

they deprived themselves of valuable information and documentation that would have eliminated many of their concerns. Their obstructionism prolonged the investigative process, wasting valuable time and precious resources.

I was gratified that a number of my colleagues expressed concern about the treatment of Mr. Al Maqtari and Mr. Al-Hazmi, and particularly about the difficulties they had in communicating with counsel. I have focused in recent weeks on the issue of access to counsel because I believe this issue is at the center of how our justice system is treating these detainees. This is the issue that takes the concern over the fate of the detainees from an abstract debate over civil liberties versus security to a very specific and very important inquiry about how our government actions affect the lives of hundreds of people.

What happened to Mr. Al Maqtari and his wife Tiffany had a severe impact on their well being. What has happened to hundreds of other detainees has similarly affected them. We are not just engaged in a hypothetical law school exam question or a mock crisis where we each play a role. We are talking about taking the liberty of real people, with real families and real lives. It is not enough to say that some liberties have to be sacrificed in these difficult times. Rather, we must be able to determine whether the actions of the Department have been reasonable, and whether the sacrifices that are being requested are justified.

That is where lawyers come in. With a lawyer, a detainee can much more readily answer concerns about his behavior, provide documents to show his whereabouts during crucial periods, and generally provide information to show that he is not a terrorist. Lawyers can help determine whether the extreme step of detention without bond is warranted. And they can explain what is going on to the detainee and the public. I asked the Attorney General at our hearing to take steps to ensure that everyone under detention who wants a lawyer can obtain one. And I asked him to determine how many of the detainees are not represented by counsel. I hope he will follow through on our discussion. It is essential that anyone who is being held have counsel and be able to communicate with counsel.

The Attorney General has said reasoned discourse should prevail. I agree. But in order to have that reasoned discourse, the Justice Department should provide Congress and the American people with enough information to promote a fair and open dialogue and make our oversight meaningful. Our hearings showed that not all the detainees have adequate access to counsel. They showed, at least, that the Congress has reason to test and examine the Administration's assertions that everyone's constitutional rights are being respected in this investigation. By continually saying in the face

of this evidence that we should take its assertions about the treatment of the detainees on faith, the Administration furthers the appearance that it has something to hide.

I hope that we are not in some sense following those who rounded up over 120,000 Japanese Americans and thousands of German and Italian Americans during World War II. The rhetoric we hear today rings awfully familiar. We must not return to the time when immigrants who provided so much to our nation were suddenly branded "enemy aliens" and deprived of their liberty and other fundamental rights.

Let us not repeat these mistakes of history. I again call on the Administration to fulfill its responsibility to protect the Constitution in its pursuit of liberty and justice for all. It can begin by identifying those now held in Federal Custody and providing the other information requested in our October 31 letter.

#### INVESTOR AND CAPITAL MARKETS FEE RELIEF ACT

Mr. SARBANES. Mr. President, I rise to address an issue which I believe may merit the attention of the Securities and Exchange Commission following enactment of H.R. 1088, the Investor and Capital Markets Fee Relief Act.

That bill has two main impacts. It authorizes the commission to raise the salaries of its staff to levels that are on a par with the compensation paid by other Federal financial regulators. Our securities markets are the envy of the world. It is important that the regulator of those markets be in a favorable position to attract and retain qualified employees. Enacting pay parity contributes towards this goal and will result in enhanced supervision of the securities markets.

In addition, the bill reduces certain fees charged to investors and issuers. Section 11 of the bill provides an effective date for reduction of transaction fees on the later of, one, the first day of fiscal year 2002; or two, 30 days after the date on which a regular appropriation to the Commission for such fiscal year is enacted. Because the regular appropriation to the Commission (H.R. 2500) was signed into law on November 28, 2001, Public Law 107-77, the effect of Section 11 is to provide an effective date for transaction fee reduction of December 28, 2001, regardless of when the bill is enacted.

The legislation was passed by the Senate on December 20, 2001, and still must be signed by the President. Thus, the industry will have at most only a few days to comply with the law. I have been informed by some market participants that this may not allow them adequate time to re-program and test their computers to make certain that the transition to the new fee structure goes smoothly and without flaws.

I believe it would be appropriate, and consistent with the intent of this legis-

lation, for the commission to review this situation and determine whether it is necessary or appropriate in the public interest, and consistent with the protection of investors, to use the commission's general exemptive authority to extend the effective date for the reduction of transaction fees for a brief period as may be reasonably necessary in order for market participants to comply with the new law fully and without disruption.

