

SHUTDOWN LESSONS: SBA CAPITAL ACCESS PROGRAMS

HEARING

BEFORE THE

SUBCOMMITTEE ON INVESTIGATIONS,
OVERSIGHT, AND REGULATIONS

OF THE

COMMITTEE ON SMALL BUSINESS

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HOUSE OF REPRESENTATIVES

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CONTENTS

OPENING STATEMENTS

	Page
Hon. Judy Chu	1
Hon. Ross Spano	2

WITNESS

Mr. William M. Manger, Associate Administrator, Office of Capital Access, United States Small Business Administration, Washington, DC	3
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APPENDIX

Prepared Statement: Mr. William M. Manger, Associate Administrator, Office of Capital Access, United States Small Business Administration, Washington, DC	11
Questions for the Record: None.	
Answers for the Record: None.	
Additional Material for the Record: None.	

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TUESDAY, FEBRUARY 26, 2019

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON INVESTIGATIONS,
OVERSIGHT, AND REGULATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:01 a.m., in Room 2360, Rayburn House Office Building, Hon. Judy Chu [chairwoman of the Subcommittee] presiding.

Present: Representatives Chu, Burchett, and Spano.

Chairwoman CHU. Well, good morning. The committee will come to order. We thank everyone for joining us this morning, and I want to especially thank our witness for being here today.

The recent government shutdown was an acutely painful experience for our Nation's small businesses. It was 35 days of missed paychecks, delayed loans, and strained budgets for too many of our Federal employees, contractors, and small business owners. Perhaps most concerning to small firms was the she uncertainty of how long the shutdown would last.

Though the government is now back open, the damage to our economy is lasting. During the shutdown, so many entrepreneurs and small business employees took extraordinary measures to make ends meet, and they are still fighting to get back on their own two feet. It is clear that no business or family should be put in this position. Not only were business owners feeling the pain, several Federal agencies had to plan for the worst and cease operations, and the Small Business Administration was one of them.

Ironically, the one Federal agency with the sole responsibility of helping small firms was in the position of not being able to do its job. The shutdown forced SBA to suspend many of its critical services, including the processing and approval of small business loans. This included the Office of Capital Access and loans made under SBA's 7(a), 504, and Microloan programs. As a result, SBA could not approve loans that were already within the SBA system, nor could they take on any new loans. This essentially froze all SBA-backed lending activities for 35 days.

The good news is that the government is back open again, and SBA is back to processing and approving loans for small businesses. Yet, I know the agency has much to do in order to adequately ensure the stability of small business financing.

Today's hearing gives us the opportunity to hear from Associate Administrator for the Office of Capital Access, Bill Manger, about

how he and his office handled the prospect of a protracted lapse in appropriations, the challenges that he and his team faced upon reopening, and what guidance the office gave borrowers and lenders seeking loan guarantees during the shutdown.

It is important we understand the extent of economic injuries caused to entrepreneurs as they sought capital, many of whom rely specifically on SBA loans because they have had trouble securing affordable credit elsewhere.

I look forward to today's hearing, and I thank Mr. Manger for testifying. I would now like to yield of the Ranking Member of the subcommittee, Mr. Spano, for his opening statement.

Mr. SPANO. Thank you so much, Madam Chair. It is a privilege to serve with you on the committee. And I look forward to supporting you, and I look forward to a very, very productive term here serving with you on this committee.

Thank you, Madam Chair, again. Small businesses are coming off a banner year of increased optimism levels and confidence scores. From investing in their businesses, their workers, and their communities, the Nation's smallest firms were busy in 2018. Positive economic news has continued in 2019 with U.S. unemployment near record lows, real wage growth, and wage gains across the Nation.

But despite these trends, small businesses, entrepreneurs, and startups still face headwinds when it comes to financing their endeavors. Landing a conventional or traditional bank loan is often out of reach for them; thus, putting their American dream on hold. With all other options exhausted, small businesses have the ability to turn to the Small Business Administration, and there are many capital access programs to assist with financing needs.

