know, I walked in
2 the SBA office down there and asked them, "Tell me
3 about your Patriot Express loan," and the guy had no
4 clue about it. He didn't know about it.
5 MR. DOSS: Yeah.
6 MR. GARCIA: So I'm just saying --
7 MR. DOSS: Well, John's a real go-getter too.
8 MR. GARCIA: John's a great guy, you know.
9 But I find what's interesting, I've been asked to go to
10 six states to set up a vet biz development office, like
11 we've got. And I team up with the SBA people.
12 And I've told this to Bill. I just sometimes
13 find it hostile territory, man. You know, it's like we
14 already know what we're doing and they got some guy
15 who's their vet guy, who has no clue, doesn't belong to
16 the American Legion, DAV, VFW, and he has no clue where
17 the vets are.
18 MR. DOSS: Mm-hmm.
19 MR. GARCIA: And never wears the uniform.
20 It's a problem.
21 MR. DOSS: The reality is we're always going
22 to have a portion of our leadership and a portion of

1 our client service delivery personnel, who just
2 aren't --
3 MR. GARCIA: Yeah. But it's inexcusable when
4 it comes to our veterans.
5 MR. DOSS: No, I'm just saying that we're
6 going to have people that just never served.
7 MR. GARCIA: Sure.
8 MR. DOSS: It's going to happen. So that the
9 catch is, how do we help the people who don't have that
10 experience?
11 MR. GARCIA: You hire veterans that have
12 served, because they have the empathy for the --
13 MR. DOSS: Yeah. But how do we link up with
14 organizations like you and your people who know what
15 some of our --
16 CHAIRMAN VARGAS: You come to the meetings.
17 MR. GARCIA: But when you have an organization
18 like us, or state agencies as set up by the legislative
19 branch and the governor, you know, I don't understand
20 why they don't do that.
21 MS. PICKETT: You raised the state interaction
22 with the Administrator this morning.

1 MR. GARCIA: Yeah.

2 MS. PICKETT: I'm sure we'll be following up.

3 MR. GARCIA: Yeah. Please follow up on that.

4 MS. PICKETT: I'm sure we'll do that.

5 But I'd like to introduce Ellen, who has a

6 little bit more diverse portfolio, because she depends

7 actually a lot on volunteers. But we'll let her

8 explain how our Office of Entrepreneurial Education has

9 a wider --

10 MS. THRASHER: Good afternoon, everyone. I'm

11 kind of the Hallmark cards of ED. So I do, in addition

12 to the grant, which is the SCORE Program, which I'll

13 talk about, my office is the outreach office to

14 educate, inform, train, and counsel entrepreneurs.

15 And we do that in a variety of ways. And

16 because SCORE is our biggest, I'm going to leave it to

17 last.

18 But what we know is that either entrepreneurs

19 who are thinking about the becoming an entrepreneur, or

20 someone who is somewhere in their business life cycle,

21 needs topical good information to make sound business

22 decisions.

1 And one of our roles is to get that to them in
2 a variety of ways. And we developed, just as the
3 entrepreneurial community is involved, we were talking
4 about brick and mortar. That's not the only way to
5 reach people nowadays.
6 In fact, probably not as effective as other
7 ways. So we do a lot of things on line.
8 For example, we have -- and the reason we do
9 this on line is because you really have to meet the
10 client on their own terms. And the whole idea that
11 people are only available between 9 to 5, that really
12 doesn't speak to lifestyle or other needs.
13 People might be having another job, or it
14 might be someone who wants to learn, but learns at
15 midnight on his laptop.
16 So we developed one component, which is called
17 the Small Business Training Network. And the Small
18 Business Training Network addresses those individuals
19 who are interested in getting their information,
20 briefings, or specific courses on line.
21 And so it's available 24/7 and it's available
22 when they want it.

1 And we offer a variety of training, and it can
2 be from starting your own business to very distinct
3 things, such as we just launched something in
4 government contracting in the ARR for stimulus.
5 And in fact, we're working with Bill right now
6 to take to do government contracting for veterans,
7 which will be available. And we get about a million
8 hits.
9 So it's something that is portable, which
10 means that if you're active and you're serving in
11 Afghanistan or Iraq, and you have good capacity to
12 access the Internet, you can learn and educate while
13 you're there.
14 And we'll be launching this. And I'm going to
15 talk a little bit about distribution points.
16 Something else that we're seeing, speaking of
17 demographics, is people tend to think of businesses
18 within a certain age frame. You know?
19 And in fact, a lot of people do start their
20 businesses between 22 and 45.
21 But what we're also seeing is that we're
22 living longer, we're more productive. We might start a

1 second career, we might have the capital to do it. We
2 might be a veteran, who has been downsized, maybe
3 working for someone and wants to be an entrepreneur.
4 So we've developed what we call the 50-plus
5 side. And that's for entrepreneurs 50 and older, who
6 may be in a different position in starting their own
7 businesses. And that may again be something that might
8 be of interest to a certain part of the veteran
9 community.
10 We do a lot of other initiatives. One is
11 called the E200, the Emergent 200. And this is an
12 initiative, not a program.
13 What was unique about it is that we looked and
14 really saw that the heart blood of the community is
15 often its city core. And within the city core, there's
16 an inner city that's often overlooked, but very
17 vibrant. These are the people who stay. These are the
18 people who have built community, built neighborhoods.
19 And so we developed an initiative in a number
20 of cities including Albuquerque, where we are targeting
21 not start-up businesses, but businesses that have
22 already succeeded.