Mr. GRAMM. I believe that the commission can and should alleviate this problem. When the Senate passed its version of fee reduction legislation in March, the bill, S. 143, provided for a delay of 30 days in the effective date for transaction fee reduction in order to provide securities firms and markets the necessary time to adjust their computer systems to accommodate the rate change. This language was changed when the bill was passed by the House in June, in order to comply with budget-scoring requirements. At that time, it was envisioned that congressional action on the bill would be completed well before the start of the new fiscal year in October, and that the effective date provision would not cause administrative problems for the securities industry.

It is not our intention to impose an administrative requirement that would be impossible for industry to meet. In order to comply with congressional intent and to make this provision workable, I hope that the commission will consider using its general exemptive authority under Section 36 of the Securities Exchange Act of 1934 to extend the effective date for reduction of transaction fees.

Mr. KERRY. Mr. President, I speak today on S. 1499, the American Small Business Emergency Relief and Recovery Act of 2001. This legislation provides help to small businesses hurt by the events of September 11th and to small businesses suffering in the weakened economy. Senator BOND and I have spent months trying to uncover who is behind the serial holds that have been placed on this emergency legislation and work out disagreements.

This bill hasn't been "hustled through," as some contend. It was drafted with the input of small business organizations, trade associations and SBA's lending and counseling partners through more than 30 meetings and conference calls—conference calls because we couldn't ask folks to fly in the immediate weeks after the attacks. It is cosponsored by 18 of the Small Business Committee's 19 members. And overall 62, senators, including 20 Republicans, have joined me in cosponsoring S. 1499.

On the House side, the Committee on Small Business passed the companion to S. 1499. We attempted to move this bill quickly because it is emergency legislation. It is a good bill because it can do a lot for a lot of people. It is being held because of shameful politics.

I say let's bring this bill up for a vote. Small businesses have a right to know exactly who is working against them and who is working for them.

So what happened? On October 15th, when this legislation had cleared both cloakrooms for passage, the Administration had the Republican cloakroom put a last-minute hold on the bill so the Administration could announce its approach the next day. The next morning, the Administration lifted its hold, but a new hold was immediately placed by the junior Senator from Arizona, which he stated in the press was on behalf of the Administration. Last week, the Senator from Arizona lifted his hold, and I thank him for that, but unfortunately, we then learned that there was one or more anonymous Republican holds on the bill. This approach makes it very difficult to try to work out objections. Two other Republican senators told me that their objections were solely based on the Administration's problems with the bill. Therefore, I directed my staff to meet with the Administration, learn their concerns and try to reach a compromise so that this bill could pass before the recess.

Last night, Senator BOND and I joined our staffs as they met with representatives of the Administration for the eighth time. I am very disappointed to report that the Administration came to the table and said that, although we had made some progress, it would not negotiate further. The ultimatum was for us to strike entire sections and provisions critical to the relief provisions of our bill.

Specifically the Administration's representatives said:

"We cannot work with you on Section 6." That is the entire stimulus portion of S. 1499. As such, we were asked to eliminate the provision that would make it less expensive for small businesses to get loans and provide incentives to lenders to make these loans. We were told that, in their view, there is no credit crunch for small businesses.

"We cannot work with you on Section 10." Section 10 establishes a fund to help small businesses that were shut out of their Federal work sites or have suffered delays in accessing those sites because of national security measures. We offered to set it up in any way they thought it could work and to reduce its \$100 million authorization level, but the Administration refused to work with us on that section.

"We cannot work with you on refinancing non-SBA business debt." This was an important part of the disaster relief that S. 1499 targets to those at ground zero in NY and VA, those located in airports and those adversely affected by Federal security actions. The Administration was unwilling to make this help available to these disaster victims.

The administration can not go further in providing an incentive to small

business lenders by reducing the lenders' loan fee by more than one-tenth of one percent. Despite numerous articles in reputable newspapers such as the New York Times, it is the Administration's view that lenders do not need incentives to make small business loans in this economic downturn. Senator BOND and I, as well as the 61 other cosponsors of S. 1499 believe that both lenders and small business borrowers need a break to encourage these loans to be made. With this capital, small businesses will stay in business and continue to employ people. Without it, we can expect greater business failures and bankruptcies.

Senator BOND and I asked them to meet us halfway, and they said no. We asked them to give us alternative language, and they didn't give us any. We spent more than 20 hours negotiating on this bill and it appears as if the Administration never had any intention of finding common ground. It appears as if it was an exercise in delay.

