

SBA Head Looks Beyond Loans To Help Small Business

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NEW YORK (AP) — When Karen Mills became head of the Small Business Administration in April 2009, the U.S. was in a recession and a credit crisis. It was hard, if not impossible, for many to borrow money.

It also was a difficult environment for a government agency charged with helping small businesses. But Mills came to the SBA after a career as a venture capitalist — she was in the business of buying small companies and building them up. Mills, 59, was one of the founders of Solera Capital, a private equity firm in New York. She was also president of MMP Group, which owned companies involved in consumer products, textiles and industrial components.

Her previous experience gave her "the ability to understand challenges that face small businesses and to see around the corner at what might be helpful to them in the future," she says.

The SBA is probably best known for the loans it makes to small businesses, but Mills also focuses on counseling and mentoring services that are available to business owners, and where they can go to find that help.

The SBA has grown significantly under Mills. It had shrunk under the Bush administration, with its work force falling to 2,000 employees from 2,800. There are now 3,000 employees under Mills. In January, the SBA regained its status as a Cabinet-level agency that it lost during the Bush years.

Mills spoke with The Associated Press recently. Here are excerpts, edited for brevity and clarity.

Q. What does the SBA see as the greatest challenges that small business owners face?

A. Over the past several years, the greatest challenge that small business owners faced was access to capital. Because in October 2008, credit markets froze and small businesses rely on banks for credit and the banks were not lending, particularly to small businesses. At the Small Business Administration, we run a guarantee program in which we have a \$90 billion portfolio of guaranteed loans. So we're one of the most important actors in giving access to capital to small businesses when the market is not functioning. And we were able to step into the market with enhanced loan guarantees. In the (American) Recovery (and Reinvestment) Act (of 2009), we raised our loan guarantees to 90 percent (of the amount of money borrowed, up from 75 percent to 85 percent) and we reduced or eliminated the fees. Our (loan) volumes went up and the last fiscal year, we had

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a record year. We did \$30 billion worth of loan guarantees and that is \$30 billion into the hands of small businesses. So, we are now back at above 2008 levels at the SBA in terms of loan volume. But loans are not the only thing that small businesses need. It turns out, if you give them the money without also some other tools, it is not as effective. So, a second critical aspect of what we do that small businesses benefit from is mentoring, advice and counseling. And we have data that shows that if you are small business who has a long-term counselor, you get better sales, you get more longevity, you hire more people.

We have a network across this country of small business counselors. We have over 800 Small Business Development Centers. We have 12,000 SCORE volunteers that provide one on one counseling and advice. We have 110 women's business centers and if you go on www.sba.gov and you put in your zip code, you will get the names and phone numbers and e-mails of our resource partners around the country who can provide this help and counseling. And the best news for small businesses is that it's free.

Q. Do small business owners know what SBA offers? How do you get them to learn about your services?

A. One of our important focuses is outreach because small business owners are very busy and they may or may not know about resources that are in their vicinity and free that they can take advantage of. So we spend an enormous amount of time doing things like going out in social media, working with our revised website, which has now quite a sharp improvement, increase in reach. We are one of the most vibrant government websites in terms of activity because small businesses have now discovered it. And we over the last several years have completely redone the website. So now it's much easier to navigate. We're on a track to take that even to the next level and incorporate small business information from all federal agencies in one place, in business.usa.gov.

Small businesses like a dry cleaner on Main Street have very different needs than a high-growth entrepreneurial company that aspires to double and triple (their revenue). We have help for mainstream small businesses — whether they need an equipment loan to expand or buy the building next door or whether they need advice and counseling. And we have different kinds of capital and advice and mentoring for our high-growth entrepreneurs.

Q. We're still hearing that many banks are wary about lending to small businesses? What is your sense of the lending climate?

A. In the last several years, we've brought over a thousand community banks back to SBA lending who had not made a loan since 2007. In addition, this year we went back to our bigger banks, our 13 largest lenders and each of them has stepped up and committed a total of \$20 billion in incremental small business lending over the next three years. So we have increased activity from both community banks and our larger banks because they realize that the pendulum swung too far and they are refocusing on getting capital into the hands of small businesses. Our largest two banks are JPMorgan and Wells Fargo and they are participating as well as

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USBancorp, Sovereign Bank, Key Bank, Bank of America, PNC, M&T, Huntington.

Q. What advice do you have for an owner who's having a hard time getting a loan?

A. Go first to our Small Business Development Center. Work with a counselor on your business plan. Make your (loan application) package credit-ready. We know from experience in the height of the downturn in our North Carolina Small Business Technical Development Center, we took everybody who had been rejected by the banks and we were able to get 70 percent of them creditworthy because they either hadn't thought through completely their business plan and they needed to change or revise their vision and their requirements, or they hadn't presented in the optimum way. Very often, small business people can use help, a mentor or an advisor to improve their credit package and then, at the SBA, we can also often introduce a small business to a bank that is interested in their sector. There are banks who are more interested in food and beverage. There are banks that are more interested in manufacturing. There are banks that are more interested in retail.

Q. What do you see as your biggest accomplishment in helping small business?

A. What we have been able to do in addition to really having a record year is bring a comprehensive view of the tools that small businesses need. Instead of operating in silos at the SBA, we see our role as providing a continuum of services to small businesses. So for instance, you might need a counselor and adviser when you start up. Then you might need access to capital and then as you grow you might see an opportunity to do a government contract, which is a program that we oversee. And heaven forbid there'd be a tornado or a hurricane. We're also there in the event of disasters. So we view ourselves now as helping small businesses do what they do best, which is grow and create jobs.

Q. What has been your biggest challenge?

A. This is an economy now that is ever more dependent on small businesses and in our economy today, we need all of our entrepreneurs, from every community. In this downturn small businesses have really suffered and many sectors of the country and many small business owners have really faced a challenging time. At the SBA, we know that our fastest growing segments in small business are women-owned small businesses, Hispanic-owned small businesses. Veterans and returning veterans. All of our diverse constituencies in this country need a path to entrepreneurship. Our biggest challenge is to make sure they have access and opportunity, especially where the market is not providing a broad enough path to that access and opportunity. We know that half the people in this country own or work for a small business and that two out of three net new jobs are created by small business. So if we want to make sure the economy continues to grow and that we have competitive advantage around the globe, we have to give all of these small business owners a path to success.

Q. How much influence do you feel the SBA has with other agencies, like the Pentagon, when it comes to helping small businesses win more government

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contracts?

A. We oversee government contracting, which is \$100 billion a year. It is the most important small business program run in the federal government. And the cost to taxpayers: zero. We have tremendous influence and impact under this president on government contracting. (Recently), I was at the White House at a routine meeting that we have with the senior people from all of the agencies discussing how we are doing in meeting our contracting goals, how the SBA can provide more assistance in the next couple of quarters and sharing best practices from each of the agencies with each other. There is across the board commitment, particularly from our leading agency, which is the largest piece of this, the department of Defense. Leadership of those agencies have realized that it's a win-win for them. They're getting the most innovative companies. They're getting the best service very often from the CEO and they're having success from their small business programs. So there's deep commitment from the president for this and across the agencies.

Q. How does being a member of the Cabinet affect your job now?

A. It's a great honor to be a member of the Cabinet. I report to the president, and when he elevated my position to Cabinet-level, I think affirmed something that really has been true from Day One, which is that he thinks of small business as one of the critical priorities in the economy.

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