1 So these are businesses that have been in
2 business for three years, a certain revenue of
3 $400,000, and have employees. And what we want to do
4 is create wealth and jobs. And it's been very
5 successful.
6 And within that, I know that we're reaching
7 out to the veterans' community. It is geographically
8 centered, so we're not getting a lot of people. Around
9 the state, it would only be in a small geographic area
10 defined by research.
11 But the most important thing that I think that
12 we can offer is the services of SCORE, which I hope you
13 know about. Some people still call it Service Corp of
14 Retired Executives.
15 And it's not any more. About 25 percent of
16 all SCORE volunteers enter the all-volunteer service,
17 are still active in their own business. To be a SCORE
18 volunteer, you must have or are operating, managing, or
19 owning a small business.
20 Because we want the people who are
21 mentoring -- and that's a large component of what they
22 do -- have had the experience, they've walked the walk.

1 And so offer SCORE in a variety of ways,
2 chapter-based 389, but also on line. SCORE pioneered
3 the whole concept of cyber-counseling.
4 And right now they have over 1,500 on-line
5 counselors, 24/7, with their response time of 48 hours,
6 with 800 distinct skill sets.
7 So you can go on line and you could type in
8 "manufacturing of widgets," and you could actually find
9 someone on line. So you're not confined by your
10 geographic location. You could be in Portland, Maine,
11 and have a counselor in Portland, Oregon.
12 And again, it's where the client is. We have
13 a veterans' entrepreneur community on line on SCORE,
14 and we've just added a component, which is you can
15 actually search now if you were a veteran business
16 owner and ask to be mentored or to receive counseling
17 from a counselor, who has prior military experience.
18 And so some of the things that SCORE has been
19 doing, the site itself, of course, talks about all the
20 different loan programs, Patriot Express. There's a
21 special component for active military and reservists.
22 But some of the things they've been doing,

1 which I found very interesting, at Antelope Valley our
2 SCORE chapter, which in Edwards Air Force Base, they
3 are actually counseling service men and women who have
4 a specific exit time from the military of one year into
5 business.
6 In Pennsylvania, they have a Welcome-Home Vets
7 Program that's for troops that are returning to the
8 area. In Niagara Falls, they are waiving the fee for
9 training for all of the training workshops for
10 returning military active reservists.
11 SCORE in New York is at Ft. Hamilton, actually
12 working in the hospital with disabled vets, or people
13 who are coming home with some form of injury.
14 And we go and on. We work in Nebraska with
15 the National Guard, in Rapid City they're with
16 Elmsworth Air Force Base co-located there.
17 And they are also, one group actually in St.
18 Paul is helping veterans or military active in Iraq
19 build websites, so that they can start business.
20 So what I am -- I was listening to what you
21 were saying, and I think that there is common good will
22 here. And what we also have is distribution points.

1 And in the interest of what the Administrator
2 is talking about, eliminating silos, I think that it
3 would be great if we could get a smaller group
4 together, and could talk about a communications plan of
5 mutual benefit, of ways to reach your state directors.
6 And that could be where we'd get that link to
7 our district directors. We could link, as Bill was
8 saying; where new programs are coming out, if we could
9 distribute out to the different points -- and again,
10 you know you constituency best -- I think that we can
11 really leverage what we're doing.
12 And then I think the other thing is, for
13 example -- and I can only speak to our on-line
14 training -- I'd like to know what people need. You
15 know, we want to be responsive but we need -- and it's
16 not just I think in terms of more contracting.
17 If you're seeing business trends within the
18 veterans' community returning, and you're seeing a lot
19 of veterans in a particular area, maybe we can gear to
20 more specific services.
21 But I, for one, would like to communicate
22 through one source, distribution back, and hope that

1 you would do the same.

2 So, thanks.

3 CHAIRMAN VARGAS: Thank you very much. Thank

4 you very much.

5 MS. PICKETT: Well, the handout. I gave you

6 this one on the organizational chart just to remind you

7 what you have.

8 Then there is the one on how, with the arrows

9 showing how all of our programs, although we each

10 oversee separate programs, how they all feed together.

11 But we have some adjunct program offices that

12 are very closely affiliated with entrepreneurial

13 development. And those are the Office of Native

14 American Affairs, obviously Office of Veteran Affairs,

15 and then we also have the faith-based and community

16 organizations.

17 I will speak very briefly for our Director for

18 the Office of Native American Affairs, Clara Pratte,

19 who is apparently still traveling and was not able to

20 get back today in time. It happened with her flight.

21 This is an office that was somewhat focused on

22 doing some sort of screening tool for the last two

1 years. She is much more interested in getting back out
2 into the community and really pulling this together.
3 She is finding a number of obviously Native
4 American vets, up from New Mexico -- and I know that
5 for instance, she is Navajo -- that has been very
6 active and very solid veterans.
7 So she is re-energizing this community, I will
8 say. She's got a big job, and she's got some heavy
9 lifting. She's connecting with the tribal colleges.
10 She has actually taken this E200 program that Ellen was
11 speaking about.
12 And this may be where you can be of help to us
13 in the next probably six months.
14 She is going to do the E200, focused on Native
15 American companies to go into these cities. And Bill
16 could certainly tell you what cities. I can't remember
17 off the top of my head.
18 But she does not want these classes to 100
19 percent Native American, but I think this is an
20 opportunity for you all to do a little bit of outreach
21 to help us get those people to apply and to come into
22 this program.

