

**Testimony
of
Margot Dorfman, CEO
U.S. Women's Chamber of Commerce**

Before the House Small Business Committee

**Hearing on Creating Opportunities for
Small Businesses in an Economic Recovery
October 28, 2008**

I have five words for you: Big, Bold, Simple, Focused, and NOW

Chairman Velázquez, Ranking Member Chabot, and Members of the House Committee on Small Business, my name is Margot Dorfman and I am the CEO of the U.S. Women's Chamber of Commerce (www.uswcc.org). Thank you for this opportunity to speak on behalf of the millions of small business owners, their employees and families nationwide who are scared, hurting, and watching during this economic crisis while Washington focuses on corporate executives and big Wall Street bailouts instead of getting down to Main Street America where jobs are created, families are fed and mortgages are paid to get credit flowing and raise consumer confidence.

I am hearing every day from small business owners who are very frustrated as they watch while Secretary Paulson and President Bush repeat the failures of the past by always looking out for the corporate executives at the top instead of realizing that the whole fabric of our financial system is in peril. Pouring billions of tax payer dollars in at the top of the system in no way assures that a small business owner in a local community is going to be able to get their line of credit increased during this abrupt economic slowdown.

Our members are angry that the federal government is giving tax payer money to big companies that have been horribly irresponsible while responsible small businesses are not getting the money they need to keep their doors open. As one of our members said about her business,

“Please try to get us help ... I don't want to lose my company; we have 40 families that we provide for and it is a big responsibility that I take very seriously..”

On behalf of the millions and millions of American small business owners, I implore you to act now with a big billion dollar punch that will reach directly to the credit needs of small business owners. We need you to be bold and decisive. We need you to aggressively work to restore consumer confidence. And we need you to **DO IT NOW**.

I'd like to take a moment to give you some insight into what I am hearing from our members. We have been surveying our members to get a clear look at this issue. They tell us there are three key problems.

First - consumer and business confidence is falling rapidly and creating a sudden contraction in business revenues. Because people are scared, they are not spending -- even if they have money to spend -- which is only adding to the problem. Our leaders need to be in front of the public every day working to calm fears, communicating pathways to assistance, and showing Americans that you are not JUST hoping that the big institutions will take care of this capital problem. Small businesses are the lifeblood of the American economy -- and leaders of the small business community should be actively engaged with you every single day during this crisis.

Second - lenders aren't lending and lines of credit are shrinking without cause at the worst possible time. Our members that have reached out to us tell us in the last ninety days, fifty-three percent are tapping into their own savings, sixty-three percent have turned to credit cards, and twenty-four percent have turned to friends and families for loans. And, business owners are telling us they are downsizing their employees or independent contractor force in alarming numbers. Seventy-one percent of businesses who have reached out to us say they have downsized in the last ninety days. Sixty-nine percent have seen their revenues drop. Thirteen percent say, if economic conditions do not change, they may be closing their doors within ninety days. Only twenty percent have seen revenues increase -- and these businesses also cannot secure the capital needed for their cash flow needs.

Third - the cost of credit (when available) is going up. Thirty-eight percent of businesses reaching out to us tell us that their credit card and loan rates have gone up in the last ninety days, twenty-two percent tell us their credit limits have been reduced, and seventeen percent have had their lines of credit halted.

Here are some of the comments I have received from our small business owners. Patricia from Florida says “American Express cut my line of credit by \$10,000 for no reason leaving no available cash to weather the slow down.” From California we hear, “I have two lines (of credit). With 60K with Wells Fargo; they just decided to decrease it by fifty-percent. \$50K with Bank of America. I asked for \$10K to meet immediate payroll and was turned down. I am a customer for 20+ years and run millions of dollars through their bank, have three business accounts, two personal accounts, and have a 750 credit score.”

Beatriz in New Jersey told us, “My existing business line of credit was reduced from \$2M to \$1M.” And from Michelle in Virginia, “With the recent financial declines it has been like dominos. One after another, credit lines and credit cards cancelled! Accounts that I have had and maintained just closed.”

This committee and Congress should take legislative action to help restore the flow of credit and capital to small business owners as soon as possible. And, you should encourage the Small Business Administration to take immediate administrative action to loosen lending operating procedures. Additionally, as small business leaders within Congress, we hope you will speak up for us with your Congressional counterparts in other committees to make sure that main street America is supported through this tough time.

