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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

October 23, 2007

VIA FACSIMILE & FIRST-CLASS MAIL

The Honorable Steven C. Preston
Administrator
U.S. Small Business Administration
409 Third Street, SW, Room 7000
Washington, DC 20416

Re: U.S. Small Business Administration's Inspector General's Report No. 7-28 on
SBA's Oversight of Business Loan Center, LLC

Dear Administrator Preston:

As you know, the U.S. Small Business Administration's Office of Inspector General issued Report No. 7-28 on SBA's Oversight of Business Loan Center, LLC (OIG's report) on July 11, 2007. The report resulted from an audit performed due to an OIG investigation of allegations regarding fraudulent loans originated by Business Loan Center, LLC. The OIG report was posted last week on the OIG web site so the public could have access to it, but was heavily redacted at the request of SBA. In response to the redacted report, I am writing to request the following documents:

- Any Freedom of Information Act (FOIA) handbook or guidance that SBA utilizes;
- A detailed explanation of the FOIA exemption and basis of the assertion of such exemption for each redaction made to the IG's report.

I understand that SBA is asserting three exemptions—trade secrets, deliberative process privilege, and banking examination—to deny full public disclosure of the IG report. The OIG has stated that it does not necessarily agree with the extent of the redactions, and I am inclined to agree. For example, it is surprising to see that the first three of the OIG's recommendations and both the agency response to the OIG recommendations and the OIG's comments on the response were redacted. What is the justification for those redactions?

Other examples of questionable redactions include: large portions of the "Results in Brief" section; the titles of some sections in the full "Results" portion of the report; and the entire Chronology of Events (Appendix III). Please provide the exemptions you are citing and detailed justifications for those and all other redactions in the report.

Furthermore, please explain what the SBA is doing to respond to the recommendations in the report to improve lender oversight in order to mitigate any further fraud.

The Honorable Steven C. Preston
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I request that you provide these documents no later than October 30, 2007. Thank you for your timely attention to this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "John F. Kerry". The signature is stylized and cursive, with a large initial "J" and "K".

John F. Kerry
Chairman