1 And it enriches the program, it enriches the
2 students. And we'll be circulating information on how
3 we recruit for our next class of E200. This will
4 probably start right around the first of the year. Am
5 I correct?
6 MS. PICKETT: Mm-hmm.
7 MS. THRASHER: So she's focused on Native
8 American, but we need across -- I think she's 50
9 percent Native American.
10 MR. ELMORE: Yeah. If I might just to help a
11 little bit, I've been working with Clara in that
12 office, and we've been collaborating on how to approach
13 the veterans' community in the native world. In fact,
14 I've spent three days in Tulsa last week at a
15 conference down there with her, specifically about
16 that.
17 And while I can't say anything yet, we're
18 certainly in discussion about what sort of pilot
19 approach she is going to take. And my office is going
20 to support her in however she does that.
21 MS. PICKETT: She has been very pro-active in
22 addressing this community.

1 MR. ELMORE: Yeah.

2 MS. PICKETT: So again, I can't speak for her

3 as well.

4 MR. ELMORE: Right.

5 MS. PICKETT: She was sorry to miss connection

6 on the flights. But I just wanted to point out that

7 she is working very closely with us, and if we support

8 what she's doing, we can help her do that, but that

9 there are big things coming shortly.

10 MR. ELMORE: Yes.

11 MR. WHITE: I just have one question for

12 Mr. Doss. What was the name of the program that you're

13 expanding now within the --

14 MR. DOSS: The one from 500,000 to one

15 million?

16 MR. WHITE: Yeah.

17 MR. DOSS: I'll say it right as well. It is

18 the Veterans Assistance and Services Program.

19 MR. MILLER: Within the SBDC?

20 MR. DOSS: Within the SBDC.

21 MR. ELMORE: And if it's helpful, again, just

22 a little insight into sort of how we approach this

1 internally, when Antonio got this authority that he
2 asked my office to help him shape how they approached
3 doing this, including the program announcement.
4 And then my staff helped through the selection
5 process as well, in determining who would be that first
6 round of grant recipients.
7 MR. DOSS: Yeah. Bill was very helpful, and I
8 think that's where I learned about the whole
9 re-integration process and the initiative coming there.
10 And so we share information back and forth
11 when we see each other.
12 MR. ELMORE: Yeah. And for those that
13 don't -- it really mirrors the approach I've tried to
14 take in the agency. I don't want all the veterans'
15 programs in my office.
16 Veterans are in all the programs in the
17 agency. So I have taken every step I can to try to
18 build out in SBDC and SCORE and women's business, and
19 in some of our other programs.
20 Patriot Express is another example of activity
21 in those program areas that target our community, but I
22 don't manage, I simply have input and help shape.

1 MS. PICKETT: And I think this is where we
2 have our administrative assistant, and we are very
3 lucky that Bill works with us. He visualizes the
4 thing.
5 I mean, your focus is obviously veterans; but
6 this diagram really shows that we're all -- actually if
7 I were to change this, I think I'd make the arrows
8 going two ways instead of one.
9 CHAIRMAN VARGAS: Good.
10 MS. PICKETT: But I'm trying to help you set
11 up.
12 And then obviously at the end of this, to
13 illustrate, you know, the number of points that we have
14 just in the country, the Department of Labor has asked
15 that they be able to put out some of their points too,
16 to show that we were in there getting coverage.
17 Are we already there? No.
18 MR. ELMORE: And I mentioned earlier, because
19 we're having these collaborative meetings with VA, and
20 the web materials I handed into our public affairs
21 office, including not just links to VA but links to
22 DOL, the veterans' part of DOL, and also over to the

1 Department of Defense.

2 So we're going to be building --

3 MS. PICKETT: Does the Department of VA link

4 to any of ours?

5 MR. ELMORE: Well, their office links to my

6 office to a degree. They said that SBA doesn't link to

7 them, but it turned out that we did.

8 MS. PICKETT: They did.

9 MR. ELMORE: So there was a little erroneous

10 information there. But yeah, I've actually developed a

11 pretty robust list of links into VA, not just their

12 small business, but also I recommended things like

13 their Vet Signer program, the GI Bill program, some of

14 the other really important programs in VA that our

15 customers need access to as well.

16 MS. PICKETT: As I said, the Administrator

17 really feels that anybody can go to any center at any

18 time and get any of the help they need. So that's

19 where she'd like to go.

20 But we do have -- checking data, she likes

21 data. We're improving our collection systems. And we

22 do have some numbers on, you know, it's the

1 self-reported information; people are not required to
2 divulge something that they may or may not wish to
3 have.
4 But we're getting some numbers on the veterans
5 through our SBDCs. Through June of this year, our
6 SBDCs had close to 28,500 that they polled. Through
7 our SCORE counselors, there is 12,700. And that's only
8 if they report it. So it could be better.
9 The WBCs have worked with 4,500 vets already.
10 And this is only to June. We still have more time, and
11 even if we're talking calendar year.
12 MR. ELMORE: And in Ellen's small business
13 training, that work is actually about 13 to 14 percent
14 of the people utilizing that service, our veterans and
15 service-disabled veterans.
16 MS. PICKETT: Yes. And then we also break it
17 down by the service-disabled veterans.
18 MR. ELMORE: Right.
19 MS. PICKETT: We poll those as a separate
20 number. So right now as of through June of this year,
21 we're just under 850,000 veteran contacts through our
22 outreach partner or service providers, which we think

1 is a good number.

