



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

JAN 25 2005

The Honorable James Jeffords
United States Senate
Washington, DC 20510

Dear Senator Jeffords:

Administrator Barreto has asked me to respond to your letter of January 18, 2005, regarding the discontinuance of the U.S. Small Business Administration's (SBA) Non-Lending Technical Assistance Program (NTAP) grant funding in Fiscal Year 2005.

The SBA has considered several key factors in our decision on how best to allocate Technical Assistance (TA) resources including services to borrowers, maximizing program strength and fiscal prudence. The Agency decided that the best way to allocate our resources and to provide the most effective Microloan Program was to concentrate resources on the microloan intermediaries and their borrowers, SBA's ultimate clients. Due to the level of available funding, the need to protect taxpayer interests by supporting the outstanding and expanding portfolio of loans made to and by intermediary lenders, and the need to exercise prudent funding decisions, SBA will concentrate its grant resources on the Microloan Program's loan portfolio.

TA funding for SBA microloan intermediaries is already reduced. For Fiscal Year 2005, the maximum grant to a microloan intermediary is 21 percent of the outstanding balance owed to SBA. This is reduced from 25 percent in Fiscal Year 2004. Funding NTAPs would only reduce it further. This would put the existing microloan portfolio at serious risk.

Our decision focuses TA resources on SBA microloan borrowers, increasing their chances of success and repayment, and protecting the Federal government from potential losses. The Agency continues to be committed to connecting low and moderate -income entrepreneurs with private sector financing by providing technical assistance and training resources through its Small Business Development Centers, its Women's Business Development Centers, its 24-hour on-line training classroom, and via the Service Corps of Retired Executives.

We appreciate your support of the Vermont small business community. A similar response is being sent to Senator Leahy. If you or your staff have any questions, please contact C. Edward "Tee" Rowe of the SBA Office of Congressional and Legislative Affairs at (202) 205-6700.

Sincerely,

James E. Rivera
Associate Administrator
for Financial Assistance

SBA IS AN EQUAL OPPORTUNITY EMPLOYER AND PROVIDER