



U.S. Small Business Administration
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**Testimony before the U.S. House Small Business Committee
Subcommittee on Agriculture, Energy and Trade**

Duplication Overlap and Fragmentation in Federal Financial Assistance Programs

**As Prepared for Ann Marie Mehlum, Associate Administrator,
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Chairman Tipton, Ranking Member Murphy, and distinguished Members of the Subcommittee. Thank you for inviting me to testify on SBA's ongoing work to expand access to capital for small businesses, while enhancing collaboration and avoiding duplication with other government programs. I greatly appreciate the opportunity to discuss our lending products and successful partnerships across the federal government. As a former lender from a largely rural state, it is truly an honor to be before this Subcommittee and alongside my colleagues from USDA and GAO. Together, we are committed to providing all entrepreneurs with the tools they need to start and grow companies and create jobs.

Small businesses are the engine of our economy and one of our country's greatest assets. They employ half of the private sector workforce and create two out of every three net new private sector jobs. And at SBA, we know that innovation is hardly limited to Boston and San Francisco. It's happening in rural and industrial communities – in the South and across the Midwest. It's happening in Florida and Colorado and in my home state of Oregon. That is why we are focused on ensuring that the economic benefits of entrepreneurship reach every corner of America.

In my role as Associate Administrator for Capital Access, I rely on my 30-year career in commercial lending to inform how SBA can better support small businesses across the country. It is our top priority to fill market gaps and expand opportunities for companies that are often overlooked by investors and financial institutions. Over the past five years, our loan guarantee programs have made it possible for lenders to support more small businesses in rural and underserved communities. In Fiscal Year 2013 alone, approximately 15 percent of all 7(a) loans and 16 percent of total dollars went to rural entrepreneurs.

In order to reach even more small businesses in rural markets and ensure effective collaboration across the federal government, SBA has signed several Memorandums of Understanding (MOU) with other agencies, including USDA. Leveraging SBA's nationwide network of district offices and resource partners as well as USDA's extensive footprint of field staff in nearly every county in America, we are able to advise potential small business borrowers and lenders on both SBA and USDA loan programs. Through our collaboration, we educate each other's staff on our respective products and services, exchange marketing materials, and host joint lender trainings.

We have already seen the benefits of our collaboration through the success of countless small businesses like the Maupin Market in Maupin, Oregon. In 2011, the only grocery store in this 500-person town was slated to close, forcing residents to travel over 40 miles to go food shopping. Maupin was en route to becoming a food desert when Allison and Randy Bechtol decided to reopen the store. Unable to obtain conventional financing, the Bechtols turned to the local Small Business Development Center (SBDC) for help. The SBDC connected the Bechtols with a community bank that identified SBA's 504 Loan Program and USDA Rural Development's Intermediary Relending Program as strong matches for their capital needs. With a \$279,000 SBA-guaranteed loan and a separate loan for \$100,000 through USDA's Intermediary Relending Program, the Bechtols were able to remodel the old building and reopen the new Maupin Market. They have created seven good-paying jobs in the community and provided new business opportunities for the local farmers.

The success of SBA's strategic alliance with USDA has led to similar partnerships with the Delta Regional Authority (DRA) and the Appalachian Regional Commission (ARC). We are also working with the White House Rural Council on a number of initiatives to increase investment in rural communities. Specifically, we announced a new commitment with USDA to expand access to capital and provide targeted training and counseling services in rural markets.

SBA also supports rural small businesses through our Small Loan Advantage (SLA) platform. One of our signature low-dollar loan programs, SLA makes loans up to \$350,000 more attractive and less costly for banks. After receiving feedback from our lending partners on how to make the program more effective, we simplified the application process, allowed banks to use their own collateral, closing, and dispersing guidelines, and expanded the program to include all lenders.

We also redesigned our CAPLines program, which provides working-capital to small businesses to help them meet contract obligations and fill work orders. This streamlined, and therefore less costly, process allows banks to reach smaller and more rural businesses. In FY 2012 and FY 2013, we experienced a significant increase in activity in this program with over 1,200 loans approved for more than \$920 million. That is up from just 300 loans and \$255 million approved during the three prior fiscal years combined.

At SBA, and across the Administration, we are committed to collaborating with our federal partners to fill market gaps for loans in underserved communities and ensure that all entrepreneurs have the resources and training they need to turn great ideas into growing businesses. By taking an inclusive view of entrepreneurship, one that expands access and opportunity to more communities, we can spur new business formation, innovation, job creation, and build strong regional economies throughout America.

Thank you again for the opportunity to be here, and I look forward to answering your questions.