2 MR. ELMORE: Yeah.

3 MS. PICKETT: Does it get better? Sure.

4 MR. MANCINI: What's California's number in

5 that?

6 MS. PICKETT: I don't have it by state. But

7 we are actually working on improving our system, so

8 that we can get that from our desktops right now.

9 MR. ELMORE: I think it's safe to assume

10 probably at least, and I think that's 85,000. It was

11 850,000? But it should be about 10 percent of that,

12 probably in California.

13 MR. MANCINI: California unfortunately, unlike

14 Pat and John, we don't have the SBDCs, they don't have

15 a very active veteran reach.

16 MR. DOSS: We're actually working very closely

17 with our California SBDCs.

18 MR. MANCINI: Oh, good.

19 MR. DOSS: And in fact I was there, I want to

20 say two summers ago, is it Oceanside? I'm going to say

21 the name.

22 MR. MANCINI: Oceanside, yeah. Oceanside is

1 by San Diego as soon as you --

2 MR. DOSS: Yeah. Just north of San Diego. I

3 met one our counselors here is actually, I think,

4 affiliated with -- I know he's a veteran. Because we

5 talked about what was happening with the SBA program

6 and the veterans and all.

7 And he was pretty excited.

8 I had a question for you too. Is there a

9 definitive number that you use in terms of the

10 percentage of veterans as a part of overall business

11 owners?

12 MS. THRASHER: Part of the business

13 population.

14 MR. ELMORE: Yeah. Based on the census and

15 based on the work that we've done with advocacy, the

16 number, about 14 to 15 percent of veterans are

17 self-employed.

18 The number of veteran business owners that

19 exists right now is about 3.2 million. The number of

20 veterans who are part of the broader entrepreneurial

21 community hasn't grown as much as the entrepreneurial

22 community. Because I think advocacy tells us we're up

1 to about 28 to 29 million entrepreneurs in America now.
2 MS. PICKETT: How long ago did they do that?
3 MR. ELMORE: It's --
4 MS. PICKETT: I just wondered, is this going
5 to change --
6 (Simultaneous conversation.)
7 MR. MANCINI: But it's 193,000
8 service-disabled veteran owned small firms. And
9 then --
10 (Simultaneous conversation.)
11 MR. MANCINI: Who works for from home and who
12 has an office. But it's not very reliable data.
13 (Simultaneous conversation.)
14 MR. GARCIA: So it's very comparable to the
15 general population?
16 MR. ELMORE: Well, if you're talking business
17 owner -- six to seven million, and then you've got the
18 other 16 million or so that generally are
19 self-employed.
20 MR. GARCIA: And that's about one in seven.
21 MR. MANCINI: If regards to the communication
22 plan, would it help if we had a domain called

1 "Veteran.gov," and that all these communication plans
2 kind of showed the entire map of access of services a
3 veteran can access, number one.
4 Number two, going back to what Pat was saying
5 on the P-TAC, for example, in LA, Los Angeles County,
6 has a P-TAC office, right? And when I visit them, they
7 give me a number of all the veteran-owned businesses in
8 LA County, which happens to be the 18th largest economy
9 in the world, according to the data set published by
10 the small business develop corporation of Los Angeles,
11 which is a not-for-profit and does research for LA
12 county.
13 And what is staggering is that in their
14 database, guess how many firms owned by
15 service-disabled veterans are in LA county?
16 Thirty-six.
17 MS. THRASHER: Oh, wow.
18 MR. MANCINI: Which is, I mean, it's a number
19 that's obviously not a true figure, because no one is
20 really investing into doing the outreach and doing an
21 accountability study on how many small businesses --
22 MS. THRASHER: Mm-hmm. Yeah. There's an

1 interesting point. We have someone on our staff who's
2 a scholar in residence. He actually is a professional
3 of entrepreneurship at GW.
4 And I asked him this, about veteran
5 businesses. And his research has shown that often they
6 first identify themselves as the type of business. And
7 they may not say, "I'm a veteran, and this is the
8 business." It might say "I'm a manufacturer. I'm in
9 retail."
10 So that probably the data is not, probably
11 it's robust because the questions are usually by the
12 type of business or functionality, as opposed to "I'm a
13 veteran" first.
14 MR. ELMORE: Yeah. And I think it was about
15 three years ago, because it took us about three years
16 to get through OMB to the changes to the data
17 collection formats that you guys use in ED.
18 MS. PICKETT: Mm-hmm.
19 MR. ELMORE: And that's where we started
20 breaking it down to not just vets but service-disabled
21 vets, service members, and so on.
22 So we're getting better data now than we used

1 to. But we still have a ways to go.

2 MS. PICKETT: Self-reported.

3 MR. ELMORE: Yeah.

4 MS. PICKETT: I'm there's nothing that we can

5 require --

6 MR. WHITE: Years ago in New York we were

7 learning a program and particularly with women. If you

8 asked them if they're a veteran, they'd say "No," but

9 if you asked them if they'd ever served in the

10 military, they'd say "Yes."