Unfortunately, last month's partial government shutdown halted many of SBA's programs and created a buildup of loans waiting to be processed. With SBA again up and running, I look forward to today's hearing focusing on SBA's Office of Capital Access. The Office of Capital Access administers some of SBA's most important government guaranteed programs including the 7(a) loan program, the 504/CDC loan program, and the Microloan program. All three of these programs partner with financial institutions to deliver assistance to creditworthy firms that cannot access traditional or conventional lending markets. Due to lender fees in the programs, many of them are and have been running at zero cost to the American taxpayer.

Combined, these programs support hundreds of thousands of jobs on an annual basis. From my home State of Florida which is approximately 3.3 million individuals employed in the small business sector to Ohio and beyond, these jobs are transforming the country's economy.

I look forward to hearing from the Associate Administrator regarding the operating plans that they have in place during and after a government shutdown, and additionally, I am looking forward to an open discussion on other matters in SBA's lending world in 2019.

In my humble opinion, Congress must continue to create an environment where small businesses, entrepreneurs, and startups can

flourish, grow, and create jobs. Simply put, when they are moving forward, so is the American economy.

Thank you, Madam Chairwoman, and I yield back.

Chairwoman CHU. Thank you, Mr. Spano. And if Committee Members have an opening statement prepared, we would ask that they submit it for the record.

I would like to take a minute to explain the time rules. Mr. Manger will get 5 minutes to testify. Each Member gets 5 minutes for questioning. There is a lighting system to assist you. The green light will be on when you begin, and the yellow light will come on when you have 1 minute remaining. The red light will come on when you are out of time, and we ask that you stay within that timeframe to the best of your ability.

I would like to now introduce our only witness today, Mr. William Manger. Mr. Manger is the Associate Administrator for the Office of Capital Access at SBA. He has held this role since March 2017 and is responsible for the SBA's loan program policy, technology, operations, and oversight.

Prior to his current SBA appointment, Mr. Manger served as Managing Director at Brock Capital Group, a boutique investment bank in New York City, where he advised and supported small to medium-size enterprises in their efforts to raise capital and expand their businesses. From 2007 to 2009, he served as Associate Administrator for Field Operations at SBA. Mr. Manger holds an MBA from the Columbia Business School and a BA from Trinity College in Hartford, Connecticut.

Welcome, Mr. Manger. You are now recognized for 5 minutes.

STATEMENT OF WILLIAM M. MANGER, ASSOCIATE ADMINISTRATOR, OFFICE OF CAPITAL ACCESS, UNITED STATES SMALL BUSINESS ADMINISTRATION

Mr. MANGER. Thank you, Chairman Chu, and Ranking Member Spano and Members of the Subcommittee. I appreciate the opportunity to testify today about the recent Federal funding lapse and the status of our SBA lending programs. With several new Members on the Subcommittee and before discussing the lapse, I thought it might be helpful to talk briefly about SBA and the Office of Capital Access.

As many of you know, the SBA provides tools and resources that are of great value to America's 30 million small businesses. SBA's programs have been helping small businesses get on their feet and grow since our inception in 1953. Our job in the Office of Capital Access is to administer programs that make capital available to entrepreneurs who would otherwise be unable to access capital through conventional means.

While the SBA works with lenders to provide loans to small businesses, the agency doesn't lend money directly to small business owners. Rather, we reduce risk for lenders through loan guarantees. These lending programs, however, were closed during the lapse in appropriations. For a total of 20 full business lending days, SBA was unable to approve loans and was not able to accept new loan applications. Throughout the lapse, we posted a notice on our financial system, and I engaged industry as needed to respond to questions.

We also closely examined our program functions to make sure we complied with the Antideficiency Act. While most routine activity in the Office of Capital Access ceased to operate, a few excepted and exempt operations were functional. These included the administrative closing of certain previously approved and obligated 504 loans, limited lender oversight and risk management of our loan portfolio, Microloans through the intermediaries since they had already received funding, disaster loan processing through our servicing centers, and our online lender match platform which automatically matches small businesses seeking financing with SBA approved lenders.

Once funding was restored for SBA operations, our loan systems were immediately operational, and we published an information notice to notify all lenders that SBA was open for business. As a result of process improvements put in place by Administrator Linda McMahon, our ability to get back to business was greatly enhanced. For example, by the end of 2018, we had cut in half the time it takes to process and approve loan applications. These developments played a key role in dealing with the volume of applications once our systems were again open.