Specifically, with regard to SBA backed lending programs, I encourage you to:

- Increase loan guarantees and limits;
- Increase lending authority;
- Lower borrower, lender and oversight fees;
- Loosen up rules on credit worthiness;
- Loosen up equity injection rules and be aware that “home equity loans” often used to get the cash for equity injections may be very difficult to secure;
- Relax the rules for refinancing (For many small business owners, credit cards are replacing lines of credit that have dried up. The SBA needs to make it easier to refinance this credit card debt into better structures with better terms.);
- Relax life insurance and job creation requirements.
- Allow those with current SBA loans to restructure them to reduce payments

I encourage you to focus on getting the cooperation of the lending community by keeping the solutions simple to implement by using existing systems, lowering the lender and oversight fees and assuring the lending community that any new programs, rules or procedures will be in effect for at least two years. And, use this opportunity to re-engage regional banks who may have dropped out of the SBA system or who have reduced their activities over the last few years. We need to revitalize our lending infrastructure so that we are not so reliant on a few big banking institutions.

As you make legislative and administrative changes, don't forget the SBA is not the organization it used to be. Eight years of budget cuts and poor executive leadership have gutted the organization. Many long time, skilled employees and managers have left. While you may be tempted to begin direct lending, if you do, the massive scale of what is needed may totally overwhelm the capacity of the SBA infrastructure. Even now, we continue to hear that the SBA is not adequately supporting the businesses who are struggling Katrina disaster victims (and again who have been impacted by Gustov and Ike). I believe we would be much better offer incentivizing banks to get back into lending with a specific pool of money made available only for small business lending.

We have to hold banks accountability for providing loans – or stop giving banks tax payer provided bailouts.

And we should dramatically increase transparency by putting into place a public reporting system that provides regional reports every thirty days on SBA lenders so that small business owners can look-up lenders who ARE lending in their region including the number of loans, types of loans, industry of the recipient, and loan amounts.

I encourage Congress to take additional actions – beyond small business lending – to help business owners get through these hard times. Congress should expediently pass another stimulus package to put additional funds in the hands of consumers, lower small business taxes and penalties, delay tax payments, delay retirement account payments, and extend the amount of and period for loans against retirement accounts. And, most importantly you must take action to reduce health care costs. We are overwhelmed with the cries from our members as they are left with no good options to protect their families and their employee's families while watching their margins shrink and their cash flows dry up.

And finally, specifically speaking of women-owned small businesses, I encourage you to remember that our businesses are already at a disadvantage as the SBA regularly lends smaller amounts to our firms, and our firms tend to be smaller than the market whole. I encourage you to make sure that the lending programs reach to our marketplace so that we may leverage the resources necessary to keep our doors open and drive future growth. For instance, establishing a special 2-year look-alike of the Patriot Express lending program with loosened administrative rules, higher guarantees, and greater lending authority would quickly and directly assist many of our members to keep their doors open.

And, I encourage you to take action to implement the eight year old women's federal procurement program as Congress originally intended. We find with the recent 2007 goaling report that the federal government is still shutting out women-owned firms at an alarming rate. Many, many of our members have told us over the last ninety days that receiving fair access to federal contracts could certainly assist them with their business growth at this important time.

In closing, I have five words for you: Big, Bold, Simple, Focused, and NOW. We need you to champion our needs now before it is too late.

House Small Business Committee Hearing 10.28.2008
Addendum
A Sampling of Small Business Comments
Received by the U.S. Women's Chamber of Commerce

“It really feels like really small business like ours is invisible to our government.”

“Raw materials, shipping.. killing us!... as are higher minimum wages, workers comp costs, fearful of mandated 'benefits' that may be forced on my company!!!! (HEALTH INSURANCE) City business taxes are unreal and almost punitive. Costs rising everywhere and my products pricing cannot be raised more.”

“My LOC has been frozen until I payoff the balance of \$19,000. Then they will 'consider' releasing the LOC with a limit of \$10,000. Understand, in the beginning when I used the LOC, I would pay it off within 6 months each time. However, over the last 12 months I have carried an increasing balance on the account, but have not hit my max limit. Nor have I been late on a payment and have always paid more than the payment due - makes no difference, my credit has been turned off.”