11 MR. ELMORE: Yeah. That's if you asked.

12 MR. WHITE: Specifically no, that was never an

13 issue with us, with the men or --

14 MS. PICKETT: Some people, they'd send their

15 veterans if they were retired veterans, rather than

16 having --

17 MS. THRASHER: If they're active if you --

18 MS. PICKETT: Well, I'm just telling, I mean,

19 if you served for six years, they wouldn't consider

20 themselves veterans.

21 MS. THRASHER: Right.

22 MR. DOSS: I was really surprised. I pulled

1 up, you know, went to the Census Bureau, because I was
2 just kind of curious. I hadn't looked at numbers for a
3 while. And the four lowest states in terms of
4 percentage of veterans, I would have never guessed it
5 was these four.
6 But you're saying California. They're 48th.
7 I guess they're tied with Utah.
8 MR. MANCINI: We're 48th in anything right
9 now.
10 MR. DOSS: Yeah.
11 (Laughter.)
12 MR. DOSS: But Utah and California are both
13 like 48th. D.C., you'd think with all the Pentagon
14 stuff around that D.C. would be a bigger percentage.
15 D.C. is 50. And New York was 51.
16 MS. THRASHER: Who's number one?
17 MR. DOSS: Number one is Alaska, followed by
18 Montana.
19 MR. WHITE: That's because they all moved out
20 of New York, they never come back to New York.
21 (Laughter.)
22 MR. DOSS: Yeah.

1 (Simultaneous conversation.)

2 MR. WHITE: But that's what percentages can

3 do, right? Anybody could play with the numbers.

4 MR. MANCINI: Yeah.

5 MR. WHITE: But Colorado, New York,

6 California, Texas are the biggest veteran populations.

7 MR. DOSS: Yeah. And Pennsylvania --

8 MR. MANCINI: So that's 48th and --

9 MR. DOSS: Utah and California were both 48th,

10 or ranked 48th because they tied.

11 MR. MANCINI: Rank in context of?

12 MR. DOSS: Percentage of vets in the

13 population.

14 MR. MANCINI: And that's probably a, it's a

15 skewed figure --

16 MR. DOSS: Sure, because you have big

17 populations in those states. But I just would have

18 never guessed.

19 (Simultaneous conversation.)

20 MR. WHITE: Alaska's one, because you've got

21 15 residents.

22 MR. MACKRELL: Can I ask you about how the

1 SCORE and the SBDCs interact? I'm always confused by
2 that. Just because in New York and if you go into the
3 New York City District Office, you go to the front
4 desk. And you could show up and say "I need help with
5 a business," and the receptionist would decide whether
6 you go to SCORE or SBDC.
7 Because the only place there is SCORE, and
8 they're co-located with SBA.
9 MS. THRASHER: Oh.
10 MR. MACKRELL: They're co-located with SBA in
11 Syracuse.
12 MR. MANCINI: Yeah. Mm-hmm.
13 MR. MACKRELL: In other areas, they're
14 co-located with the SBDC.
15 MR. MANCINI: Mm-hmm.
16 MR. MACKRELL: And almost share a common
17 receptionist. So SCORE could be our basic business
18 plan, for instance?
19 MS. THRASHER: Oh, absolutely.
20 MR. MACKRELL: So what's the reason for the --
21 MS. THRASHER: Well, first of all, they
22 actually are three very distinct programs. If you look

1 at, again, a business owner, they're not all the same.
2 Some are starting in. Some are in. Some are
3 in exit.
4 MR. MACKRELL: Sure.
5 MS. THRASHER: So then you look at the
6 resource partners, while they serve everyone, they also
7 have niche markets. Generally speaking, SBDCs have the
8 more research capability; they're are institutions of
9 higher ed. They may serve the more sophisticated in
10 business, women primarily by gender, socially,
11 economically disadvantaged.
12 SCORE usually takes just -- and this is
13 self-selecting, but this is where the market is
14 driven -- DVA sent the people just thinking
15 about -- they, unlike the other resource partners, do
16 not have a place.
17 They don't have a brick-and-mortar.
18 MR. MACKRELL: Right.
19 MS. THRASHER: They are either
20 pro-located -- but those are 69, if at all that number,
21 because while we have 69 district offices, not all
22 SCORE chapters are co-located.

1 But they're in chambers of commerce around the
2 Staten Island Ferry.
3 MR. MACKRELL: Right.
4 MS. THRASHER: They're, you know, wherever.
5 But again, part of the role of the district office is
6 to ascertain when you first come in, "What do you
7 need," because they don't want to waste the time of the
8 client.
9 So if someone says, "I've been in business 20
10 years, and I want an exit strategy," they're going to
11 refer them to SBDCs. If you don't know what you want
12 and you're just starting out, logically they'll send
13 you as a first step, SCORE.
14 Within that the resource programs at the local
15 level work very well together. And so you may start at
16 a women's business center. As you evolve out of that,
17 they may say, "You really want some research, you
18 should go to an SBDC."
19 MS. PICKETT: They're getting much better at
20 referring each other. But --
21 MR. MACKRELL: I'll tell you, the landscape of
22 the way I view it is exactly opposite. We wouldn't

1 think for a second of sending a start-up business to
2 SCORE, and we would tend to send more mature businesses
3 to SCORE.
4 For strategic planning, okay? And for
5 start-up businesses, we'd send them to the MBAs and the
6 guys who are good at doing business plans. You know,
7 because a lot of the SCORE guys we know, you know, they
8 deal with a lot of stuff. But put a business plan
9 together for financing, I mean, their experience may be
10 entirely, you know --
11 MS. THRASHER: Well, and it does, but that's
12 the whole entrepreneurial element of it.
13 MR. MACKRELL: Yeah.
14 MS. THRASHER: And every SBDC women's business
15 center in SCORE is unique in its composition. A lot of
16 it has locally driven what's there --
17 MR. MACKRELL: I guess what I'm trying to get
18 at is you're here, you know, inside the Beltway, as you
19 say. Okay, our SBDCs are primarily going to deal with
20 mature businesses and SCORE is going to be startups?
21 MS. THRASHER: That may be in New York, but it
22 may be altogether different in Iowa.