Let me describe briefly where I disagree with the administration about how to help small businesses battling bankruptcy and employee layoffs triggered by the terrorist attacks and economic downturn. The administration believes that all assistance should be delivered through the SBA's disaster loans, which are administered through only four regional offices. From talking to small businesses and SBA lenders, Senator BOND and I have concluded that small businesses would be better served through a combination of disaster loans and government guaranteed loans. Government guaranteed loans are almost five times cheaper than what the administration has proposed, have less exposure for the taxpayer, and can reach more small business owners because they are delivered through more than 5,000 private sector lenders who know their communities and have experience making SBA loans. Our proposal combines public and private sector approaches to ensure small businesses receive the maximum amount of assistance.

We will never agree on each other's approach, mostly because the administration has told us in meeting after meeting that it does not believe there's a credit crunch and that small businesses are not having difficulty in accessing credit. They don't acknowledge articles, surveys and testimonials that state it has become harder and more expensive for small businesses, particularly minority and women-owned small businesses, to get loans over the past year.

They ignore the surveys by the Federal Reserve that say, "40 percent of domestic banks reported tighter standards [when lending to small businesses] over the past three months, up from 32 percent in August." Please keep in mind that this survey was released in October and doesn't even capture the affects of September 11.

They ignore articles from economic authorities such as the Wall Street

Journal. I read this last week on the floor but think it is absolutely worth repeating. Wall Street Journal, Tuesday, November 6th, 2001. Here are the words of Mr. John Rutledge, Chairman of Rutledge Capital in New Canaan, CT, and a former economic advisor to the Reagan administration:

Interest rate reductions alone are not enough to jump-start this economy. We need to make sure cheaper credit reaches the companies that need it. . . . The Fed is cutting interest rates—but the money isn't reaching capital-starved small businesses because Treasury regulators are cracking down on bank loans. Credit rationing, not interest rates, is the real problem with the economy. . . . This problem didn't start on September 11th. For more than a year U.S. banks have been closed for business lending. Unless the current Bush administration takes steps to restore bank lending to small businesses and heal the asset markets now, the economy will stay weak.

They ignore surveys published in the American Banker. On October 31, a survey of 80 lenders of all sizes by Phoenix Management Services found that 42 percent "would be less likely to lend to small businesses, which they view as more risky because they foresee no improvement in the economy until late 2002 at the earliest." The article from November validated what before was characterized as "less likely to lend to small businesses," by reporting lenders had actually "tightened their standards" to small firms by more than 40 percent.

Still, the administration maintains there's no credit crunch and that provisions in S. 1499 to provide improved access to credit are too expensive and unnecessary.

The administration has also raised concerns about the cost of the legislation, which has been unofficially scored by Congressional Budget Office at \$860 million. Let me be clear, that's million, not billion. \$860 million to help all of our Nation's small businesses. Yet the administration objects to this, when they have sent up requests for billions in tax cuts for a select few large corporations, and when the administration's approach costs almost five times as much to help fewer small businesses. The bill's \$860 million cost is too much to invest in the nation's small businesses, according to the administration's position.

I regret very much for small businesses and their employees that their needs are being trivialized. I admire Senator BOND and the Chairman of the House Committee on Small Business for showing leadership in their party to help small businesses. I am very glad that we can work in such a strong bipartisan fashion to fight for small businesses. I thank the 62 members of this body who have come together in a bipartisan fashion to support this legislation and our nation's small businesses.

Let me note here that the White House said in our meetings that 62 cosponsors "means nothing—that it happens all the time up here." I find that cavalier considering that, according to the Congressional Research Service,

only 13 out of 1,839 bills introduced in the 107th Congress have more than 60 cosponsors.

The support for this bill is strong and bipartisan. I am very sorry that those Senators supporting S. 1499 have not had the chance to cast a vote in favor of this emergency legislation before they go home for the holidays and visit with the small businesses in their states. Small businesses deserve some good news. As for right now, we can only tell them what I told the administration in our meetings last night: When we come back in January, we intend to file cloture on this bill and take a vote.

In closing, let me thank the many groups who have fought so hard on behalf of their members to get this legislation enacted. They have demonstrated all that is great about grassroots action and active involvement in the political and legislative process.