To provide you an update on that progress, as of this past Friday, SBA has now approved over 7900 loans for a total of \$3.7 billion since we resumed operations on Monday, January 28. I am very proud of the hard work and dedication of our SBA employees. Through their efforts, we are now back to pre-lapse levels in all of our lending categories. This includes loan origination, and loan modifications in our 7(a) and 504 programs.

I also want to share with the committee some action that we took in response to your February 12 hearing regarding the funding lapse. In that hearing, the committee heard from a local brewing company who was interested in expanding their operations through an SBA loan guarantee. At the time of the hearing, however, SBA has not received any paperwork from them. And in response to that hearing, our staff reached out to that company. I wanted to let you know that we have since received their request and approved their loan modification.

Madam Chair and Members of the Subcommittee, thank you again for inviting me to testify. I look forward to your questions and continuing to work together on behalf of small businesses across the country. Thank you.

Chairwoman CHU. Thank you, Mr. Manger. I will begin by recognizing myself for 5 minutes.

Mr. Manger, the shutdown essentially froze all SBA-backed lending, but many loan applications had already been submitted to SBA prior to the shutdown and were pending review when the government shutdown began. At the same time, lenders continued submitting loan applications to SBA for approval during the shutdown. This means that there were two sets of pending loan applications, those that were submitted pre-shutdown and those submitted during the shutdown. In total, how many such loan applications were pending when SBA reopened?

Mr. MANGER. Madam Chairwoman, so when the lapse in appropriations took place at midnight on the 21st of December or the 22nd of December, we had probably about a couple hundred loans

that had come in on a non-delegated basis. But just so you understand, most of our loans, over 80 percent of our 7(a) loans come in on a delegated basis. That means they come into our electronic system and are funded in real-time. In fact, in a matter of seconds.

So that is the majority of our 7(a) which is our largest program. Those that did not come in on a delegated basis, that come into our centers on a non-delegated basis to be reviewed by SBA staff, we had probably a couple hundred, and those we were unable to process at that time.

In the 504 program, though, the way the 504 program operates, we actually approve and obligate the funding of those loans when the loan application comes into our system. So what we did during the shutdown is we had some excepted employees that were able to close 504 loans that had come in prior to the lapse in appropriations that had been already approved and obligated, so those were taken care of.

In terms of those that came in during the shutdown, we turned our system off, our CAFS, our central service system off, when the shutdown took effect. So actually, there were no loans coming into a queue during the shutdown. Once the funding had been restored and the lapse was over in January, we reopened that Monday morning, the 28th of January, with the funding that we had on the CR, and all the loans then that came in at that point were handled.

So really, there was no backlog of loans in the system because the system actually had been shut down.

Chairwoman CHU. But you did have some that were non-delegated. So how did your office strategically work through this backlog of loans? For example, did you prioritize by date, loan amount, or some other factor?

Mr. MANGER. So what we did was we did do it on a first in, first out basis, FIFO basis. We did also, in our information notice, that we sent out to the public once we reopened in January, we said to our lending partners that if there was an urgent loan that needed to be taken care of because the applicant was up against a deadline, they had a way to send an email to our center. That loan would be specifically prioritized, which we did in several instances where the borrower was up against a deadline that needed to be met.

So once we reopened, again, we brought on some additional resources, and we were able to work through the huge volume. I mean, \$3.7 billion since January 28 is pretty spectacular. And all of those have been approved. And in fact, the different categories for loan modifications, we are down now to pre-lapse levels, and we were able to do that within 4 weeks.

Chairwoman CHU. So as a result of the shutdown, small businesses were in dire need of financing because SBA lending programs were not available. And you said that for those 4 weeks, that basically shut down the loan application process. When you opened up again, did you see an uptick in loan applications?

Mr. MANGER. Absolutely. We had a tremendous amount of volume come in in the first several days, and it actually has remained high. We have now come back actually a little bit stronger than the position we had been pre-lapse, so you know, we have seen an incredible increase in our lending over the last month.