1 MR. MACKRELL: Well, I mean, you guys are
2 running the kanoute boat here. What's your sense of
3 what the relationship should be amongst and between
4 these entities? I guess that's what I'm trying to get
5 at.
6 MR. DOSS: Well, there's a couple pieces to
7 it. The first one I would like to address. New York
8 you should know, out of all our SBDCs, produced more
9 new businesses with his clients than anybody else. And
10 they're double the next SBDC.
11 MR. MACKRELL: Yeah. I mean, we -- start with
12 SBDC, that's where --
13 MR. DOSS: Yeah. New York does a phenomenal
14 job on that.
15 MS. THRASHER: Well, they're the big kahuna on
16 the block.
17 MR. MACKRELL: Okay.
18 MR. DOSS: Some of it depends on the
19 relationship or the nature of what that relationship
20 might be. Our focus with the SBDC program is very
21 relationship-oriented, and we want long-term
22 relationships.

1 So if you're going to get looped in with us,
2 we want to help you now and we want to build a kind of
3 relationship that at six months, two years later, we
4 have another opportunity for help, you'll know to come
5 and talk with us.
6 MR. MACKRELL: Right.
7 MR. DOSS: I think in some cases for some of
8 the SCORE referrals, it may be more of a transactional
9 nature, where they need something and they need
10 something now, but they don't necessarily want to have
11 a long-term relationship.
12 Not that they don't.
13 MS. PICKETT: Except if I'm looking for a
14 mentor, I'd probably go to SCORE first. If I'm looking
15 for that more one-on-one mentor relationship, I think
16 that's where SCORE has --
17 MR. MACKRELL: I mean, but would the SBA
18 district offices, for instance, with the guidance that
19 they got from the SCORE headquarters, sort of say,
20 okay, as a general rule you want to send the startup
21 business to SCORE --
22 MS. THRASHER: They didn't get the guidance

1 from us.

2 MS. PICKETT: They wouldn't get that guidance

3 from --

4 MS. THRASHER: The -- are all local, so the

5 district office is charged with bearing their

6 constituency.

7 MR. MACKRELL: Okay.

8 MS. THRASHER: And knowing their resource

9 partner is in the relationships.

10 MR. MACKRELL: Okay.

11 MS. THRASHER: So it's really not that --

12 MS. PICKETT: The guidance they get here is

13 that all of these resources are there, and what they

14 need to do is assess what's the best for the client,

15 and so to make sure they utilize all the resources.

16 MS. HARVEY: And even if the women's business

17 centers were used to mandate the goals to achieve, now

18 we leave it at the district level, because they know

19 the market better.

20 So they work it out themselves, and they let

21 us know what's happening out there in the micro-arena.

22 MS. THRASHER: It's two pages --

1 MR. DOSS: We still goal for new businesses
2 being created too in our program.
3 MR. MACKRELL: No, it sort of struck me as
4 odd, because in New York, SBDCs are interacting with
5 the lenders all the time, SCORE never.
6 MS. THRASHER: That's not what they're doing
7 in New York.
8 MR. MACKRELL: Yeah. No, it's just sort of,
9 you know --
10 MS. THRASHER: But for instance, SBDC if they
11 find somebody they think micro-lending may be the
12 thing, they'll send them to the women's business
13 center, because they're actually the intermediary --
14 MS. HARVEY: We've got five centers in New
15 York.
16 MS. THRASHER: Yeah. And that counseling can
17 take place at that committee.
18 MS. THRASHER: And what we encourage them to
19 do is have distinct offerings and not duplicate. And
20 that way they can leverage what they do.
21 MR. MACKRELL: And that I agree with.
22 MS. THRASHER: Yeah.

1 MR. MACKRELL: I mean, they don't appear to
2 overlap. I'm just trying to figure out what, you know,
3 in shaping it, which -- how do they shake out? Yeah.
4 (Simultaneous conversation.)
5 CHAIRMAN VARGAS: It's because it's all local
6 that we have challenges sometimes. You know, what
7 works in one place, or what happens in one place is not
8 necessarily happening at other places.
9 MS. PICKETT: But see, that's the strength of
10 the program, is that flexibility --
11 (Simultaneous conversation.)
12 CHAIRMAN VARGAS: Well, it's also a weakness,
13 because from a veteran perspective, you know, we may be
14 dropped off the agenda.
15 One of the things that we keep hearing when we
16 talk to veteran business owners, is that the SBDCs just
17 do not work, because there's no veteran when you walk
18 in, and there's a kid just right out of grad school,
19 who's the guy who's dealing with you. He's never worn
20 the uniform. He has no knowledge about veterans'
21 needs, nor can he comprehend the situation that they're
22 in.

1 So he has a challenge right from the start.

2 Then he looks at the statistics and say the

3 veteran looks and sees the resources going out towards

4 women. And he sees what is going out to veterans.

