

JOHN F. KERRY, MASSACHUSETTS, CHAIRMAN
OLYMPIA J. SNOWE, MAINE, RANKING MEMBER

CARL LEVIN, MICHIGAN
TOM HARKIN, IOWA
JOSEPH I. LIEBERMAN, CONNECTICUT
MARY LANDRIEU, LOUISIANA
MARIA CANTWELL, WASHINGTON
EVAN BAYH, INDIANA
MARK PRYOR, ARKANSAS
BENJAMIN L. CARDIN, MARYLAND
JON TESTER, MONTANA

CHRISTOPHER S. BOND, MISSOURI
NORM COLEMAN, MINNESOTA
DAVID VITTER, LOUISIANA
ELIZABETH DOLE, NORTH CAROLINA
JOHN THUNE, SOUTH DAKOTA
BOB CORKER, TENNESSEE
MICHAEL ENZI, WYOMING
JOHNNY ISAKSON, GEORGIA

NAOMI BAUM, DEMOCRATIC STAFF DIRECTOR
WALLACE HSUEH, REPUBLICAN STAFF DIRECTOR

United States Senate

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

October 20, 2008

The Honorable George W. Bush
President, United States of America
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

Over the past several days, as the financial crisis continues to wreak havoc on our nation's credit markets, small business owners and the banks that serve them through the Small Business Administration's (SBA) loan program have been pleading for help. With borrowers' traditional sources of capital quickly drying up, and small business lenders' cost of funds skyrocketing, many have asked what the SBA is doing to help. Today, I urge you to work with me to help create and implement new SBA-related measures that will provide a lifeline to entrepreneurs who continue to be squeezed by the worsening credit crunch.

For the past 11 months, I have frequently cautioned the SBA on the growing number of small businesses that are being negatively impacted by the credit crisis. I warned the SBA of a deepening credit crunch that was starting to squeeze small business borrowers out of the conventional loan markets at a November 2007 Committee hearing on lender oversight. I asked the SBA to work with Congress to come up with a plan to provide affected small business borrowers with affordable credit in a February 13, 2008 letter. And I explored the far-reaching impact of the small business credit crunch at an April 16, 2008 Committee hearing with Ranking Member Olympia Snowe. Despite my repeated attempts to gain the SBA's attention on this critical matter, the agency's leadership failed to respond to my warnings, and in some cases they even claimed that the SBA's existing programs, along with the Federal Reserve's interest rate cuts, were sufficient to address the tightening credit markets.

Unfortunately, as we have seen over the past few weeks, my concerns over the credit crisis and its menacing effects on our small business economy were not misplaced. Day after day, articles and stories continue to run in newspapers nationwide, describing small businesses that have been frozen out of the long- and short-term credit markets. Even firms with excellent payment histories and strong banking relationships have been turned away by loan officers. It is now abundantly clear that if we do not work together to provide immediate help to these deserving small business borrowers, many of them will be forced to close their doors, laying-off hundreds of thousands of workers in the process.

The Honorable George W. Bush
October 20, 2008
Page 2

Our country and our economy cannot afford to let that happen, which is why last month I introduced the Small Business Lending Market Stabilization Act of 2008. If enacted, the bill would help provide critical financing to American small businesses by temporarily suspending the fees that the SBA typically charges its borrowers and lenders. Although SBA officials have previously objected to the provisions included in this important bill, I am hoping they will reconsider in light of the current financial crisis.

The urgency of the credit crisis facing America's small businesses cannot be overstated. Last week I received word that October loan volume for the SBA's largest lending program has fallen by almost 50 percent compared with the same period last year. According to several of the SBA's top lenders, the fees charged by the SBA—coupled with banks' rising cost of funds—have made SBA loans far too expensive, effectively paralyzing this critical small business program. The timing of this paralysis could not be worse, as alternative sources of small business credit, such as home equity lines and credit cards, continue to dry up. The SBA has the authority to act now with changes that would immediately assist small businesses. I urge you to work with me to develop and implement such measures.

Thank you in advance for your prompt attention to this critical issue. I look forward to working with you and the SBA in a bipartisan manner to help resolve our nation's credit crisis. Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely,



John F. Kerry
Chairman