“We need help now! If something doesn't give soon, I will most likely be out of business within the next 6 months.”

“I am concerned about health insurance...there's no way I can afford it...it's a luxury item given the amount of money I pay to the feds and rising costs re: operation of biz...seems like the rich get richer and the rest live hand to mouth. I'm disgusted with the bailout and our hourglass economy...middle class getting the squeeze. the gov spending 10-12 billion a month in Iraq but I don't get a break ever. Gov could give every man woman and child in this country a million bucks today and it would be a drop in the bucket compared to the misuse of the tax money I'm forced to give crooks...I could go on but what the heck....the folks in power don't care about me as long as they've got great benefits...health care, retirement, perks, etc., and they work fewer days than me and talk talk talk about the same issues year after year.. what's changed? The rich get richer and the little guy gets the shaft!”

“Instead of a "stimulus check", Congress needs to get the banks and the credit card companies to be able to loosen up the lending. Also they need to start doing some EFFECTIVE PR telling the American Public that the sky is not falling. People are scared so they don't want to spend. Business is stymied because it is so hard to get money. Banks are scared so they are caught between a rock and a hard spot. Lend to pay the bills, don't lend so you don't lose. The WORLD

needs to hear so good news. Not that taxes are going up. Handouts are going up and values are going down.”

“Our business is ranked "Most Outstanding for quality of service and turn-around time" statewide. We have a strong customer/retail base and fleet accounts and maintain an extremely steady flow, yet our larger accounts are all on SLOW payment terms with us creating difficulty for us to make our payments on time. This has caused our interest rates on credit lines/ or cards to go through the roof and the credit companies will not work with us, therefore we are paying thousands a month in interest now putting us behind on our monthly obligations such as heat, rent and loan payments.”

“The economic downturn is frightening. We are wondering how we will make it through the winter. We are laying off, cutting costs already cut, but nothing is enough.”

“The more Congress can reassure the American public, and stop the panic, the better off small businesses will be. My company is suffering because everyone is frozen in fear: consumers aren't spending, big businesses are cutting back, and it's having a trickle-down, trickle-up ripple effect on small companies like mine.”

“Our firm has seen a marked decrease in future request for services. Large, mid and small scale projects are being put on indefinite hold or canceled altogether as funding for them are more difficult to secure on the owner level. What was on track to be our first million dollar year - well that isn't going to happen. We are struggling to get paid on executed work from stressed steel fabricators who are seeming to hold on longer to their capitol. One fabricator arbitrarily had to change the terms of our invoices from 30 to 60 days or more - for a small business, the difference may be someone's job.”

“Provide extended grace period for payments into small business retirement programs comments.”

“I am closing my business with \$70,000 loss in personal income causing \$70,000 in debts that I need to repay. Help me with this burden by exempting my losses and lowering my next years taxes.”

“I can not compete with competitors since they purchase goods for mfg whereas I do not. I am using every means to stay in business because over 80 families depend on my company. As a beverage manufacturer, it is critical that my capabilities stay current with or ahead of the competition. These changes in 2007 and 2008 were financed with my savings and other

borrowed cash. When I applied for an SBA loan for new line, my current financials were not strong enough. This is the chicken and the egg without sound funds, I can not grow but without current customers and funds, I can not borrow money! In addition, my cost of utilities is 4X my competition and I have not been successful getting support from local government. I am a fighter but these last 2 years would have put a 'normal' person under! I need help now not 2 years and a mound of paperwork.”