In addition to including for the record the list of these groups, I also ask unanimous consent to have printed articles and letters from small business groups regarding the current credit crunch, the need for equitable adjustment provisions for our small business contractors and other provisions of S. 1499 be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

#### S. 1499 SUPPORTERS

Airport Ground Transportation Association, American Bus Association, American Subcontractors Association, Associated General Contractors of America, Association of Women's Business Centers, CDC Small Business Finance, Chicago Association of Neighborhood Development Organizations, Citizens Financial Group, RI, Clovis Community Bank, CA, Coastal Enterprises, ME.

County of San Diego, Delaware Community Reinvestment Act Council, Fairness in Rural Lending, Florida Atlantic University Small Business Development Center, Helicopter Association, HUBZone Contractors National Council, National Association of Government Guaranteed Lenders, National Community Reinvestment Coalition, National League of Cities, National Limousine Association.

National Restaurant Association, National Small Business United, National Tour Association, New Jersey Citizen Action, Rural Housing Institute, Rural Opportunities, Self Help Credit Union, Small Business Legislative Council.

U.S. Conference of Mayors, United Motorcoach Association, United States Air Tour Association, United States Chamber of Commerce, United States Tour Operator Association, Women's Business Development Center.

[From the Wall Street Journal, Tues., Nov. 6, 2001]

#### A CREDIT CRUNCH IMPERILS THE ECONOMY

(By John Rutledge)

When the Federal Open Market Committee meets today it won't be arguing over whether we are in recession. The economy is weaker today than at any time since 1982. It will almost certainly end the meeting by voting to reduce interest rates again. This will bear the same results as all the previous rate cuts this year: none.

Interest rate reductions alone are not enough to jump-start this economy. We need

to make sure cheaper credit reaches the companies that need it. Credit rationing, not interest rates, is the real problem with the economy.

The Fed's monetary stimulus has been hijacked by the bank regulators. These credit highwaymen aren't bad guys, they are just doing their jobs. The Treasury Department's Office of the Comptroller of the Currency (OCC), which is charged with regulating federally chartered banks, has a different agenda from the Fed. Its job is to protect bank capital, period. It does so with an army of bank examiners, who wield the blunt instrument of credit rationing inside banks. For more than a year, these regulators have been diverting bank reserves into Treasury securities instead of business loans, in hopes of restoring bank capital that was damaged by technology lending. Companies that rely on banks for working capital have been sucking air.

To restore growth we need a functioning banking system. This will require a level of coordination the Treasury and the Fed have seldom achieved. But the current consensus for growth could give President Bush the political Roto-Rooter he needs to clear out the conduit.

This problem didn't start on Sept. 11. For more than a year U.S. Banks have been closed for business lending. The story reads a lot like the real-estate blowout of the early 1990s that ended with Resolution Trust Corp. auctions, except this time it was undisciplined technology investments that did us in. In the three years leading up to 2000, commercial banks loaned enormous sums of money to telecom, cable and technology companies to finance, capital-spending programs. These loans weren't backed by assets, but were based on projections that all three sectors would have sales growth rates several times that of the economy for many years to come.

Last summer it became clear that sales growth would not meet those heady projections. Instead of the 14% growth projected by analysts for telecoms this year, for example, actual sales will shrink. Companies without revenues don't make interest payments. And so by the fall of 2000, OCC teams were forcing regional banks to downgrade loans and reduce business lending.

The Fed is cutting interest rates—but the money isn't reaching capital-starved small businesses because Treasury regulators are cracking down on bank loans.

Here's the catch. The loans to technology companies were generally unrecoverable. The tech firms had spent the funds on current operating expenses or to purchase assets with lots of goodwill but little resale value. So the banks turned to the one place they could get money back: reducing the revolving credit facilities of their small business customers.

I got a personal glimpse of all this last October, when a team of bankers visited our office to inform us their bank had decided to reduce the credit rating of, as well as cash-flow loans to, one of the private companies we own, in preparation for a bank examiner audit the following week. Our loan went from a "five" to a "six" on their 10-point internal risk management system, which meant the company could no longer use its acquisition credit line. This caused the company to halt discussions with an acquisition target and to book the costs incurred up to that point as current expenses.

Other companies had it worse, with reduced revolving credit facilities and increased fees. Some companies, under pressure from their banks to raise equity capital, have been forced to sell control in an illiquid equity market. Others have been forced into filing for bankruptcy protection or liquidation.

Deprived of working capital, U.S. companies have been trying to shrink their way to solvency, by reducing inventory, stretching vendors and laying off workers. This has created the sharpest drop in industrial output in 20 years.

