Congress of the United States
Washington, DC 20515

June 2, 2004

The Honorable Frank R. Wolf, Chairman
Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Subcommittee
Room H-309, The Capitol
Washington, DC 20515

The Honorable Jose B. Serrano, Ranking Member
Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Subcommittee
Room H-309, The Capitol
Washington, DC 20515

Dear Chairman Wolf and Ranking Member Serrano:

We are writing to respectfully request that the Commerce, Justice, and State, the Judiciary, and Related Agencies appropriations bill provide $79,132,000 for the Small Business Administration's (SBA) 7(a) loan guarantee program in FY 2005. This funding level is consistent with the FY 2004 appropriation and, when combined with an extension of the current fee structure as implemented by P.L. 108-217, will supply approximately $12.5 billion in financing to our nation's small business, and provide the continued stimulus for our local economies.

Traditionally, small businesses with fewer assets to pledge as collateral, uncertain earnings, and high failure rates have had a more difficult time than larger businesses when it comes to securing necessary capital. Research has indicated that small businesses often fail because they lack sufficient access to capital at start-up or during key growth phases. To fill this void in the capital markets, Congress created the 7(a) program as the federal government's primary business loan guarantee program.

The 7(a) program has achieved widespread success and now provides 30 percent of all long-term, small business financing. It is also the SBA's largest and most important program in terms of number of loans and program level supported. Through this vital program, small businesses are able to create the economic growth and new jobs that our country so desperately needs. Even with all of these successes, the program has recently struggled due to unprecedented demand that overtook previously appropriated funding levels.

To bridge the gap between current demand and the FY 2004 funding level, P.L. 108-217 was enacted, which requires small business lenders to shoulder a greater financial responsibility for the program. Given this action, should Congress fail to adequately fund the program, policymakers will be left with the unenviable option of considerably increasing the cost of the program to small businesses. This would make the program too expensive for the many entrepreneurs that currently rely on 7(a) loans to meet their financing needs. The other unpleasant option would be to drastically scale back the reach of the program, which would leave many entrepreneurs without access to affordable business financing. Given the current fragile state of the economy, both of these options represent too high of a cost for this nations' entrepreneurs. The increased fees and the guarantee levels contained in P.L. 108-217 represent the maximum restrictions or limitations the small business community can bear without driving more lenders and potential small business borrowers away from the 7(a) program.

In recent years, the gap in funding of the 7(a) loan program between projected and actual demand has led to several crises, including the complete shutdown of the program in January 2004. By freezing funding in the 7(a) loan program for FY 2005 at the FY 2004 level, Congress can forestall another crisis and ensure that small businesses maintain unimpeded access to affordable business financing.

We recognize your commitment to our nation's small businesses and truly appreciate your efforts in supporting the SBA's 7(a) loan program. We look forward to continuing our work with you on this issue and thank you for your continued support.

Sincerely,