Chairwoman CHU. Let me also ask. Is there any way to insulate lending programs from being frozen due to a lapse in appropriations and to be able to have other entities be able to take over this process of lending if there is such a shutdown?

Mr. MANGER. So Chairwoman Chu, because of the Anti-deficiency Act, we are prohibited from putting guarantees on the loans as we usually do. We would be encumbering assets of the Federal Government that we didn't have a right or authorization to do. And so, because of the Antideficiency Act, we were unable to make new loans during the lapse in appropriations.

I do want to point out that the one program that actually was still up and running during the lapse in appropriations was, in fact, the Microloan program. The way the Microloan programs works, it is actually a program where we make a loan to a not-for-profit lending intermediary who in turn makes the loan to the small business.

Much of the authorization and the appropriation for those microlenders had been made to the lenders prior to the lapse in appropriations, so they already had money that they then could loan to the small businesses. And during the lapse in appropriations, our microlending partners were continuing to make microloans.

And in fact, our Microloan program this year is doing extremely well. We are up 3.5 percent over last year's record. We have had a record in that program recently, and I am very pleased to tell you some of the statistics on that program; it is doing extremely well. In fact, in the last year we have increased our lending to African Americans in that program by 5 percentage points, 33 percent used to be what we would lend in that program to African Americans. This past year, it has gone up to 38 percent, so we are very pleased with the performance of the Microloan program.

Chairwoman CHU. Well, thank goodness for that. Well, my time has now expired. The Ranking Member, Mr. Spano, is now recognized for 5 minutes.

Mr. SPANO. Thank you, Madam Chair. Thank you, Mr. Manger, for coming, and thank you for your testimony, and thank you for your very good work with the programs. And kudos to you for getting the program up and going so quickly, for getting caught up, and thank you for providing us regular updates as to the status of that process, and we appreciate that very much.

I have a few questions. It has been a busy couple of months, obviously. Can you share with us what your office has planned for the remaining part of the fiscal year, calendar year? Do you anticipate rolling out any new policy notices, SOPs or other regulations? And also, if so, can you provide a timeline and details?

Mr. MANGER. Sure. Thank you very much for that question. So in fact, just last week, we rolled out an update to our SOP. It is SOP 50 10 5K, and so it was following on from the J that had been launched last year. We try and have updates to that program on an annual basis if we can to keep up with the market. And again, we launched—we introduced it, but it does not take effect until April 1, so it gives us time and our lenders time to adjust to any of the changes in the SOP for 45 days. And again, we will be out, you know, providing classes and webinars with the lenders prior to the April 1, you know, effective date.

We also currently have a rulemaking that is in process. This was actually primarily to promulgate rules for our Express program which has existed actually for 20 years and has never operated on rules. It was only operating on SOP, and that is not good policy. So one of the first things I did when I came into this position was say we need to promulgate rules for the Express program because all of the programs should be operating under regulation and not just SOP.

So that was launched where we actually made it available to the public at the end of September, and we are going through the comments that we have received. We have received an awful lot of comments, so we are going through that. Then it has to go to OMB for review, and then finally, the final rule will probably be promulgated sometime later in the summer.

Mr. SPANO. Good. Thank you. You already answered my second question, so thank you for doing that.

The last Congress that then Chairman Chabot and former Ranking Member Velázquez introduced H.R. 4743, The Small Business 7(a) Lending Oversight Reform Act of 2018. It went on to pass the House and the Senate, and the President signed that into law last June. Can you provide the committee an update on how the implementation of this law is coming and any next steps that we should be anticipating?

Mr. MANGER. Sure. Thank you very much for that question too.

So part of that law, there was a report that was due to Congress by December 1 of this year. We got that to the committees, and we are implementing through regulation and actually, in some aspects of the SOP, updates so that we are in compliance fully with the statute that passed and was signed by the President last June.

I believe we have 1 year to finalize that rule, that legislation in rulemaking, and so we are going to be able to meet that deadline by the end of June. I think it was the 21st of June last year that the President signed the bill, so we will make that deadline. And we are working diligently on that, and we take very seriously the operations in our office of credit risk management.

