

## Michaud Praises Move to Boost Small Business Lending

Monday, March 16 2009

WASHINGTON, DC &ndash; Today, Congressman Mike Michaud, a member of the House Small Business Committee, applauded the announcement that stimulus funding will be released to bolster the Small Business Administration's (SBA) lending programs. &ldquo;During this economic downturn, many of our small businesses need access to affordable capital to grow and create jobs,&rdquo; said Michaud. &ldquo;Unfortunately, the financial crisis has made access to credit much more difficult. The stimulus funding will provide an increase in the government guarantee of SBA loans and the elimination of fees charged to borrowers. These actions should help spur lending and increase affordability and access to SBA loans. Small businesses are the backbone of Maine's economy and this funding will help make sure that all our firms can get access to the loans they need.&rdquo;

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Michaud lead the effort in the House of Representatives to make sure that Microloan program funding was included in SBA's financing section of the stimulus package. The Microloan program provides small loans (up to \$35,000) and technical assistance to start-up, newly-established or growing small businesses. Historically, these loans reach low-income individuals, women and minorities in both rural and urban areas. The full text of Michaud's letter to conferees on the Economic Recovery and Reinvestment Act (H.R.1) is attached.

Some of the small business provisions of the stimulus package include:

- Reducing or eliminating fees for small business borrowers.
- Increasing the percentage of a loan that the Small Business Administration (SBA) may guarantee from 85 percent to 90 percent, encouraging banks and private lenders to reenter the market for SBA-backed loans.
- Establishing a new &ldquo;Small Business Stabilization Financing Program&rdquo; that will allow SBA to make no interest loans to firms that are struggling to make payments on existing debt.
- Allowing small businesses to refinance existing debts under the SBA's 504 program.
- Ensuring oversight by requiring the Government Accountability Office (GAO) to report to Congress on the implementation of the small business lending provisions in the stimulus.
- Provide \$30 million for the SBA's microloan program, which provides loans and technical assistance for low income entrepreneurs and laid-off workers who are starting their own business.

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February 11, 2009

Dear Conferees:

We are writing to request that you and your fellow conferees support providing \$30 million for the SBA Microloan Program in American Recovery and Reinvestment Act in order to ensure that our smallest and most vulnerable entrepreneurs and small businesses can access the financing and technical assistance they need to survive this economic downturn.

The SBA Microloan Program was authorized in 1991 with the clear mission of providing small loans and support to start-up and emerging businesses that conventional banks are unable to serve. The program was designed with the idea that local non-profit intermediaries, experienced as lenders and technical assistance providers, could effectively reach and serve the needs of very small businesses and eventually move them into the economic mainstream as bankable ventures.

Over the last 18 years, working through a national network of non-profit Microlenders, the program has financed more than 32,000 business loans totaling \$385 million with the average loan size \$12,000. In FY 08 more than 5000 loans were made totaling more than \$60 million. Some 48% of these loans are start-ups. The SBA Microloan Program is responsible for creating or retaining over 100,000 jobs at a cost less \$3,000 per job

SBA Microlenders have always been the lenders of last resort to businesses that for a variety of reasons were unable to access capital and assistance from conventional lenders. However, as conventional financial institutions pull back on business lending the number of businesses turning to SBA Micro lenders is on the rise.

Recent experience indicates that private financial institutions are pulling back on business lending, lines of credit are disappearing, loan to value ratio are increasing and loan commitments are evaporating; leaving previous bankable businesses without access to credit. The SBA has reported that that SBA microlending is up 16 percent from where it was this time last year.

The Senate passed American Recovery and Reinvestment Act recommends investing \$30 million in the SBA Microloan Program, \$6 million to support direct loans and \$24 million to support the technical assistance of new as well as existing businesses. The SBA Microloan Program could deploy these additional funds immediately through the existing network of 166 SBA Microlenders operating in urban and rural communities across the country. These are seasoned lending intermediaries with existing portfolios and a healthy pipeline of qualified businesses seeking credit and business assistance. In addition, the stimulus funds would allow SBA to fund new Microlenders in unserved or underserved communities by employing the expertise of existing networks of Community Development Financial Institutions, Community Development Corporations and loan funds.

Small businesses are vital to the health and vitality of our communities and we must do all we can to sustain them in this difficult economic. The SBA Microloan program demonstrated its ability to effectively support businesses in our communities and we recommend that you include the \$30 million recommended by the Senate in the final American Recovery and Reinvestment Act

Sincerely,

Michael H. Michaud, Jason Altmire, Kurt Schrader, Bob Filner