Ironically, when the Fed became alarmed at the shrinking economy and began to cut interest rate in January, the bank examiners, who report to a different master, tightened further. The business loan market is far tighter today than it was then. Two years ago banks were willing to lend a good company four to five times Ebitda, or earnings before interest, taxes, depreciation and amortization. Today banks quote a market of just over two times Ebitda but money is not, in fact available even at that level.

A further irony is that although banks have refused to lend to businesses, they have been throwing money at the consumer through mortgage and equity credit lines. This has produced a two-speed economy that has left many companies unable to produce products or to ship orders for lack of working capital. Stimulating consumer spending won't solve this problem; we need a functioning bank market.

The last period of nonprice credit rationing was the 1990-92 credit crunch. It caused tremendous damage to the economy and cost the first President Bush his re-election bid. It ended only after the RTC had finished its auctions and the property and banking markets had stabilized.

The lesson of that experience—that the economy is only as healthy as its balance sheets—is as true today as it was a decade ago. Unless the current Bush administration takes steps to restore bank lending to small businesses and heal the asset markets now, the economy will stay weak.

The White House can do three things to put the economy back on sound footing.

First, it should bring the Fed and the Comptroller of the Currency together to coordinate efforts to restore bank lending. This can be done very quickly and would not require new legislation.

Second, it should introduce legislation to transfer the regulation of federally chartered banks from the Treasury to the Fed, which would make monetary policy function more smoothly and prevent future credit-crunch situations.

Third, the White House should make it clear to Congressional Democrats that the price for support of their huge spending projects is fast action on a lower capital-gains tax rate and further action to lower marginal income tax rates, both of which would increase asset market values and improve bank capital.

Forceful action to Roto-Rooter the business loan pipeline is one thing we can do to make the economy grow again.

[From The American Banker, Wed., Nov. 14, 2001]

(By Rob Garver)

The slowdown in lending activity, evident through much of the year, sharpened in recent months through diminished demand and tighter lending standards even as banks addressed a new round of credit quality problems in their loan portfolios.

According to the Federal Reserve Board's latest survey of senior loan officers, which was released Tuesday, nearly half the banks had lowered internal ratings on at least 5% of their commercial lending portfolios.

Internal loan ratings reflect a bank's assessment of the risk that the borrower will default. The most likely borrowers to be downgraded in the three-month period through October were commercial airlines and nondefense aerospace firms, followed

closely by travel and leisure-related businesses such as hotels and restaurants. The survey of the chief credit officers of 57 domestic banks and 22 U.S. branches of foreign institutions also found that most U.S. banks tightened their underwriting standards for commercial loans, and that commercial borrowers, for their part, were less willing to go into debt. Terms and conditions for consumer loans tightened slightly, the survey found, and demand for consumer loans fell.

The survey, taken four to six times a year, typically contains a number of "special questions" in addition to standard queries about loan terms, conditions, and demand. The special questions, which usually address typical issues, focused on the recent downgrading of commercial credits and the changes in the loan market as a result of the Sept. 11 terrorist attacks on New York and Washington.

After noting that debt rating agencies "have revised their ratings for a substantial number of firms" recently, the survey asked banks what portion of their commercial loan portfolios, by dollar volume, had been downgraded in the past three months.

Among domestic institutions, 10.5% said they had downgraded less than 1% of their portfolios, while 40.4% reported downgrading between 1% and 5%. Banks that downgraded between 6% and 20% of commercial loans made up 42.1% of the total, and an additional 7% of respondents reported downgrading between 21% and 30%.

The standard elements of the survey, which deal with underwriting standards and loan demand, found that 50.9% of banks had tightened their standards for large and midsize firms. For loans to small firms, 40.4% reported higher standards.

The tightening of standards most frequently took the form of premiums charged for making risky loans, and higher interest rates. Loans to large firms were also likely to have tighter loan covenants, while loans to small firms were likely to carry higher collateralization requirements.

The main reasons for the tougher underwriting standards were a "less favorable or more uncertain economic outlook" and a "worsening of industry-specific problems."

While banks were tightening their standards, commercial borrowers were reducing their demand for loans, the survey found. Loan demand from large and middle-market firms was down at 72% of banks in the survey, while demand from small businesses was down 55.4%. The most common reason reported for the decreased demand was a reduced investment by customers in their plants and equipment.

After noting that, in the aftermath of the attacks, the Securities and Exchange Commission had relaxed its rules on stock repurchases by public companies, the survey asked if demand for loans to finance such repurchases had increased, and if banks had altered the terms of such loans. In both cases, more than 90% of respondents reported little or no change.