5 And there's a great disparity.

6 So once again, he says veterans get left out.

7 And we're hearing this frustration. I mean, how many

8 times have you gone to a veterans' entrepreneurial task

9 force meeting? Have you ever gone to one?

10 MS. PICKETT: Uh-uh.

11 CHAIRMAN VARGAS: Of course not. Because, you

12 see, if you're going to get serious about veterans, you

13 have to get into the veterans' business discussions.

14 MS. THRASHER: I'll say something for Penny.

15 She's been on the job for about a month. So give

16 her --

17 CHAIRMAN VARGAS: Well, how about you?

18 MS. THRASHER: I haven't been asked, but I

19 would go.

20 CHAIRMAN VARGAS: Well --

21 (Laughter.)

22 CHAIRMAN VARGAS: You know --

1 (Simultaneous conversation.)

2 MS. PICKETT: I mean, is this a priority?

3 MS. THRASHER: Yes.

4 CHAIRMAN VARGAS: Yes.

5 MS. PICKETT: Is it the only thing that we

6 focus on? Unfortunately, we are in a position where if

7 we don't do the loans, the veterans don't get the

8 loans. If we don't do the stimulus, the veterans don't

9 get the stimulus.

10 MS. THRASHER: Mm-hmm.

11 MS. PICKETT: If we don't do the courses on

12 line, nobody learns. So it's a bout, it's a juggling

13 act. And I will tell you, we juggle many, many hours a

14 day, seven days a week.

15 MR. MACKRELL: Well, and believe me, the

16 belief that the SBDCs aren't doing a good job is not

17 one universally held by everyone on this Committee.

18 MS. PICKETT: No.

19 MR. MACKRELL: Okay.

20 MS. PICKETT: And I will also say --

21 MR. MACKRELL: I will tell you, I have a very

22 high opinion of the SBDCs and a very strong sense of

1 their contribution to small business and SCORE in New
2 York as well. They just do different things.
3 But those kind of, you know, when they ask
4 who's running what and what's the sequence of events,
5 that's why Felix is saying, this SBDC is a -- a bunch
6 of bums. Because they have a whole different mission.
7 (Simultaneous conversation.)
8 MS. PICKETT: Part of being an entrepreneur is
9 if you don't like the answer the first time, you go ask
10 the next person --
11 MR. MACKRELL: Yeah, you bet.
12 MS. PICKETT: And the entrepreneur is truly
13 able to find what they need.
14 MR. MACKRELL: You bet.
15 MS. PICKETT: And feels, you know, yeah, you
16 have to start. And nothing is handed to you. So
17 that's to me a true entrepreneur who will get what they
18 need.
19 MR. GARCIA: Can I ask a question?
20 MS. PICKETT: Mm-hmm.
21 MR. GARCIA: I just look at your flow chart
22 here, and I just have a curious question. You have the

1 Office of the Entrepreneurial Development, and in there
2 is what, Office of Small Business Development Centers,
3 Office of Women's Business Ownership, Office of
4 Entrepreneurial Education.
5 And then a sidebar, Office of Faith-Based
6 Initiatives, Office of Native American Affairs, Office
7 of Veteran Affairs. Why isn't Veterans Affairs like
8 Office of Women Ownership up here on top?
9 MS. PICKETT: Because it was, and Congress in
10 its wisdom removed it from our office.
11 MR. GARCIA: Okay. So what do we do to put
12 that back in there? Because it's just like that was a
13 sidebar, you know?
14 MS. PICKETT: No, we are trying to do this
15 informally, but it takes legislative action to change
16 that.
17 MR. MACKRELL: All right. What can we do?
18 MR. ELMORE: Let me give you the history, so
19 you know what they're talking about here.
20 (Simultaneous conversation.)
21 MR. GARCIA: So what do we need to do to put
22 it back up there? I know Bill wants to give some

1 history about it.

2 MR. ELMORE: Let me, I'm going to tell you why

3 it's the way it is.

4 CHAIRMAN VARGAS: No, no, no. We want to know

5 what it takes to do things, not the way it is. We know

6 history. We don't want history. We want solutions.

7 MR. ELMORE: If you don't know your history,

8 you're going to --

9 (Simultaneous conversation.)

10 MR. ELMORE: If you know what the history is,

11 you know that the old Office of Veterans Affairs at SBA

12 was in the Office of Entrepreneurial Development.

13 What you also will know is that during the

14 Clinton Administration, the Office of Veterans Affairs'

15 annual budget was reduced to about $30 to $50 thousand

16 a year, and that old Office of Veterans Affairs never

17 got an audience with the Administrator, and the request

18 and the program initiatives never got out of the Office

19 of Entrepreneurial Development.

20 When Public Law 106-50 was written, the old

21 Office of Veterans Affairs was eliminated. The new

22 Office of Veterans Business Development was set up in

1 the Office of the Administrator.

2 So on paper, that's structurally where it

3 sits, and that's why that difference was made.

4 You have a new administration here that is a

5 lot more serious about veterans than the Clinton

6 Administration and I dare to say the Bush

7 Administration. And probably going all the way back to

8 the Carter Administration is the last time we had any

9 real attention.

10 So there is a lot of building. And there is a

11 lot of activity. And I already shared with you my

12 philosophy. I don't want all the veterans' programs in

13 my office. I have a policy responsibility.

