



Opening Statement

The State of Small Business Access to Credit and Capital: The View from Secretary Geithner
Sam Graves
Chairman
Committee on Small Business
United States House of Representatives
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Good morning. The hearing will come to order. I would like to welcome Secretary Geithner to the Committee. He is the first Secretary of the Treasury to testify before the Committee.

More than two years after the President's inauguration, the economy remains stagnant. Growth is anemic, unemployment hovers around nine percent, and that figure excludes those who have simply given up looking for a job. No Republican or Democrat can be satisfied with those results. However, every single member of this Committee truly believes in one thing – that any recovery will be led by the ingenuity and drive of America's entrepreneurs.

To accomplish that goal, small businesses need capital in order to purchase inventory, invest in plant and equipment, or hire workers. America's entrepreneurs simply will be unable to revive the economy without access, on reasonable terms, to debt or equity capital.

There is little doubt that the environment for obtaining debt financing is difficult for small businesses. This Committee has heard, on multiple occasions, that entrepreneurs cannot get credit and small businesses face significant cuts to their existing lines of credit. Bankers have told this Committee that they have capital but are nervous about lending because regulators might question the safety of loans to small businesses.

Nor can small businesses easily turn to the equity markets. To do so, they must navigate a complex series of federal and state regulations. Those businesses then face significant ongoing regulatory costs in order to comply with the securities laws, including Dodd-Frank and Sarbanes-Oxley. These are resources that could be better spent hiring new employees.

Today's hearing focuses on efforts by the Department of the Treasury to improve small business access to credit through the State Small Business Credit Initiative and the

Small Business Lending Fund. These programs are designed to bolster the capital available to community banks so they will then lend to small businesses.

I did not support these initiatives and opposition came from both sides of the aisle. The opponents did not object to the worthy goals of the programs. Rather, they do not believe that the incentives provided will generate sufficient new lending to “small businesses” as that term is defined by the Small Business Act.

Despite my concerns about these programs, I want to do everything possible to help small businesses obtain needed capital. With that in mind, I would like to hear from the Secretary about the potential benefits of these two programs. I also want to know whether the Secretary believes changes to the programs might provide greater capital access to small businesses. Finally, I am sure that the Committee would like to hear any suggestions on improving the ability of small businesses to obtain equity capital.

I recognize that the programs have not been in full operation. The Secretary would be welcome to return and discuss these initiatives after the Department has had greater operational experience with them.

Before yielding to the Ranking Member for her opening statement, it is my understanding that the Secretary has obligations of vital concern, to all members of this Committee and Congress, which requires him to leave promptly at noon. As a result and in an effort to accommodate members, I will be strictly enforcing the five minute rule.

With that, I now recognize the Ranking Member for her opening statement.