Mr. SPANO. Excellent. Thank you so much. And then, if you would, for those of us who don't have a real in-depth understanding of the programs, give us an idea, if you would, what you believe the greatest challenges are that we face in 2019 with regard to the 7(a) program, the 504/CDC, and the Microloan. What is it that you would like to achieve, and what are the challenges that you face this year?

Mr. MANGER. One of the challenges we are taking on is to make sure that our loan programs are available to all Americans no matter where they live. We have put into effect a fee reduction for loans made in rural areas as well as HUB zones, Historically Underutilized Business zones, because we want to make sure that again, people that need loans that live in rural America as well as in HUB zones have access to the loans that we make available.

And so we have offered fee relief on loans up to \$150,000 if they are made in a HUB zone or a rural area, and that is one of our big initiatives. Administrator McMahan signed an MOU with Secretary Sonny Perdue of the Department of Agriculture. And we are working jointly with Agriculture to make sure we are reaching out

to the rural parts of the country and making sure that we have a robust lending environment in rural parts of the country as well.

Mr. SPANO. Thank you. Madam Chair, I yield back.

Chairwoman CHU. Thank you. The gentleman's time has expired, and now the gentleman from Tennessee, Mr. Burchett, is now recognized for 5 minutes.

Mr. BURCHETT. Thank you, Chairlady. It is actually Burchett, birch like the tree, and et like I just et breakfast, so thank you. Thank you so much, Chairlady, and I appreciate that. I always enjoy it when somebody misspeaks my name so that I can correct them like that, and so it is all in good fun.

Thank you, Ranking Member Spano, for the great work you have done. It has been enjoyable working with you, brother.

I had a bunch of questions, but I think they have already been asked, but there was one that I was concerned about, and maybe you have answered this or not. If you have, just tell me to go on and watch the notes, okay. But is there any legislation that we as Congresspeople can focus on to help access to capital for small business owners, any legislation that is coming down the pike or some that may be just in your wish book that you have?

Mr. MANGER. Thank you very much for that question. You know, the President's budget will be coming out in March, but I can speak about last year's budget. We did ask that we increase the maximum for Express loans. These are usually smaller loans that rely heavily on the lenders' underwriting criteria. And in exchange for that, we reduce the guarantee from the Federal Government on average from 75 percent down to 50 percent. So it is a great program because it is only a 50 percent risk to the taxpayer, and we would like to see that program increased from \$350,000 which is the cap right now to \$1 million.

In fact, during the Recovery Act, the program was allowed to go up to \$1 million. Then that expired, that sun set, but we are asking through the President's budget again to increase the cap on Express loans up to \$1 million. So that is something we think would be very helpful.

The Express program has not been performing as well lately, and we think that is because the cap is too low. Even if you took into effect inflation, we would be well over half a million dollars now in that program. So it needs to grow with the times, and anything you can do to help us increase the Express Loan cap, we would appreciate it.

Mr. BURCHETT. All right. I am writing some notes down. You sparked my interest. You said the taxpayers are only on the hook for 50 percent. How does that work? Is that some of that new math I have been hearing about, or is that—

Mr. MANGER. So the way our programs work, Congressman, is the Federal Government places a guarantee on our 7(a) loans which is our largest program. Last year we did over \$25 billion in the 7(a) program. So we put a guarantee on average of 75 percent. If it is a small loan, in fact, the guarantee goes up to 85 percent, so that is how we mitigate risk to our lending partners, and they are able to make loans to individuals and small businesses that they would not normally make a loan to because they don't meet their conventional criteria.

In the Express program, because we give more authority to the lender and their own underwriting criteria, we lower, we decrease the guarantee from the Federal Government down to only 50 percent, but the lenders like it because it is much easier for them to process those loans. It is much faster.

The program is greatly used as a revolving line of credit for those businesses that need a revolver in place to be able to draw upon when they need it. For example, they might have a seasonal business, and they need to draw money at certain times of the year. So that is a great program. And again, because we reduce the guarantee that the taxpayer is on the hook for down to 50 percent, it is a benefit to the taxpayer as well. But the \$350,000 cap is just, at this point, too low, and we would like to see that increased.