“I also feel that the government should have some type of protection for the small business owners to compel their contractors/clients to pay the amounts due. We should have some type of inexpensive fail proof system to collect funds that are due - most contractors and/or homeowners know that all they need to do is wait out the 4 month period for a lien and it will drop off because it will cost us too much money to pursue thru litigation. There should be a revolving credit line available to small businesses to enable us to keep the cash flow. All banks should have overnight clearance and check scanners in office (for a lot less than they are offering at the bank)for checks so we do not have to go to check cashing places to keep up with the pressure being put on us by vendors and insurance companies. ALL insurance companies should not be allowed to demand full payment of premiums or be cancelled they should be demanded to accept payments as long as there is money coming in on the policy it should remain in place - we have been in the middle of this all week - Liability and Workers Comp (with AIG) renew this week - I am scraping up scraps of money to renew my policy while they are having Luxury parties for costs more than my policy - how do you think I feel. My insurance has to be paid in full \$10,000 by midnight tonight or they are canceling they will not accept 5,000 of the 10,000 - they want it all or nothing - meanwhile it does not end until March - THIS IS OUTRAGEOUS. We are beat down by these large companies demanding what they want and we have no one to stand up for us. PLEASE CHANGE THAT. My plumbing & heating company survived 911 by filing chapter 11 and successfully following the plan until the gas crisis in July - I have 15 trucks and it killed me. The gas has come down but now it is the insurance and the vendor crunch. Please try to get us Help in all of these areas I don't want to lose my company we have 40 families that we provide for and it is a big responsibility that I take very seriously. Anything that you do helps us all. I appreciate your time.”

“It seems the world is holding its breath; business has slowed to a standstill even for exports? Everyone seems to have reduced purchases and obligations are still mounting. Our government should spend more here at home to help our businesses rather than using our taxes to help so many other countries. Give help to U.S. manufacturers now please....”

“The SBA as a source of help to small businesses like mine is a joke. I was forced to turn business away because they would not do a consolidation loan, so that I could free up money to hire more people. If you would like more info call me.”

“We balled out Wall Street, lending money to the imprudent and irresponsible all at the expense of the working class, WITH NO STRINGS ATTACHED. Imagine if I were to go to the bank for a loan showing the financial presented, on the brink of bankruptcy, what do you think my banker would say? He isn't going to say, "Penny so sorry you made such bad business decisions, here let me give you....1 million and you can go on a cruise, invest in your company, it okay!! NOT ON YOUR LIFE.”

“Give us a direct Line of Credit (not through the banks) and let us grow. I have so many opportunities to grow but the government and taxes are KILLING my business. I am responsible and know how to cut expenses but the government just keeps taking and when I can't pay taxes on time because I have to use that money for cash flow, the just tag on penalties, and interest. Give me a line of credit and I will pay my taxes with it and get a decent interest rate with out Penalties which would not hurt my credit score.”

“This is a terrible time for everyone, not just women, and the Fed is, as usual, really out of touch with small business owners. I do not feel that we are their priority. I have been owed government funds for work I have done and the money has been "held up" since June, 08 -- that's 4 months. I resent the fact that I am quick to be charged taxes, but when the Fed owes me money, I need to wait an inordinate amount of time.”

“If the US Government is truly interested in helping small or woman owned businesses, they will give us more of their business. This would be the real solution and I don't feel it's going to happen.”

“Taxes are killing me - Employee taxes, Health Insurance benefits too. Cash flow stinks, every client - even my best one's are sloooow paying.”

“Margot, As always, I am available to assist to contact many small businesses that are being currently impacted, but also still devastated from Hurricanes 3 years ago and now Gustav and Ike. No hurricane assistance that devastated small businesses can benefit from.. has been given yet for Gustav and Ike. Not many can benefit from SBA.” (Submitted by Cathy Denison, who testified for the hearing on Disaster Relief some years ago.)

“The bank which gave us the SBA backed loan gave us APR terms which kept going higher and higher, until recently. The interest on our note should have been fixed and low, and we thought that would be the case when we got it. However SBA claims that it is up to the bank to give whatever type of loan they wish and they couldn't do anything about it.”

“The use of CORN for fuel has directly affected my cost of goods sold! I am a SALSA manufacturer and do not use chemicals in our products. We use ascorbic acid-vitamin C (a CORN DERIVATIVE) as a natural preservative. The cost has gone from \$4.50 a kilo to \$33 a kilo!! Packaging (glass and plastic) has gone insane due to all the building going on in CHINA and I am having a hard time keeping my prices competitive.”

“Bankers only look at your credit score. My business generates approx \$35k per month in federal contracts but my credit score is low so I am turned down everywhere. My male competitors have gone into bankruptcy/lost major contracts/not paid federal tax liens but the banker loans them millions over and over.”

“If the government could make non-qualifying micro loans of 25-50k or less to small businesses that would substantially help keep jobs in place and steady the small business sector...kind of like a Direct student loan of sorts.”

“I am losing customers almost daily, and the customers I do have or becoming delinquent on their payments. Their delinquency is causing my financial hardships.”

