

Congress of the United States
Washington, DC 20515

November 24, 2008

Honorable Henry Paulson
Secretary
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Honorable Ben Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th & C Street,
Washington DC 20551

Dear Secretary Paulson and Chairman Bernanke,

Over the course of the last year, small businesses have faced unprecedented difficulties in securing capital and credit. These conditions have been monitored closely by the House Small Business Committee, which last week held a hearing to review the recent actions taken by the U.S. Treasury and by the Federal Reserve to assist small firms and to consider to what additional measures are necessary. We remain concerned that with over \$1.6 trillion in federal bailout expenses having been provided thus far, practically nothing has reached our nation's small businesses, many of which are continuing to struggle. As a result, we ask that you take immediate actions to provide targeted relief to small firms.

In its most recent October 2008 report, the Federal Reserve confirmed that small firms are facing substantial challenges in the capital markets. Over seventy-five percent of domestic banks indicated that they had tightened their lending standards to small firms and nearly ninety percent of U.S. banks reported having increased the costs of credit lines to smaller firms. Unfortunately, the Small Business Administration's (SBA) loan programs, which should expand to fill the gap in credit during periods of economic decline, have done just the opposite, with lending in these programs down by as much as fifty percent from last year.

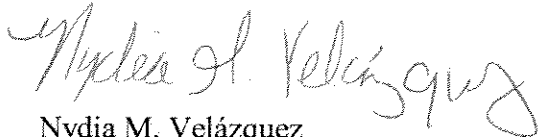
At the request of the Bush administration, Congress enacted the *Emergency Economic Stabilization Act of 2008* (EESA) to address the growing problems in the credit and financial markets. This critical piece of legislation provided the Secretary of Treasury with the authority to purchase troubled-assets, including residential and commercial loans, while the Federal Reserve responded under its existing statutory authority.

Unfortunately, both the Treasury and the Federal Reserve's wide-ranging actions have not addressed the financing needs of small businesses.


In order to alleviate these ongoing problems, we ask that the Federal Reserve take immediate and more direct actions to assist small firms. We ask that the Federal Reserve establish a facility to provide liquidity to the small business financing market, so that lenders are able to replenish their funds more readily. This can be accomplished by providing low-cost funds to key secondary market participants so that they are able to restart their purchases of small business loans. In addition, we call on both the Treasury and the Federal Reserve to work with the SBA to jumpstart its lending. These measures would help alleviate the challenges that small firms are facing in the credit markets.

Small firms represent over ninety-nine percent of all companies in this nation and employ nearly half of all private sector employees. There can be no doubt that small businesses will be of critical importance to help our economy through this difficult time. We thank you in advance for your attention to this matter and also for your support of our nation's small business. We look forward to working with you on these issues in the next month. Please feel free to contact us with any questions.

Sincerely,



Nydia M. Velázquez
Chairwoman
House Small Business Committee



Representative Anthony D. Weiner
New York 9th Congressional District