



News Release

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DPC HEARING WITNESSES SAY SMALL BUSINESS CREDIT CRUNCH IS HAMPERING JOB CREATION

(WASHINGTON, D.C.) --- Banks that have stopped lending to creditworthy small businesses that are ready to hire new employees are slowing the nation's economic recovery, small business owners and a widely-respected economist told a Senate Democratic Policy Committee (DPC) hearing Wednesday.

U.S. Senator Byron Dorgan (D-ND), who chaired the hearing said he is "furious" that some of the banks the federal government "threw a lifeline to" in 2008 "have turned their backs" on the needs of small and medium-sized businesses.

Dorgan noted that small businesses created nearly two-thirds of all new jobs over the past 15 years. Yet, according to a U.S. Treasury Department report released in late November, the 22 banks that received the most Troubled Asset Relief Program (TARP) funds have cut small business lending by \$10.5 billion over the past six months.

The committee heard testimony from three successful small business owners who are ready to expand their businesses and hire new employees. Each has been blocked by banks that will not extend credit to them, despite their profitability and strong credit histories. In all three cases, banks that had received TARP funds either froze credit lines or declined to make loans.

"Although we have received overwhelmingly positive feedback on the merits of our business plan as well as our business acumen and financial credit, banks are still not lending to us or are being extremely slow to lend to us," Alicia Lingenfelter, co-owner of 4D Equipment & Services of Dallas, Texas told the committee. "This leads us to ask: If we can't get funding, who can? ...[and] what will be the long-term impact on the local and national economy?"

Noted economist Mark Zandi told the panel that while the "longest, broadest and most severe economic downturn since the 1930s has finally given way to economic recovery...to most Americans it still feels like a recession" because of the weak job market. Dr. Zandi also stated that unemployment remains "the most serious threat to the fledgling economic recovery." Zandi recommended quick government action to resolve the credit crunch faced by small businesses and to create jobs.

The hearing was part of an effort, launched by Senate Majority Leader Harry Reid (D-NV) and led by Dorgan and Assistant Majority Leader Dick Durbin (D-IL), to develop legislation that will help create jobs as soon as possible.

"Our country has a lot of innovative, creditworthy small business owners," Dorgan said. "They stand ready to create new jobs right away, and the only ingredient that is missing is affordable credit to expand."

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