The survey also asked if the dislocation of businesses after Sept. 11 had affected liquidity in the secondary loan market. Two-thirds of the respondents reported decreased loan trading volume, and 64.4% reported that since the attacks, bid-ask had widened.

[From the Arizona Daily Star]

KYL ACCUSED OF BLOCKING AID BILL

(By Tiffany Kjos and Aaron J. Latham)

Arizona Sen. Jon Kyl and an anonymous lawmaker are being accused of blocking a bill that would provide low-income loans to small businesses suffering as a result of the country's economic downturn.

The bill would provide financial help through existing loan programs administered

by the Small Business Administration: 7(a) working capital loans; and 504 loans for equipment and building improvements. It would also lower fees for borrowers and SBA lenders.

Sen. John Kerry, a Democrat from Massachusetts and chairman of the Senate small-business committee, introduced the bill more than two months ago in hopes of moving it through quickly. It has 60 co-sponsors in the Senate and dozens of backers in small-business associations.

"I'm asking my Republican colleague to stop obstructing this legislation," Kerry said.

The Congressional Budget Office estimates the bill's cost at \$860 million, but it would result in \$25 billion in government-guaranteed loans and venture capital for businesses, Kerry said. If the bill passes, Congress would have to figure out where the money would come from.

"As each day passes, more and more small businesses are left behind, facing financial hardships that are forcing them to close their doors as a result of inadequate disaster assistance, stifled availability of loans and limited access to capital," Kerry said.

Kyl, a Republican, has said the bill is too expensive, and he told the Washington Post he is not blocking the bill but acting as an agent for the Republican steering committee in reviewing it.

Kyl's anonymous colleague on the bill can remain unidentified because Senate rules allow members to oppose legislation without going public.

The federal government already has in place a disaster loan program that offers low-interest loans to businesses that suffered directly or indirectly as a result of the Sept. 11 attacks. The Small Business Emergency Relief and Recovery Act of 2001 would help those firms, plus any small business that needs money to survive in the lagging economy.

Like thousands of other small businesses across the country, Tucsonan Maggie Johnson has seen a dropoff since Sept. 11. Johnson's Malkia African Arts & Gifts at 272 E. Congress St. is filled with African masks, fabric and clothing, Egyptian beaded scarves, and colorful greeting cards she makes by hand.

"I'm not selling necessities. I'm selling things people buy with their disposable income. And everyone's sitting on their disposable income now," she said.

The consumer response to the attacks was immediate and nationwide, she said.

"People are pulling back, retrenching—waiting is a good word," she said. "They're spending money on things they have to have, food and basics."

The U.S. Chamber of Commerce is a strong supporter of the measure. Giovanani Coratolo, director of small-business policy for the Washington, D.C.-based group, was careful not to criticize Kyl but did not say the chamber has been working hard to get the bill through the Senate.

"We respect his opinion but we are not with him on this," Coratolo said. "We've been actively working to get co-sponsors and, quite frankly, it could have 80 co-sponsors, (but) he is still determined to block it."

Normally the chamber would not endorse legislation that would expand the government's role in small business, Coratolo said—but these are special circumstances.

"Given the times and what we see from small businesses, there's a lot of hurting going on and they do need help. They're not looking for handouts. They're looking for access to capital that will give them the ability to help them hang in there," he said.

Coratolo said the opposition's strategy has been to run out the clock. The Senate will

probably adjourn by the end of this week and not return until late January, Coratolo said.

"Small businesses need the relief now, and actually they needed it last month," he said. "The existing programs and loan programs that were meant to act as a safety net—some are not there and some don't reach out far enough to help those that really need the help."

SBA loans are guaranteed by the government, so lenders are more apt to give them, Kerry said.

While he opposes the small-business bill, Kyl is backing a \$500 per person tax credit for travel-related expenses.

"Sen. Kyl has a travel incentive bill going through that's \$10 billion, but he says our bill is too expensive. Understanding how important small businesses are to our economy, we are not denying that travel is important as well, but we do need to get these small businesses some assistance," said Dayna Hanson, Kerry's press secretary for the small-business committee.

Kerren Vollmer, who owned Nava-Hopi Tours in Flagstaff with her husband, Roger, agrees. The couple closed their bus tour business Oct. 26 because so many people canceled their travel plans after Sept. 11. The Vollmers owned 10 tour buses and operated charter tours as well as regular trips to Phoenix and the Grand Canyon from Flagstaff.