Mr. BURCHETT. How are they—you said that these are loans that normally wouldn't be able to be made because of some circumstances. Are they bad risks? Give me an example. You don't have to give me the bureaucrat thing. I am running out of time, and I want to get—you go ahead.

Mr. MANGER. Sure. So here is an example, you know. There are many people who would like to start a restaurant. And if they go into their bank and they say look, I am wanting to open a restaurant. I have never been in the restaurant business, but I would like to start this business. I know I would be good at it. I am a great cook. I want to open this business, and the bank says you know what? That is just way too high risk an industry. We can't give you a loan for that. You have no experience. We are not going to do it.

But with the SBA guarantee, we mitigate that risk to the lender. Again, on average, a 7-day loan is a 75 percent guarantee. So by taking that guarantee and putting that in place, the lender then says all right. My risk is mitigated at least by 75 percent. We are going to take that risk on. We are going to make this loan to you so that you can open that restaurant that you have always wanted to open.

Mr. BURCHETT. Okay. One last question.

Mr. MANGER. Sure.

Mr. BURCHETT. I have got 13 seconds. How much is a Microloan?

Mr. MANGER. A Microloan goes up to \$50,000. But what is really interesting is the average size of a Microloan is only \$14,000, and that is very, very impactful for the businesses, the small businesses that need just that amount of capital. And we have seen tremendous growth in that program, and we hope that it will continue to grow.

Mr. BURCHETT. Okay. Thank you.

Sorry, Chairlady. Sorry Chairlady I went over. I apologize, ma'am.

Chairwoman CHU. Thank you for the questions, and we want to thank the witness for taking time out of his schedule to be here today.

The bottom line remains that for 35 days, our country's main avenue for responsible small business lending was shut down. Though we may never fully know the exact magnitude of the shut-down, we do know that the impact on the economy was far more

severe than our country's entrepreneurs deserve. I think my colleagues on the other side would agree that it should never happen again.

So I thank you, Mr. Manger, and your whole team that got right back to work on day one after the shutdown to get our entrepreneurs back on their feet, and already you have made the SBA whole.

I would ask unanimous consent that Members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

And if there is no further business to come before the committee, we are adjourned. Thank you.

Mr. MANGER. Thank you.

[Whereupon, at 10:30 a.m., the subcommittee was adjourned.]

A P P E N D I X

**Statement of William M. Manger
Associate Administrator
Office of Capital Access
U.S. Small Business Administration**

**before the
House Committee on Small Business
Subcommittee on Investigations, Oversight, and Regulations**

**Hearing on “Shutdown Lessons: SBA Capital Access
Programs”**

February 26, 2019

State of William Manger
Associate Administrator
U.S. Small Business Administration

Thank you, Chairwoman Chu, Ranking Member Spano, and members of the subcommittee for inviting me to speak with you today. It is my pleasure to appear before you as the 116th Congress gets underway. I look forward to building a strong and open relationship with all of you moving forward.

As some of you may know, the SBA provides tools and resources that are of great value to America's 30 million small businesses, which account for over 58 million jobs. As Associate Administrator for the U.S. Small Business Administration's (SBA) Office of Capital Access, it is my job to administer programs that make capital available to small business entrepreneurs who would otherwise be unable to access capital to start or expand a business through conventional means.

Before assuming my role as the Associate Administrator for the Office of Capital Access, I had the honor to serve the agency as the Regional Administrator for Region 2, based out of New York, from 2005 to 2007, and then as the Associate Administrator for the Office of Field Operations in Washington, D.C. from 2007 to 2009. From the beginning of my time with the SBA, I have been able to witness the positive impact our programs have on communities across the country.

America's small businesses are our nation's innovators and job creators, and I am committed to serving as their advocate. The role that the SBA and the Office of Capital Access plays in our credit markets fills an important gap in the lending marketplace. Our agency aims to help small businesses obtain credit that is otherwise unavailable through conventional lending. As many of you are aware, entrepreneurs certainly have the will and drive to succeed, but at times, access to capital unfortunately proves to be an insurmountable hurdle. That is where we come in. The SBA works with lenders to provide loans to small businesses. The agency doesn't lend money directly to small business owners but does reduce the risk for lenders through loan guarantees. Our programs have been helping small businesses get on their feet and grow since our inception.

