

**US Chamber of Commerce
Small Business Week Summit**

Washington, DC

As prepared for SBA Administrator Karen Mills

May 13, 2009

Thank you, Tom, for that introduction, and **a special thanks** also to Tom Donohue and everyone at the Chamber who played a role in organizing this summit. It is a pleasure to be here among America's small business leaders and advocates, and it is an honor to speak at this important conference.

It is a privilege to serve as the Administrator of the SBA and to lead a team that is playing such a crucial role in our nation's economic recovery.

You all know **better than most** the important role small business plays in job creation in this country.

- Small businesses created roughly 70 percent of all new jobs in the past decade.
- They are responsible for the majority of private sector jobs.
- **And it is small businesses that will lead us to a better economy today and in the future.**

Now, America’s entrepreneurs and small businesses also have a visible and vocal advocate in our President. In a recent speech, he talked about how small businesses are often born in **family meetings around kitchen tables**, and he described small businesses as being “**the heart of the American economy...**” and part of **the path to the American Dream**.

If we look back, we can see this story repeated throughout our nation’s history. America’s entrepreneurs and small business owners have proven that the American Dream is **powerful, resilient and adaptable** – leading us time-and-time-again toward greater economic growth and stronger international leadership.

As I believe Secretary Locke mentioned yesterday, in the 1930s, President Franklin Delano Roosevelt understood the critical role that small businesses would play in leading the country out of an economic crisis.

In fact, FDR appointed many of his most capable and dedicated workers to lead the Reconstruction Finance Corporation – the RFC – which is considered to be the predecessor of the SBA. The RFC coordinated a number of activities, including a lending program for businesses hurt by the Depression.

In other words, the RFC put capital in **the one place** where it would have the most impact – **the hands of hardworking entrepreneurs and small business owners.**

Today, **we can see a parallel** to both the challenges and opportunities faced at that time. We see businesses that are having problems staying creditworthy. We have banks tightening their lending criteria. We have liquidity problems in our markets, and much more.

At the same time, though, we **also see a parallel** in that we have an Administration which values the importance of taking bold action to meet the needs of entrepreneurs and small business owners.

With that in mind, **today I'd like to discuss the near-term accomplishments and goals for the SBA related to the Recovery Act... and then I'd like to address the mission of the SBA and our vision for its future.**

(Recovery Act)

The SBA-related provisions of the Recovery Act were designed *not only* to help entrepreneurs and small businesses keep the doors open... *but also* to help them grow and create jobs.

I'm pleased to say that they are doing just that.

First, of the SBA's \$730 million in Recovery Act funding, over half – \$375 million – is targeted to temporarily increase the federal guarantees and reduce or eliminate fees on our two largest lending programs – the 7(a) and the 504.

Already we are seeing results. About 10,000 Recovery Act loans have been approved providing overall funding for about \$3.3 billion in credit support to small businesses. Also, the average weekly loan volume is up over **25% percent** compared to the weeks prior to the Recovery Act's passage.

This increased lending is partially due to the fact that lenders are returning to these SBA loan programs, or, in some cases, participating for the first time. More than 1,200 lenders have approved 7(a) loans as part of the Recovery Act. Of these, more than 360 lenders had not made a loan since October 2008, and about 40 percent of those lenders had not made a loan since at least 2007.

And we are hearing powerful stories from around the country about these loans.

In Rio Rancho, New Mexico, Lena Smith and Robert Metz received a loan of about \$3.7 million to build an assisted living facility for seniors with dementia. *Not only* will this help meet a critical health care need for families in that community, *but also* this financing is projected to create 75 new jobs. **The Recovery Act saved them more than \$31,000 in fees.**

In Troy, Ohio, a new start-up company called Dayton International Tire Recycling secured a 1.7-million-dollar loan for equipment with the help of the SBA. Through the Recovery Act's elimination of borrower fees, the **company got a refund of more than \$45,000.** The company's owner Dave Musgrave **has applied those funds to help get the company off the ground, and he hopes to have 34 employees by January 1.**

And in **Rhode Island**, an SBA-backed loan helped the state's largest family-owned shoe store stay in business. Joseph Jamiel says the \$400,000 loan he secured from Coastway Credit Union for Jamiel's Shoe World gave him "a second chance at saving the family business." The loan reduced existing debt and provided the capital to consolidate operations in a single location. **He saved more than \$10,000 in fees through the Recovery Act.**

That last anecdote **really hit home** for me, because I remember going to Jamiel's to buy shoes for my three boys when they were young.

These are only a small sampling of the stories we are hearing. All told, these changes to our top two lending programs **have already saved or created tens of thousands of jobs throughout the country.**

Moreover, we are pleased with the wide diversity of Americans who are benefiting from these loans. SBA backed loans are three-to-five times more often made to minority- and women-owned businesses than conventional small businesses loans made by banks, according to a recent study by the Urban Institute. That's why we are proud that under the Recovery Act, 25 percent of SBA loans have gone to rural businesses, 22 percent to minority-owned businesses, 19 percent to women-owned businesses and 9 percent to veteran-owned businesses.

And we're not stopping there.

- We have temporarily expanded eligibility for our 7(a) program to include businesses and their affiliates with net worth **not greater than \$8.5 million** and an average two-year net profit of **not greater than \$3 million**. We estimate that this will expand eligibility to 70,000 additional businesses who wouldn't otherwise qualify.
- We have also increased the SBA Surety Bond level for small businesses from \$2 million to \$5 million, allowing more small businesses to get the bonds they need to compete for larger Recovery Act contracts.

