

Opening Statement for December 2, 2009

DPC Hearing: "Removing Barriers to Job Creation: Are Banks Lending to Small Businesses That Are Ready to Hire?"

(As prepared for delivery)

Good morning. I would like to thank Senators Dorgan and Durbin for their leadership in organizing this hearing. I am happy to see Alicia Lingenfelser (lynn-GEN-fell-sir) here, a witness the Small Business Committee recommended to the DPC to invite as an example of a small business owner who needs a small business loan in excess of the current \$2 million cap.

While this past year Wall Street got much of the headlines, the unreported story of our nation's economic downturn is still being felt on Main Streets throughout America – where ten jobs lost here and five there are adding up. America's 29 million small businesses are really struggling with skyrocketing health insurance premiums and a tight credit market. In the last year, 80 percent of the jobs lost have come from small businesses, according to the ADP National Employment Report.

Now that we have stabilized Wall Street, it is time to jump-start Main Street, because if given the right tools, small businesses – which created 64% of all new jobs in the last 15 years – will be the ones who create the jobs we need now to recover. As the Senate begins to draft a bill to increase job growth, as Chair of the Small Business Committee, I am working very hard to ensure small businesses are at the center of this legislation.

To give small businesses the tools they need to create jobs we must provide them with greater access to capital. That is why I convened 5 hearings and roundtables on this topic in the Small Business Committee this year alone. Two weeks ago, I was proud to join Treasury Secretary Geithner and Small Business Administrator Mills at their summit on small business lending. These hearings and this event gave me an opportunity to speak with small business owners, lenders and advocates. One thing they made clear to me is that even businesses with the best business plans and the most solid credit histories are not getting access to capital they need.

One such story came from a lender in my home state of Louisiana. He told me that he has been working with an independent pharmacist who needs a \$4 million loan to purchase a pharmacy in southwest Louisiana.

The lender wants to make this loan, but the current cap for SBA loans is too low at \$2 million. If the loan limits were raised to \$5 million, he said he could make this loan tomorrow, keeping the pharmacy in the hands of a local business owner and saving the jobs of 33 people.

Because of this story, and countless others just like it, I introduced S. 1832, the Small Business Access to Capital Act. This legislation will raise the loan limit cap on SBA loans from the current \$2 million to as high as \$5.5 million. The SBA estimates that this change will be budget neutral and will add \$5 billion in additional loan volume to small businesses next year alone.

In addition to raising the loan limit caps, it is vitally important to find a way to extend the SBA provisions in the Recovery Act. The Recovery Act provided \$375 million to increase the guarantee on 7(a) loans and eliminate the fees charged to borrowers. This funding supported \$16.5 billion in lending to more than 40,000 small businesses. Unfortunately, this money is almost gone and the SBA has been forced to create a waiting list for the final dollars. In a little more than a week since it began, the waiting list has grown to more than 650 businesses waiting on almost \$270 million in loans.

While the fact that this money ran out much faster than scheduled is a testament to its need and effectiveness, the exhaustion of this funding may further constrain lending to small businesses. But if we act now to extend these provisions, we could support \$18.5 billion in loans to small businesses. That is why I am committed to working with my colleagues to find a way to extend this important program.

As much as the SBA has done and can do, we must remember that it is only a piece of the overall economic puzzle. We must also look to other creative solutions that can get our nation's financial institutions lending again. The President has a proposal that would provide capital to community banks with small business lending plans at reduced rates. Several of my colleagues have proposed dedicating a portion of the unexpended TARP funds to jumpstart lending to small businesses. I think these are both worthy ideas for discussion and I hope we will have an opportunity to talk about them, and other ideas, this morning.

I strongly believe that we must use all options available to responsibly get small businesses the credit they need. If we do this, our economy will grow and small businesses will once again be our nation's engine of job creation.

I thank you for this time and I look forward to the testimony of our witnesses.