During the last two years, Administrator Linda McMahon has placed an emphasis on agency governance to ensure that our entire agency, including our Office of Capital Access, is running as efficiently and effectively as possible. Her leadership before, during, and after the recent lapse in appropriations, has greatly improved our ability to get back to business.

Regarding the lapse, and in addressing today's hearing topic, my testimony will focus on three areas:

1. How the recent lapse impacted SBA's loan programs;

2. What actions the Office of Capital Access took during the lapse;

3. An update on SBA's loan program operations since funding was restored by Congress.

Due to the funding lapse, our business lending and surety programs were closed from December 22 through January 27, a total of 20 full business lending days. SBA was unable to approve loans during this period and was not able to accept new loan applications. Applications for SBA-guaranteed surety bonds were also not able to be processed by SBA. All new secondary market 7(a) loan pools were stopped and purchasing of SBA-guaranteed loans was also halted. Throughout the lapse, our Capital Access Financial System contained the following notice:

• Due to the lapse in appropriations, SBA is not able to approve new 7(a) or 504 loans. Please refer to the SBA website at www.sba.gov/partners/lenders for more information on SBA's 7(a) and 504 loan programs. Limited staff is available at SBA's servicing and liquidation centers to continue 7(a) and 504 loan program servicing and liquidation activities.

While most routine activity in the Office of Capital Access ceased to operate, a few excepted and exempt operations were functional during the lapse. These included:

- The administrative closing of certain previously-approved and obligated 504 loans;
- Continued applications and servicing actions on disaster loans (SBA's Office of Disaster Assistance uses the loan program operations of the Office of Capital Access to process and service disaster loans); and
- The online Lender Match platform, which automatically matches small businesses seeking financing with SBA-approved lenders.

During the lapse, I remained engaged with external stakeholders, including the trade associations, to help communicate information to lenders, as necessary. We also took steps to ensure that there would be no impairment to government property while the loan program operations were idle. For example, the Director of the SBA Office of Credit Risk Management was brought in as an excepted official to ensure that risk management in the SBA loan portfolio, including critical, time-sensitive lender reviews and oversight, was not significantly compromised.

Once Congress restored funding for SBA operations, our loan program systems were immediately operational on Monday, January 28, and normal business in the Office of Capital Access resumed. An Information Notice was published to notify all lenders that SBA was open for business. The detailed notice covered such topics as interim loans, servicing actions, report filings, as well as expedited requests.

Since the agency resumed full operations, I am proud to report on our progress. Through February 14, our lending data is as follows:

- 6,075 7(a) loans have been approved for a total of \$2.64 billion;
- 588 504 loans have been approved for \$416 million;
- 800 secondary market loans pending sale have been processed;
- Surety bond applications have all been reviewed and processed with \$188 million in bond guarantees having been approved.

Over 80% of SBA 7(a) guaranteed lending is submitted to SBA by preferred SBA lenders on a delegated basis, and SBA can turn those applications around in a matter of days. 7(a) and 504 loans that are not submitted under delegated processing are sent to SBA loan processing centers for review. Under Administrator McMahon's leadership, SBA has dramatically improved the time it takes to review and process a non-delegated loan for a guarantee at the centers. In fact, the turn time has been cut in half by implementing process improvements over the last two years.

That said, there are non-delegated loans that have been submitted for review since January 28 that we estimate will take additional time. Our loan processing centers are expediting urgent loan application reviews while also ensuring fairness so that loans are processed as they have come into the system. We have also budgeted overtime to allow for loan center staff to address these loans. As of now, the agency feels it can handle any resource needs through our existing budget.

In conclusion, SBA's loan programs are fully operations, we have made significant progress in approving new loans, and we are actively addressing any delays in our non-delegated loan processing reviews. I am committed to ensuring that the Office of Capital Access works efficiently in supporting small businesses seeking financing after the lapse in appropriations.

Thank you, Chairwoman Chu, for inviting me to testify here today. I look forward to answering your questions and continuing our work together to help advance small businesses across this country.

