



**U.S. Small Business Administration
Washington, D.C. 20416**

TESTIMONY of

MARIA CONTRERAS-SWEET
Administrator, U.S. Small Business Administration

House Committee on Small Business
Small Business Administration: Management & Outlook

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Chairman Graves, Ranking Member Velazquez and distinguished members of this committee, thank you for this opportunity. Since being confirmed I have taken time to sit with many of you, and I know the members of this committee not only share my passion to promote entrepreneurship but have been actively engaged in supporting our nation's small businesses. In my meetings with the Chairman and Ranking Member I have seen firsthand the bipartisan commitment of this committee, working together to help small businesses.

I look forward to continuing this work to help these job creators in our economy realize their potential and put Americans back to work. At the SBA we remain focused on our core mission of facilitating access to capital, counseling, contracts, and disaster assistance.

When meeting with our lenders, clients, and borrowers I understand their concerns because I have been in their shoes as an entrepreneur, five years as California's chief bank regulator, and then starting a community bank. This guides my belief that the SBA can help more businesses create jobs. I have also learned the significant work that happens in this Committee, and the importance of working with you to make our programs better and the agency more efficient.

SBA's capital is infusing dollars into local markets and improving our economy. Small businesses inject capital into the economy more quickly as they cover payroll, buy equipment, and acquire local real estate. This is good for Made in America, Grown in America, and Invented in America.

In the 21st century, the SBA must be as innovative as the small businesses we serve. I want SBA to represent Smart, Bold and Accessible. This means we're implementing smart systems, so our agency keeps pace with technological advances that change how Americans conduct their business. Championing bold initiatives to open new business channels for entrepreneurs within the federal government, corporate supply chains, and international commerce. And making our services accessible to small business owners, regardless of their gender, race, age, or neighborhood.

From my first conversations with Chairman Graves and many of you, we see the prevailing challenge SBA faces is that our loan documentation is complex and labor-intensive, forcing banks to hire specialized staff, contract it out, or walk away from the loans.

We cannot afford to lose these partners and turn job creators away. To combat this we launched a predictive business credit scoring model the SBA has been developing for more than a decade – combining an entrepreneur's personal and business credit scores. This new scoring model is now available to ALL of our lending partners for loans of \$350,000 or less. Making it easier and less time-consuming for banks to do business with us – and for entrepreneurs to do business with them.

Strong stewardship of our flagship 7a program has allowed us to keep fees at zero on loans less than \$150,000 and continue to operate at zero subsidy and we move closer to zero subsidy with the 504 program.

Next year we will roll out SBA One an interactive user-friendly platform. It will automate the uploading of documents and generation of forms, and allow for electronic signatures. On each 7A loan SBA One will save banks hours of processing time and money. The combination of predictive credit scoring and SBA One will incent more banks to partner with us to promote underserved lending, generating more loans and igniting economic activity.

Being bold means opening new markets – both here and abroad. Over the next decade new markets around the world are going to open up, but only 1 percent of small businesses are selling to them. We're focused on ensuring small businesses have the financing they need to engage internationally.

I'm pleased to announce for the first time in eight years – the federal government met the 23 percent goal of federal contracting to small businesses in FY13. This was an important achievement, but we fell short of our women-owned business goal and must do more to meet that goal.

The accessible component of the new SBA is close to my heart, as the face of entrepreneurship is changing in America. More of those faces today belong to women, Latinos, African-Americans, Asian Americans, Native Americans, veterans and seniors. In addition to promoting smaller-dollar loans, we are focusing on building referral networks with microlenders so new businesses can get the start-up capital. At the SBA our team is working to find new and creative ways to put micro capital into the hands of entrepreneurs. Ranking Member Velazquez and I have seen too many entrepreneurs with great ideas and products default because of poor financial planning. We look forward to working with her and all of you to increase technical assistance to small businesses.

Our guarantees allow lenders to make loans they otherwise would not. We fill market gaps. Every dollar we inject into the economy is capital that could potentially stay on the sidelines.

Again, I want to thank all of you for your bipartisan commitment to small businesses, and how welcoming you and the entire small business community has been to me.

With that Mr. Chairman, I would be happy to take your questions.