



Legislative Update

The War of Words and the Next Administration

James Ballentine, Senior Vice President, ABA Grassroots and Political Operations

In what can only be described as a disagreement over the state of the Small Business Administration (SBA), the *New York Times* (NYT) and the SBA began an extended exchange of words over the progress of the SBA.

In a June 12, 2008 article [Small-Business Agency's Problems Linger as Leader Moves on to HUD] NYT's reporter Elizabeth Olson stated that "While he [former SBA Administrator Steven Preston] streamlined the way the SBA worked, he left behind various problems that critics and small business groups say are particularly troublesome in a weakened economy ... and his departure comes in the waning months of the Bush Administration, it is unlikely that a permanent leader for the SBA, with a mandate to make major changes, will arrive before next year."

A harsh critique of an Administrator that only served in that capacity for a little over a year.

Not to be outdone in the war of words, Acting SBA Administrator Jovita Carranza sent an equally harsh response to the NYT editor citing the NYT's omission of hard facts on the agency's transformation during Mr. Preston's tenure. In a lengthy Myth vs. Facts document, the SBA defended its progress in disaster and 7(a) lending, government contracting and entrepreneurial development. In response to the criticism that the SBA was not doing enough to increase loan volume and help small businesses during the credit crunch, the SBA stated the following: "We're in the middle of a credit crunch and economic downturn. The lending program's recent contraction is due to three primary factors: reduced demand by small businesses; borrowers are on the whole less creditworthy; and some lenders have tightened their credit standards. Even so, 75% of the loan number decline this year can be attributed to cutbacks by just five major lenders."

While the war of words will likely continue throughout the year, the facts remain that the next Administration will have additional work to do to address the "problems" that remain to be fixed at the SBA. While much was done during the former Administrator's short tenure at the agency, many problems still need to be addressed.

Like notes on your refrigerator, the following "to-do list" continues to expand for the SBA. Eventually, future Administrations will put an accomplishment checkmark next to each one, but until then, here is the "to-do list" for the next Administration:

- 1) Find a new SBA Administrator willing to commit to improving the SBA – for the entire length of the next Administration;
- 2) Establish new, ongoing, loan guarantee programs that make the SBA more relevant to the changing needs and demographics of the small business community;
- 3) Determine how the SBA can, with the help of the banking industry, address the needs of small businesses should the economy remain in an economic downturn;
- 4) Address the SBA's growing dependency on fees in the flagship 7(a) loan program to support its operations;
- 5) Address lender oversight concerns in the 7(a) program;

- 6) Find a better way to get the tri-annual SBA reauthorization bill through Congress;
- 7) Help small businesses secure more government contracting opportunities; and
- 8) Effectively implement the new disaster lending guidelines approved by Congress to allow private lenders to provide disaster loans.

These challenges and others remain to be addressed by the SBA's new Administrator. For the sake of the small business community, we hope that the new Administrator is up to the task and that he or she has the support of both the next Administration and Congress.