- And some of you may have heard about our new 100%-SBA-backed loan program called ARC loans, which will help viable small businesses with loans of up to \$35,000 to meet payments on their non-SBA debt. These loans are designed to help small businesses that need just a little extra assistance to bridge the “troubled waters.” We are finalizing the rules and policies needed to establish this program, and we expect to be able to announce more next week. The Recovery Act allocates \$255 million for ARC loans and we expect them to be in high demand.

This is all good news, but we still have a lot of work to do, and **the people in this room can play an active role in helping us be a true catalyst for economic growth.**

How can you help?

You can help by making sure that businesses in your community and throughout your state are aware of these new SBA programs. **Help them connect to the SBA** and its programs -- through one of our 68 field offices... or a participating SBA lender... or one of our 14,000 SBA-affiliated counseling partners across the U.S ...or even through sba.gov.

We need your help, because we know that America's entrepreneurs and small businesses will lead us out of this recession if they have the tools they need to succeed.

So, thank you for **what you have done, what you are doing**, and thank you in advance for **the support you can provide in the future** to ensure that the Recovery Act *continues* to live up to its name.

(Longer-term Vision for the Future)

Let's go back to FDR for a moment.

In the 1930s and 40s, the RFC and some of President Roosevelt's other agencies played **a similar role to the SBA.** They harnessed the ingenuity of entrepreneurs and small business owners during a tough economic period.

In the early 1950s, **though**, President Eisenhower saw a **new** vision. He saw great value in establishing an agency which would – quote – **“aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns.”**

Hence, the SBA was born on July 30th, 1953.

Over the course of the next 50 years, the SBA would help provide millions of loans, loan guarantees, contracts, counseling sessions and other forms of assistance to small businesses.

And today, I believe that we must continue to build on the mission and the vision of the SBA.

To do that, we must first understand what the SBA is all about. Here are a few facts:

- The SBA currently manages a 90-billion-dollar loan portfolio of direct loans and loan guarantees.

- **In addition to** our 68 district offices, **we have 900** Small Business Development Centers, **more than 100** Women's Business Centers and **more than 350** chapters of SCORE, an organization that pairs retired executives who volunteer to mentor entrepreneurs and newly-minted small business owners.
- And, last year alone, our counselors provided direct assistance to more than **a million and a half** small businesses and entrepreneurs across the country.

As I have begun this position, I have been impressed by the **breadth and depth of the SBA's network throughout the country.**

This is **our foundation – our platform** for helping small businesses, including those that are represented here today.

And the SBA's future will be built on that foundation **to serve the two kinds of small businesses.**

First, through the strength of our various programs, we are able to serve America's **Main Street** businesses, **the lifeblood** of our local economies. We are proud of the millions of American Dreams we have helped build over the years in the form of local diners, dry cleaners, and the mom-and-pop stores.

But we also support **high-growth, high-impact businesses** that have the potential to grow into **the next great American companies.** FedEx, Apple, Intel, Sun Microsystems, and many, many more... have all been supported by the SBA.

While Main Street businesses need access to steady, reasonably-priced credit, **some high-growth-potential small businesses need both debt and equity capital.**

For these innovative companies, SBA programs such as the **Small Business Innovation Research** program and the **Small Business Investment Companies** program provide critical funding.

We can find ways to build on the success of these programs, and we can continue to lay a stronger foundation both **for Main Street businesses *and* for tomorrow's high-growth, high-impact companies.**

At the same time, we will look for ways to help America's small businesses **cluster together** so they can compete across the globe.

Let me tell you a brief story.

Several years ago, the Naval Air Station in Brunswick, Maine – where I live – went on the Base Closure list. We knew we would need something to replace the jobs that would be lost.

A number of us started working together, and we asked a critical question: *What do people do in Maine that is unique in the world?*

We have been building boats in Maine for more than 400 years. We used to make boats only out of wood, but now we use composites. And, at a local university, researchers were working with boat builders to make boat hulls that are the **lightest and fastest in the world.**

We thought, “**This** should be one of Maine’s leading industries. Maine people should have jobs making composite boats **long into the future.**”

So, we brought everyone together – from the builders, to the researchers, to business and education experts – and **we formed an alliance.**

As a result, Maine’s boat building industry is better positioned to compete across the globe, selling boats in places as far away as Shanghai.

This story illustrates the power of regional small business clusters – and I think there are many more opportunities to create these alliances across the nation.

I am convinced – and studies increasingly show – that many of the most transformational innovations in areas such as health care, renewable energy and others... **come from America's small businesses.**

The SBA must be committed to making sure that small business owners are fully empowered to helping us find the answers that we need – **not only** to help build our economy, **but also** to make America **a healthier, more resourceful, and more influential nation.**

This is why **I am committed** as the SBA Administrator to be a voice for small businesses across this Administration as we engage in **issues critical** to America's future.

(Closing)

Our short term goals and our long term vision at the SBA have one important thing in common – **each of you.**

Whether you have partnered with SBA in the past... or if you are partnering with us now... or you plan to partner with us in the future... **my commitment** is that the SBA will work with you as closely as possible, and that – together – we will achieve measurable results, **as we are with the Recovery Act.**

With your ongoing support, we will continue to harness the centuries-old American spirit of innovation and entrepreneurship that creates jobs and drives our economy forward, even in difficult times.

I will leave you with a quote. President Roosevelt once said, “I do not look upon these United States as a finished product. We are still in the making.”

Today, America is once again remaking itself. We look forward to your continued partnership with the Small Business Administration as we *grow and innovate* to meet the future needs of America’s entrepreneurs and small businesses.

Thank you.

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