

Thank you, Senator Dorgan for holding this important hearing.

In October I had the opportunity to visit a small business in Oakland, California, Blue Bottle Coffee Company, who's success demonstrates how important small businesses are to our economy.

Blue Bottle's owner came up with the idea to open a coffee shop when he lost his job. After perfecting his roasting technique, he invested his personal savings, got some help from the SBA and other lenders, and in just a few short years the company has grown from one small cart at the Berkeley farmer's market to a 9,000 square foot operation that supports 50 jobs.

We know that the nation's 27 million small businesses drive job creation – small businesses sustain more than half of the nation's private sector jobs and have generated 64 percent of new jobs over the last 15 years - and we must do more to ensure they have sufficient access to credit to meet payroll, develop new products and create new jobs so that companies like Blue Bottle Coffee can continue to grow and succeed.

Credit for small businesses is one of the missing pieces of our economic recovery strategy. The Troubled Asset Relief Program (TARP) was supposed to help unlock credit for all businesses, but it is clear to us all that small businesses credit needs are not being met.

Wall Street bond markets are coming back for large corporate borrowers, but small businesses are more dependent on local bank lending. Small businesses get 90 percent of their loans from banks - yet bank loans to small businesses have dropped more than 15 percent over the past year, more than three times the rate of decline in personal and real estate loans.

A bill I introduced with Senator Jeff Merkley, the Bank on Our Communities Act, would correct this imbalance in our economic recovery strategy by using TARP funds to support viable community banks on the condition that they restart the flow of business lending. This will help community banks raise private capital and increase their small business lending.

Over two-thirds of small business loans are made by community banks and we estimate this legislation could help create between 200,000 and 500,000 jobs.

We must also address an issue that has arisen with SBA loan program modifications made in the Recovery Act.

According to the National Association of Government Guaranteed Lenders, the popular 7(a) loan program is responsible for 10 percent of the jobs created or saved so far by the Recovery Act. But funding appropriated through the Recovery Act to cut fees and increase government guarantees on 7(a) loans ran out last week.

Loan applicants still have the option of applying for SBA loans under standard terms, but the more favorable loan terms authorized in the Recovery Act have made SBA loans much more attractive for both lenders and small business owners.

The fact that funds have run out is a testament to how effectively this program is working. There are already over 600 small businesses approved for Recovery Act loans who can't receive them because of depleted funds. This number is growing every day.

The President of "Small Business California", Scott Hague (Hay-Gee), tells me that without an additional appropriation of about \$100 million, SBA lending will decline dramatically. This will result in fewer jobs created and saved.

I will be working with my colleagues and the Administration to secure additional funds to extend these job-creating programs.

I am also proud to support Senator Mary Landrieu's Small Business to Capital Act, legislation to increase the maximum size of various Small Business Administration loans so that small business owners can have greater access to existing lending programs.

Increased small business lending is creating jobs, and ensuring access to credit is essential to a full economic recovery.

Thank you, I look forward to hearing from our witnesses.

