

Louisiana Field Hearing Testimony
“Keeping America Competitive: Federal Programs that Promote Small Business Exports”
SBA Administrator Karen Mills
6/30/09

Thank you, Senator Landrieu. The people of Louisiana and America’s small business community are fortunate to have such a strong voice for them in the U.S. Senate.

It is also a pleasure to be here with Ambassador Ron Kirk, Chairman Fred Hochberg of the Export-Import Bank, Acting Deputy Assistant Secretary Patty Sefcik at the U.S. Department of Commerce, and everyone who has joined us today.

Truly, it is going to take all of us working together to “keep America competitive,” as the title of this hearing states.

Madam Chair, I am pleased to share the SBA’s efforts to help small businesses compete in the global marketplace.

The SBA provides access to capital for small businesses on Main Street and to some of the country’s high-growth, high-impact small businesses.

The SBA has a portfolio of loans and loan guarantees of more than \$80 billion.

We have 68 district offices, including one here New Orleans.

We have more than 2,000 employees as well as more than 1,200 trained standby employees who can be deployed to communities affected by disaster. We also have 18 Senior International Trade and Finance Regional managers around the country.

Our partners include nearly 900 Small Business Development Centers (11 in Louisiana), more than 100 Women’s Business Centers (2 in Louisiana) and 350 chapters of our mentoring program called SCORE (5 offices in Louisiana).

All told, our network includes about 14,000 SBA-affiliated counselors.

We know that this is a tough time for small businesses to gain access to capital. Since the Recovery Act passed, we have redoubled our efforts to put more money in the hands of entrepreneurs and small business owners.

We raised guarantees on 7(a) loans to 90% and reduced or eliminated fees in our flagship 7(a) and 504 loan programs. As a result, SBA loan volume is up more than 35%¹ compared to the weeks before the Recovery Act. Also, we’ve brought nearly 600 banks and credit unions back to SBA programs, nearly half of whom had not participated since 2007.

For Louisiana, this has resulted in \$55 million in lending support for nearly 200 small businesses throughout the state.² Two quick examples:

¹ Comparison of average weekly gross approvals in the 7 weeks before ARRA signing to average weekly gross approvals since then

² Gross loan approval value. Typically, due to cancellations and loan amount reductions, 15–20% of gross approvals are not disbursed. Includes estimate of 504 third-party first mortgages (calculated as 125% of SBA 504 debenture portion due to the typical “50/40” split between the third-party and SBA portions of a 504 loan)

In West Monroe, Sawyer Industrial Plastics has provided plastic repair parts for the paper industry for 32 years. The owner was shifting his strategy to a new market when his conventional credit was canceled. The SBA loan of \$700,000 was a lifeline, and the fee savings allowed him to add an employee to help with his new products.

Just north of here in Mandeville, Woolf-Harris plumbing bought a new building but they were left short of cash, even though demand for their products and services was high. With the increased guarantee, a local bank was able to extend \$250,000 for working capital through a 7(a) loan.

Nationwide, about 20 percent of these loans have gone to minority-owned businesses and 19 percent have gone to women-owned businesses.³ In fact, SBA loans are three to five times more likely to be made to women and minority owned businesses than conventional loans.⁴

In addition, just two weeks ago we opened up a brand new program called America's Recovery Capital (ARC) loans. These loans are providing the relief that many viable but struggling small businesses need. ARC loans are: 100% guaranteed by the SBA, up to \$35,000 over 6 months, interest-free for borrowers, and have no repayments for 12 months after the final disbursement.

The Recovery Act also provides billions of dollars in contract opportunities. We are responsible for making sure that small businesses have opportunities to deliver at least 23% of federal contracting. This is a win-win situation. Small businesses benefit with increased volume and sales, and federal agencies benefit by working with the most innovative companies, often with a direct line to the CEO.

All of these efforts with the Recovery Act are aimed at building a stronger foundation for small businesses to grow and explore areas such as international trade.

Overall, small businesses accounted for more than \$500 billion last year in export sales or nearly 30%.

It is still difficult, though, for many small businesses to know exactly what steps they need to take to reach potential export markets.

In Fiscal Year 2008, the SBA facilitated more than 3,300 loans for exporters. In the Louisiana and Texas region, we were able to provide training and counseling to more than 300 lenders and more than 600 small business owners.

With our international trade loans, the Recovery Act has allowed us to establish a 90% guaranty across all programs and to waive our upfront fees for borrowers on loan terms greater than 12 months.

For example, the Export Working Capital Program loan is coordinated through our SBA staff that work in collaboration with the Department of Commerce at 18 U.S. Export Assistance Centers around the country. In addition, we have a growing number of Preferred Lenders who we delegate the authority to process EWCP loans directly to our Loan Processing Center in Sacramento. These loans are important because small businesses often need an initial line of credit for suppliers, inventory, or production of

³ Demographic data is self-reported.

⁴ According to the Urban Institute.

export goods – especially when the first big order from abroad comes in. The SBA provides up to nearly \$1.7 million for these loans, and we can also co-guarantee with the Export-Import Bank on loans up to \$2 million.

Another key program is the Export Express loan, which can be up to \$250,000 and can usually be approved within one or two days by an SBA Express lender. These loans can be used to enable a small business company to prepare for exporting. For example, it can help with translation of a business website and marketing materials. Also, it can help them participate in trade missions.

So far for this fiscal year, the SBA has guaranteed 598 loans to exporters, and we are working tirelessly to continue our outreach and advocacy for small business exports both here in Louisiana and throughout the nation.

As part of that, I am pleased to say that we are in the process of hiring our newest Senior International Trade and Finance manager, who will be permanently assigned to the U.S. Export Assistance Center here in New Orleans.

With all of these efforts, I am pleased to be working with Ambassador Kirk, Chairman Hochberg, Secretary Locke, Acting Deputy Assistant Secretary Sefcik and other agencies represented by the Trade Promotion Coordinating Committee.

Through our collaboration, we can ensure that small business will build a stronger foundation of American competitiveness while creating well-paying jobs in the 21st century.

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