“With the recent employee tax rate increased I had to lay off two full-time and two-part-time employees. I now have to try to manage all the administration needs as well as the sales for re-orders. It's an overwhelming burden and if taxes are raised even more I will close my business. My house is in foreclosure and there is no relief in sight for us!”

“I have been forced to file bankruptcy to save my home and business, something I have never had to do. Business is so slow now that I will have a hard time meeting the financial requirements of the bankruptcy. I have to keep my business going, everything I have left is tied into it. There are no other jobs for me to apply for. The remainder of employees are starting to leave and try elsewhere. Please help! It all started when I missed and became late with my mortgage payments. At the time the lenders would not work with me. Now it has come to this. If I have to close my doors that will put 5 more people out of work.”

“Sales is the solution to our economic downturn and need for capital. Small companies like mine can not compete with the lower prices offered by competitors. We need no less than one percent of the procurement budget earmarked to vendors who have no procurement contracts. These vendors can be grouped in categories depending on what products they offer. The vendors from each category are chosen in order from a rotating list for purchases at a set dollar amount. The government buyers must have the ability to buy using a debit card, which streamlines the payment process. A major source of capital drain is the so-called fees being charged by financial

institutions. This additional interest for them provide enormous bonus to the executives. The effect on the consumer and small business owner is causing daily financial distress. We must have an end to the 'posting' and other games financial institutions now use to overdraw our accounts. They are draining off the small amounts of cash flow we have available in our checking and other accounts. It is a sin how we are robbed daily of our hard-earned funds by the financial institution's usury interest which they call fees.”

“With the economy where it is small businesses are the key to recovery. I resent huge businesses and specifically banks get bailed out when a company like mine working hard, woman owned are told "you are a bad risk"! It is insulting when the bonus the salary that a failed single CEO will make even after this bailout is enough for me to grow my business and put 2 or even 3 people to work. This is not even looking at the huge bonuses. We are so messed up as a country. "This" CEO who again has FAILED, will buy a car or put money he made in to investment for himself... I would put it into my company...and actually grow something, more than my pocket book. I am disgusted. If you are small and have no voice, you get turned away, if you cant make your bills, you go under...if you are large and can lobby or take out a whole economy, you get a huge return...and NO ramifications just a 2nd chance. and then actually have a say in the terms of the bail out...my credit card company does not let me dictate the terms. why should the banks have anything to say about who I the tax payer bails them out?”

“Our biggest challenge is cash flow. We have relatively solid receivables, but they are extremely slow in coming in from our contracts. Also, I had to take a loan from my 401K and am required to pay it back. I am behind in payments due to cash flow constraints. However, I still have to pay income taxes on the payments made, even though I used it to fund my company operations. I shouldn't have to pay taxes on those payments back to my 401K. These fund were used to pay my employees and vendors.”

“Congress needs to provide tax incentives to women owned small businesses that purchase new equipment, hire new employees or expand facilities. In addition, there needs to be a cap on interest rates for Credit Card companies and a revision and stricter regulation over credit agencies and reporting as there is often inaccurate and incorrect information in these reports that affect credit that is beyond the consumers control. They need to make it easier to correct these errors and more difficult for companies to make erroneous or quick reports without trying to remedy the situation and make sure information reported is correct. Credit companies should not be able to change the rules at any time and increase fees, interest and lower credit lines at will. Payday lenders have come under fire and many states limit their interest rates to a cap of 28% this should be an across the board ceiling for all creditors. More low interest loans should be available to women business owners and a level playing field in bidding for projects and access to venture capital. Congress should provide tax credits to investors who invest in women owned businesses.”

“I HAVE APPLIED FOR A LOAN WITH THE LOUISIANA ACADIANA REGIONAL DEVELOPMENT SINCE JULY 2008 AND THEY STILL HAVE NOT RESPONDED. I HAD DAMAGES TO EQUIPMENT DURING THE HURRICANES AND SBA WOULD NOT GIVE ME A LOAN BECAUSE THEY FEEL MY OBLIGATIONS ARE TO HIGH. I AM IN A POSITION WERE IF SOMETHING DOES NOT HAPPEN SOON I WILL NOT BE ABLE TO REOPEN MY BUSINESS FOR THE COMING TAX SEASON!!!!!!!!!!”