"You still have to run regular schedules," she said. "You can't quit just because you have only three or four people."

Vollmer is a lifelong Republican who voted for Kyl, ran for county superintendent, and has worked in the voting precinct. She tried to contact Kyl's office but received no response.

"I've sent e-mail, I've sent him a fax, begging him, offering to talk with him or any of his staff, this is what's going on," Vollmer said. "When it's your own senator, it hurts. Because I don't feel like he even recognizes what's going on under his own nose."

Vollmer said the company tried to get a disaster loan but couldn't even get the application, even with the help of the Arizona Department of Revenue and the local community college's small business development center. Whether the latest measure will make it through the Senate is very much up in the air, Coratolo said.

"Am I optimistic? It's about a 50-50 chance, and if it does, it will be by the skin of its teeth," he said. "Sen. Kyl has been very, very effective at blocking it."

THE NATIONAL ASSOCIATION OF GOVERNMENT GUARANTEED LENDERS, INC.,

December 20, 2001.

Hon. JOHN KERRY,  
*Chairman, Senate Committee on Small Business and Entrepreneurship, Russell Senate Building, Washington, DC.*

DEAR SENATOR KERRY, On behalf of the members of the National Association of Government Guaranteed Lenders (NAGGL), the SBA's 7(a) lending partners, thank you for your continuing efforts to improve capital access for small businesses in this time of sharply heightened need. We strongly support your efforts and the efforts of Senator Bond to enact S. 1499.

It is clear, especially in light of events of September 11, that banks' profits continue to plunge. According to a November 30 article in the Washington Post, "Earnings for the nation's banks dropped nearly 10 percent in the third quarter because of the largest increase in expected loan losses in more than a decade." The report goes on to say that "the dip in earnings can be partly attributed to losses from the Sept. 11 terrorist attacks, with more expected to be reported in the fourth quarter."

This drop in profits has resulted in an every-tightening credit crunch, as can be inferred from just the headline of a November 14 Wall Street Journal article that reads, "Banks Tighten Credit, Loan Standards In Past Months Amid Uncertain Outlook." This article cites a Federal Reserve study that "aids fuel to growing concerns that an unwillingness among bankers to lend is threatening to choke off investment, hampering chances of a quick economic recovery."

In this economic climate, it has become exceedingly difficult for even the most qualified small businesses to access the capital they need for survival, and to help spur the American economy to recovery and renewed prosperity.

This is why the passage of S. 1499 is so important. While the SBA's Disaster Loan Program is a necessary ingredient of economic recovery, it cannot possibly provide the sweeping help that the 7(a) program can, and S. 1499 addresses this problem. S. 1499 creates a more attractive 7(a) program for cautious lenders, and a more affordable 7(a) program for hurting borrowers for one year's time—when both of them need it most. And it utilizes private sector lenders that are already in place and ready to provide necessary capital immediately.

We encourage you and your Senate colleagues to expeditiously pass S. 1499 while it is still possible to help small businesses and the American economy in their time of greatest need.

Sincerely,

ANTHONY R. WILKINSON,  
NAGGL President & CEO.

#### A PLEA FOR SENSIBLE GUN SAFETY LEGISLATION

Mr. LEVIN. Mr. President, on April 27, 1999, we paused in the Senate to observe a moment of silence in tribute to those who died at Columbine High School and to express our sympathy for their loved ones. Since the Littleton tragedy, over 60,000 people have been killed by guns, criminals continue to gain easy access to guns and, according to the Brady Campaign, there is an unlocked gun in one of every eight family homes. Several strong pieces of gun safety legislation have been introduced in the 107th Congress to address these problems. None, however has been adopted. In fact, none has even been voted on in the Senate.

In 1994, the Brady law established the National Instant Criminal Background Check System, NICS. This check system allows federally licensed gun sellers to determine whether a person is allowed to buy a gun. Since its inception, NICS checks have prevented more than 156,000 felons, fugitives and others not eligible from purchasing a firearm without infringing upon any law-abiding citizen's ability to purchase a gun.

