

SNOWE TAKES ISSUE WITH SBA's HANDLING OF DECISION
TO SHUT DOWN CRITICAL 7(a) LOAN PROGRAM

(Washington, DC) - U.S. Senator Olympia J. Snowe (R-Maine) today took the Small Business Administration to task for failing to provide Congress the required notice of its decision to suspend the 7(a) small business loan program. The SBA had warned of a plan to impose a \$750,000 cap on 7(a) loans, but suspended the program entirely without warning earlier this month.

In a letter to SBA Administrator Hector V. Barreto, sent late Thursday, Snowe wrote: "On December 23, 2003, the SBA provided notice to me, as Chair of the Senate Committee on Small Business & Entrepreneurship, of its intention to impose a 'cap' on individual loans in the SBA's 7(a) loan program as of January 8, 2004. This notice was required by Section 7(a)(24) of the 'Small Business Act,' which provides that the SBA must notify the Committee at least 15 days before making any significant policy or administrative change affecting the operation of the loan program."

"The SBA's subsequent actions in shutting down the program around January 5, 2004, or an earlier date clearly violate this statutory requirement," Snowe added. Snowe has already called for the restart of the 7(a) program as soon as possible, noting that the 7(a) program has provided financing to more than 40,000 start-up small businesses - and to more than 99,000 existing small businesses over the past three years.

Snowe said her concerns over the violation "should not stand in our way of resuming the program's operations immediately." She also reiterated a strong commitment to solve the budgetary shortfall plaguing the 7(a) program, writing to Barreto: "I remain completely committed to working with you to achieve continued success for the 7(a) loan program."

Snowe's Small Business Committee staff met with SBA and Office of Management and Budget (OMB) officials this week to discuss potential solutions, but SBA and OMB still have not submitted a formal proposal to Snowe or the Committee for review.

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January 8, 2004

The Honorable Hector V. Barreto
Administrator
U.S. Small Business Administration
409 Third Street, S.W.
Washington, DC 20416

Dear Hector:

On December 23, 2003, the Small Business Administration (SBA) provided notice to me, as Chair of the Senate Committee on Small Business & Entrepreneurship, of its intention to impose a "cap" on individual loans in the SBA's 7(a) loan program as of January 8, 2004. This notice was required by Section 7(a)(24) of the Small Business Act, which provides that the SBA must notify the Committee at least 15 days before "making any significant policy or administrative change affecting the operation of the loan program under this subsection."

The SBA's subsequent actions in shutting down the program around January 5, 2004, or an earlier date clearly violate this statutory requirement.

While regretting this violation, I remain completely committed to working with you to achieve continued success for the 7(a) loan program, which in just the past three years has provided financing to more than 150,000 small businesses and thereby created more than one million new jobs. I know of your own firm commitment to this endeavor, and I look forward to working with you in this most worthy cause.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

Olympia J. Snowe
Chair