14 I'm helping them build out their veterans'

15 programs, and that's the approach that we're taking,

16 not just in ED.

17 And I'll say this. If I was in ED, before I

18 initiated any kind of discussion with our capital

19 programs, I would be going to Penny now. Penny would

20 let me do that.

21 Some of the people who ran ED before Penny got

22 here would never had let me do that. And they would

1 have told me not only could I not do it, they would
2 have told me not to do it.
3 MS. THRASHER: That's true.
4 MR. ELMORE: That's what happens when you get
5 constrained in that sort of an office. So there's a
6 trade-off there. Sorry for the lecture, but there's a
7 trade-off there.
8 MS. THRASHER: No, it is true. You have
9 greater --
10 MR. ELMORE: It's absolutely true.
11 MS. PICKETT: But one of the steps that we are
12 taking is putting that dotted line.
13 MR. ELMORE: Yes.
14 MR. MANCINI: I think it has to do with
15 communicational law. Because for example, if I go to
16 Vegas, and I tell them I'm veteran and I own a
17 business, they come to the rescue to help me out in
18 every way, shape or form.
19 If I go to Santa Monica College, right next to
20 my office, and I say I'm a veteran and they go, "What
21 is a veteran?" So these are the issues of
22 inconsistencies.

1 Or you go to New York and the SBDCs in New
2 York are really helping the small business. So we have
3 a big issue here.
4 And another with California. California has
5 got a problem here. How can we have your help in
6 assisting us, having these people do their jobs?
7 Because they will submit all kinds of reports
8 to you that would look really good on paper. But in
9 reality, they're not really doing much for veterans,
10 per se.
11 MS. PICKETT: It's education, education,
12 education, marketing, education, marketing. I mean,
13 it's --
14 (Simultaneous conversation.)
15 MR. MANCINI: I would slip a note, like a
16 memorandum, "You'd better be doing what you told us you
17 were going to be doing, because if you don't do it, we
18 are going to next time not give you funding."
19 (Simultaneous conversation.)
20 MR. DOSS: Well, that's a part of what I
21 talked about at the beginning, is that we've got a
22 performance orientation about our program, and we're

1 going to be following up on things --

2 MR. MANCINI: But it's new, right?

3 MR. DOSS: We're evolving in it.

4 MS. THRASHER: Yeah, but it works because this

5 is all performance. This is what I put in, when I

6 negotiated with SCORE their funding. They said you've

7 got to do this.

8 MR. DOSS: Right.

9 MS. THRASHER: So Bill and I were having a

10 sidebar. There's more than ED at SBA. We've got to

11 get money, we've got to have a contract system with ED.

12 But that could be a discussion as part of this work

13 group about using all the resources and getting out.

14 And one thing I'd like your help on is, I'd

15 love for you to recruit veterans who are also business

16 people to be SCORE counselors.

17 MR. ELMORE: Yep.

18 MS. THRASHER: It's all volunteer. If you

19 want the right face behind there, we could use some

20 help in getting it.

21 MS. PICKETT: And I think what we're doing, we

22 are collaborating with every office, so that we build

1 the contracting course for specifically in the
2 veterans. If they can help, that's great.
3 MR. ELMORE: Yeah. And in fact, one of the
4 outcomes from our meeting with VA is we got language
5 and a link from them that's going to Ellen's employee
6 to help shape out this veteran procurement on-line
7 piece.
8 MS. PICKETT: Right. Has the Administrator
9 gone to meet with people at VA?
10 MR. ELMORE: Absolutely.
11 MS. PICKETT: The Air Force said "Okay, team,
12 go for it"?
13 MR. ELMORE: Yep.
14 MS. PICKETT: So I wish we could do it all in
15 two weeks, but we can't.
16 MR. ELMORE: No. It took --
17 (Simultaneous conversation.)
18 MS. PICKETT: On the education thing it
19 reminded me of when I was teaching. When I was
20 starting my company, I taught. That's what I used to
21 boot-strap my company.
22 And I said the same thing over and over, until

1 I got to the point where I was so tired of hearing
2 myself talk. And one night a student said, "Oh, why
3 didn't you tell us that before?"
4 And I said, "I've said that every week at
5 every class." And she said, "Yeah, but I wasn't ready
6 to hear it."
7 MS. THRASHER: Good point.
8 MS. PICKETT: And I thought, you know what? I
9 think she's right. So if we keep repeating eventually,
10 our audience will be ready to hear it. Eventually
11 they'll be ready to act on it.
12 CHAIRMAN VARGAS: Well, you have an audience
13 that's been hearing it for quite a bit, that we haven't
14 been seeing. And that's the challenge.
15 But listen, I want to thank you for your time
16 that you've taken.
17 MS. PICKETT: Well, thank you. Thank you very
18 much.
19 (Simultaneous conversation.)
20 CHAIRMAN VARGAS: I think a couple things that
21 came out of here, Ana started to give us a draft plan
22 on how she's going to include the veteran component in

1 her program.

2 And John has come up -- we've talked about

3 this -- ways to engage the states in this whole

4 process. I think now that's right on.

5 That's an initiative we will certainly be glad

6 to work with you on.

7 MS. PICKETT: That sounds great. Thank you,

8 all.

9 (Simultaneous conversation.)

10 MS. THRASHER: Thank you.

11 (Whereupon, at 3:05 p.m., the meeting was

12 adjourned.)

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