



U.S SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

TESTIMONY OF

KAREN G. MILLS
ADMINISTRATOR
U.S. SMALL BUSINESS ADMINISTRATION

BEFORE THE

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U.S. HOUSE OF REPRESENTATIVES

“Oversight of the Small Business Administration’s Financing Programs”

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Chairman Graves, Ranking Member Velázquez and members of the Committee – thank you for inviting me to testify on access to capital for small businesses.

I’m pleased to say that the SBA hit an all-time record in our 60-year history. We supported over \$30 billion in lending to 60,000 small businesses for the fiscal year that just closed. So, how did we get here?

In October 2008, lending markets froze. Banks simply weren’t giving loans to small businesses. Then, Congress passed the Recovery Act. We were able to temporarily raise the guarantee on SBA loans to 90% and reduce or eliminate many fees.

It worked. SBA lending roared back. We brought 1,200 lenders back to SBA lending who had not made an SBA-guaranteed loan since 2007. Congress extended these provisions six times, including this quarter last year which was our highest ever. Overall, since 2009, we have supported \$70 billion in lending to about 150,000 small businesses and provided secondary market liquidity.

I’ve visited dozens of businesses that got these loans. They’ve said: “SBA saved my business.” “SBA helped me buy a bigger building.” “SBA helped me hire more workers.” Today, SBA lending is back up to pre-recession levels.

We also had an all-time record year in our Small Business Investment Company program, with nearly \$2.6 billion in financings. This is a program that targets high-growth small businesses – the main drivers of net new jobs. We also streamlined SBIC, which cut licensing times for new fund managers from 15 months to less than 6.

Throughout all of these programs, we foster strong public-private partnerships that help us foster small business financing beyond just SBA. In fact, we recently secured \$20

billion in additional small business lending commitments from 13 of the largest U.S. banks over the next three years. They plan to target underserved markets, in particular.

At the same time that we expand access, we have made it a priority to go after fraud, waste, and abuse in all of our programs. As I've testified before, we use a comprehensive three-pronged approach. Up-front eligibility to make sure loans flow to the intended recipients. Continued monitoring and oversight, including of our lending partners. And enforcement efforts to pursue fraud and bad actors.

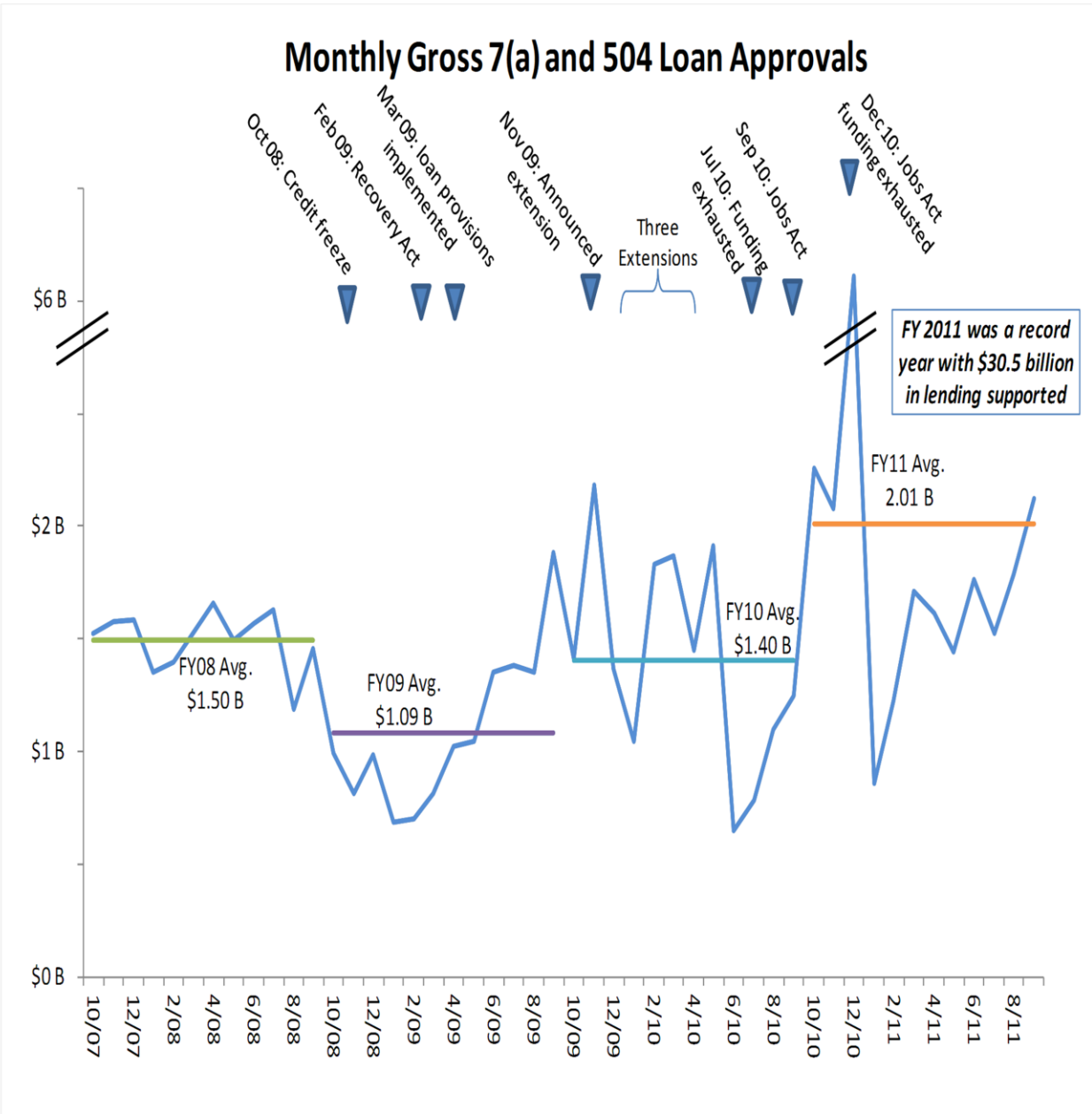
Overall, we have made credit risk management a greater priority throughout our lending enterprise. For example, when a loan comes in from a lender whose risk level has risen, we flag the loan and scrutinize it more closely. In addition, we have worked with our Inspector General to share best practices in identifying loan-agent fraud.

Finally, the core of the American Jobs Act is helping small businesses create jobs. We're asking Congress to pass this bipartisan, paid-for plan that will put more money in the hands of America's biggest job creators. Three quick examples: It cuts in half the payroll taxes for all small business owners, with even more cuts for those who give raises and hire more workers. It gives big tax credits for hiring veterans and the long-term unemployed. And it makes much-needed investments in schools and transportation – and small businesses can compete for those contracts.

Right now, we're embarking on another critical year in SBA lending.

We will continue to leverage our existing authority and fill market gaps so that entrepreneurs and small business owners can continue doing what they do best – create jobs.

The Recovery and Jobs Acts drove significantly improved monthly loan volumes that led to a record year.



NOTE: All loan volumes are gross loan value approved. Typically, due to cancellations and loan size reductions, approximately 9-12% of gross approval value does not get disbursed.

FY2011 was an all-time record year for the SBIC program