However, a loophole in the law allows unlicensed private gun sellers to sell guns without conducting a NICS check. A 1999 study by the Bureau of Alcohol, Tobacco and Firearms found 314 cases of fraud at gun shows, involving 54,000 guns. Felons and suspected terrorists have reportedly used gun shows to purchase firearms, and smuggle them out of the United States. On April 24, 2001, Senator REED introduced the Gun Show Background Check Act. I cospon-

sored that bill because I believe it is an important tool to prevent guns from getting into the hands of criminals and foreign terrorists. This bill, which is supported by major law enforcement organizations including the International Association of Chiefs of Police, simply applies existing law governing background checks to persons buying guns at gun shows. We should stand with our Nation's law enforcement community and take this common sense step to reduce gun violence.

In January, regulations issued by the Department of Justice directed the FBI to retain NICS check information for a 90-day period. This 90-day period allows local law enforcement and the FBI to check NICS for illegal guns sales, identify purchasers using fake IDs and screens for gun dealers misusing the system. However, in June, the Attorney General proposed reducing the length of time that law enforcement agencies can retain NICS data to 24 hours. This is simply not a sufficient amount of time for law enforcement to audit and review the NICS database for patterns of illegal activity. This change will create another potential loophole for criminals to purchase guns.

I was greatly concerned by the Attorney General's action and I was pleased to cosponsor the "Use NICS in Terrorist Investigations Act" introduced by Senators KENNEDY and SCHUMER. This legislation would reinstate the 90-day period for law enforcement to retain and review NICS data. The need for this legislation was highlighted just a couple of weeks ago when the Attorney General denied the FBI access to the NICS database to review for gun sales to individuals they had detained in response to the September 11th terrorist attacks and refused to take a position on an amendment which would authorize that access. I believe it is imperative that law enforcement is given the authority to review the NICS database. The Schumer-Kennedy bill is commonsense legislation that deserves floor action.

The Brady law has been effective in keeping guns out of the hands of criminals, but the number of children killed in suicides, unintentional deaths and school violence remains unacceptably high. This is the case because kids still have all too easy access to guns. Young children are too often killed or severely injured because adults do not store their firearms properly. A recent National Institute for Justice survey found that 20 percent of all gun-owning households had an unlocked and loaded gun in the home. To prevent easy access to guns, Senator DURBIN introduced the Children's Firearm Prevention Act. Under this bill, adults who fail to lock up a loaded firearm or an unloaded firearm with ammunition would be held liable if the weapon is taken by a child and used to kill or injure themselves or another person. The bill also increases the penalties for selling a gun to a juvenile and creates

a gun safety education program that includes parent-teacher organizations, local law enforcement and community organizations. This bill is similar to a bill President Bush signed into law during his tenure as the Governor of Texas. I support this bill and hope the Senate will act on it during this Congress.

We know kids and criminals should not have access to guns, but there are certain types of guns that simply do not belong on the street. One example is .50 caliber sniper guns. These weapons are among the most powerful weapons legally available. In fact, according to one rifle catalogue, a .50 caliber manufacturer touted his product's ability to wreck "several million dollars, worth of jet craft with one or two dollars worth of cartridge." This is a disturbing assertion, particularly in the wake of September 11th. Even more disturbingly, there are fewer restrictions placed on purchases of long-range .50 caliber sniper weapons than there are on handguns. In fact, according to a 1999 GAO report, since the end of the Gulf War, .50 caliber sniper guns have ended up in the hands of many suspected terrorists, including al-Qaeda. Senator FEINSTEIN's Military Sniper Weapon Regulation Act would change the way .50 caliber guns are regulated by placing them under the requirements of the National Firearms Act. This is a necessary step to assuring the safety of Americans.

More than 2 years ago, two young men brought terror to Columbine High School. Of the four guns used by the two Columbine shooters, three were reportedly acquired at a gun show. The teenage shooters took full advantage of the gun show loophole, which allowed their friend to buy them two rifles and a shotgun without ever submitting to a background check. The tragedy in Littleton, Colorado struck a chord with every American. About a month ago, it was discovered in New Bedford, Massachusetts that a 17-year-old was plotting a massacre at his school. He told police he wanted the event to be like the 1999 slaughter at Columbine High School. Since the events of September 11th, several states, including my home state of Michigan, have experienced significant increases in applications for concealed weapons permits and background checks for gun permits. The gun show loophole remains open, law enforcement lacks access to the NICS database, kids continue to gain access to guns and .50 caliber military sniper guns remain uncontrolled. It is long past time to adopt sensible gun safety legislation.

#### LEGISLATION IN BEHALF OF VETERANS

Mr. SPECTER. Mr. President, I have sought recognition to comment briefly on legislation acted upon during the first session of the 107th Congress which will make a dramatic difference in the lives of hundreds of thousands of