



U.S. Small Business
Administration

Statement of William M. Manger
Associate Administrator
Office of Capital Access
U.S. Small Business Administration

before the
House Committee on Small Business
Subcommittee on Investigations, Oversight, and Regulations

Hearing on “Shutdown Lessons: SBA Capital Access Programs”
February 26, 2019

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Associate Administrator
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Thank you, Chairwoman Chu, Ranking Member Spano, and members of the subcommittee for inviting me to speak with you today. It is my pleasure to appear before you as the 116th Congress gets underway. I look forward to building a strong and open relationship with all of you moving forward.

As some of you may know, the SBA provides tools and resources that are of great value to America's 30 million small businesses, which account for over 58 million jobs. As Associate Administrator for the U.S. Small Business Administration's (SBA) Office of Capital Access, it is my job to administer programs that make capital available to small business entrepreneurs who would otherwise be unable to access capital to start or expand a business through conventional means.

Before assuming my role as the Associate Administrator for the Office of Capital Access, I had the honor to serve the agency as the Regional Administrator for Region 2, based out of New York, from 2005 to 2007, and then as the Associate Administrator for the Office of Field Operations in Washington, D.C. from 2007 to 2009. From the beginning of my time with the SBA, I have been able to witness the positive impact our programs have on communities across the country.

America's small businesses are our nation's innovators and job creators, and I am committed to serving as their advocate. The role that the SBA and the Office of Capital Access plays in our credit markets fills an important gap in the lending marketplace. Our agency aims to help small businesses obtain credit that is otherwise unavailable through conventional lending. As many of you are aware, entrepreneurs certainly have the will and drive to succeed, but at times, access to capital unfortunately proves to be an insurmountable hurdle. That is where we come in. The SBA works with lenders to provide loans to small businesses. The agency doesn't lend money directly to small business owners but does reduce the risk for lenders through loan guarantees. Our programs have been helping small businesses get on their feet and grow since our inception.

During the last two years, Administrator Linda McMahon has placed an emphasis on agency governance to ensure that our entire agency, including our Office of Capital Access, is running as efficiently and effectively as possible. Her leadership before, during, and after the recent lapse in appropriations, has greatly improved our ability to get back to business.

Regarding the lapse, and in addressing today's hearing topic, my testimony will focus on three areas:

1. How the recent lapse impacted SBA's loan programs;
2. What actions the Office of Capital Access took during the lapse;
3. An update on SBA's loan program operations since funding was restored by Congress.

Due to the funding lapse, our business lending and surety programs were closed from December 22 through January 27, a total of 20 full business lending days. SBA was unable to approve loans during this period and was not able to accept new loan applications. Applications for SBA-guaranteed surety bonds were also not able to be processed by SBA. All new secondary market 7(a) loan pools were stopped and purchasing of SBA-guaranteed loans was also halted. Throughout the lapse, our Capital Access Financial System contained the following notice:

- *Due to the lapse in appropriations, SBA is not able to approve new 7(a) or 504 loans. Please refer to the SBA website at www.sba.gov/partners/lenders for more information on SBA's 7(a) and 504 loan programs. Limited staff is available at SBA's servicing and liquidation centers to continue 7(a) and 504 loan program servicing and liquidation activities.*

While most routine activity in the Office of Capital Access ceased to operate, a few excepted and exempt operations were functional during the lapse. These included:

- The administrative closing of certain previously-approved and obligated 504 loans;
- Continued applications and servicing actions on disaster loans (SBA's Office of Disaster Assistance uses the loan program operations of the Office of Capital Access to process and service disaster loans); and
- The online Lender Match platform, which automatically matches small businesses seeking financing with SBA-approved lenders.

During the lapse, I remained engaged with external stakeholders, including the trade associations, to help communicate information to lenders, as necessary. We also took steps to ensure that there would be no impairment to government property while the loan program operations were idle. For example, the Director of the SBA Office of Credit Risk Management was brought in as an excepted official to ensure that risk management in the SBA loan portfolio, including critical, time-sensitive lender reviews and oversight, was not significantly compromised.

Once Congress restored funding for SBA operations, our loan program systems were immediately operational on Monday, January 28, and normal business in the Office of Capital Access resumed. An Information Notice was published to notify all lenders that SBA was open for business. The detailed notice covered such topics as interim loans, servicing actions, report filings, as well as expedited requests.

Since the agency resumed full operations, I am proud to report on our progress. Through February 14, our lending data is as follows:

- 6,075 7(a) loans have been approved for a total of \$2.64 billion;
- 588 504 loans have been approved for \$416 million;
- 800 secondary market loans pending sale have been processed;

- Surety bond applications have all been reviewed and processed with \$188 million in bond guarantees having been approved.

Over 80% of SBA 7(a) guaranteed lending is submitted to SBA by preferred SBA lenders on a delegated basis, and SBA can turn those applications around in a matter of days. 7(a) and 504 loans that are not submitted under delegated processing are sent to SBA loan processing centers for review. Under Administrator McMahon's leadership, SBA has dramatically improved the time it takes to review and process a non-delegated loan for a guarantee at the centers. In fact, the turn time has been cut in half by implementing process improvements over the last two years.

That said, there are non-delegated loans that have been submitted for review since January 28 that we estimate will take additional time. Our loan processing centers are expediting urgent loan application reviews while also ensuring fairness so that loans are processed as they have come into the system. We have also budgeted overtime to allow for loan center staff to address these loans. As of now, the agency feels it can handle any resource needs through our existing budget.

In conclusion, SBA's loan programs are fully operational, we have made significant progress in approving new loans, and we are actively addressing any delays in our non-delegated loan processing reviews. I am committed to ensuring that the Office of Capital Access works efficiently in supporting small businesses seeking financing after the lapse in appropriations.

Thank you, Chairwoman Chu, for inviting me to testify here today. I look forward to answering your questions and continuing our work together to help advance small businesses across this country.