

Congress of the United States
CONGRESSIONAL OVERSIGHT PANEL

Opening Statement of Elizabeth Warren
Congressional Oversight Panel Field Hearing
on Small Business Lending

Phoenix, Arizona
April 27, 2010

Good morning. My name is Elizabeth Warren, and I am the Chair of the Congressional Oversight Panel. I would like to begin by extending our sincere thanks to the City of Phoenix, the University of Arizona, Senator John McCain, Senator Jon Kyl, and Congressman Ed Pastor for hosting us and for helping to plan today's hearing.

Congress established our Panel in October of 2008 to oversee the expenditure of funds from the \$700 billion Troubled Asset Relief Program, commonly called the TARP. We issue monthly oversight reports that analyze and evaluate the Treasury's administration of this program and its results in stabilizing our economy.

In the course of our work, we travel from time to time to areas of the country that have been especially hard-hit by aspects of the financial crisis. This morning, we are pleased to be in Phoenix to learn more about the credit crunch or reduction in the availability of credit for small businesses. Oversight of this topic is a crucial role of our panel. The Secretary of the Treasury recently designated small business credit as one of the primary focuses of TARP, and he pledged TARP funds "for additional efforts to facilitate small business lending."

This is a difficult moment for most American businesses, large and small. Companies of all sizes remain strained by the recession, hampered by the unwillingness of banks to lend, and weakened by the reluctance of customers to buy. But as our economic cycle turns toward recovery, there is a very real fear that, while big businesses might be able to gain credit through Wall Street or the debt markets, small businesses could be left behind.

For Arizona, this is not an acceptable outcome. Over 97 percent of the state's employers have fewer than 500 employees. Nearly half of the state's workers are employed by small businesses. A recovery that leaves behind Arizona's small businesses can hardly be termed a recovery at all.

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Before the crisis, entrepreneurs who needed money to finance their businesses had many options. They could reach out to a local or national bank to ask for a loan. They could charge expenses to a small business credit card. They could contract with a non-bank lender to receive upfront payment on future income. They could take out an equity line of credit on their home or on a business property.

Today, most of those choices have disappeared, and for most small businesses the only credit option remaining is a bank loan. But even this pathway is restricted. Most banks have suffered severe losses, and many have cut back on lending. To make matters worse, the hardest-hit banks tend to be smaller ones – the same institutions that disproportionately serve small businesses.

The result could be a vicious cycle. Small businesses could find that, because they cannot access credit, they cannot meet demand for their services. Their bottom line could suffer, further undermining the economy, which in turn could further damage credit access. Breaking this cycle will be an important step toward economic recovery.

We are grateful today to be joined by bankers, small business owners, and government witnesses who can speak firsthand to conditions facing banks and small businesses. We will hear from Robert J. Blaney, Arizona District Director of the Small Business Administration; Stan Ivie, San Francisco Regional Director of the Federal Deposit Insurance Corporation; Candace Wiest, President and CEO of West Valley National Bank; Lynne Herndon, City President in Phoenix for BBVA Compass Bank; James Lundy, President and CEO of Alliance Bank of Arizona; Mary Darling, CEO of Darling Environmental and Surveying, Inc.; Cindy Anderson, CEO of Great Biz Plans; and Paul Smiley, President of Sonoran Technology and Professional Services. We are also honored by the presence of Phoenix Mayor Phil Gordon. We thank all of you for your willingness to share your perspectives, and we look forward to hearing from you.