

July 21, 2015

The Honorable Harold Rogers  
Chairman  
Committee on Appropriations  
U.S. House of Representatives  
The Capitol – H305  
Washington, D.C. 20510

The Honorable Nita Lowey  
Ranking Member  
Committee on Appropriations  
U.S. House of Representatives  
The Capitol – H305  
Washington, D.C. 20510

The Honorable Ander Crenshaw  
Chairman  
Subcommittee on Financial Services and  
and General Government  
Committee on Appropriations  
U.S. House of Representatives  
Rayburn House Office Building B-300  
Washington, D.C. 20515

The Honorable Jose Serrano  
Ranking Member  
Subcommittee on Financial Services  
and General Government  
Committee on Appropriations  
U.S. House of Representatives  
Rayburn House Office Building B-300  
Washington, D.C. 20515

Dear Chairman Rogers, Ranking Member Lowey, Chairman Crenshaw, and Ranking Member Serrano:

I write to respectfully urge you to support increasing the Fiscal Year 2015 lending authority for the Small Business Administration's 7(a) loan guarantee program. The 7(a) loan program provides critical funding to small businesses, including franchise small businesses. In fact, for every \$1 million in lending to a franchise, 40 new direct and indirect jobs are created – a sizable return on investment. In 2014 alone, new franchise businesses utilized approximately \$6 billion in loan guarantees resulting in the financing of nearly 30,000 new franchised units. According to a survey conducted for IFA in 2014, 43% of first-time franchisees who borrowed funds from commercial lenders and 23% of franchisees acquiring additional franchises used SBA loan program guarantees. Of the \$6 billion in loan guarantees used by franchise small businesses, 83% is attributable to the 7(a) program.

For this reason, I am very concerned by reports indicating the authorization limit on the SBA 7(a) loan program may be reached as early as the end of July, thereby halting these guaranteed loans for the remainder of the fiscal year. The SBA 7(a) loan program currently operates at zero subsidy; therefore, no tax dollars are needed to support the program. However, Congress sets the authorization level for the program each year. The FY 2015 budget authorized the 7(a) program at \$18.75 billion. As of July 11<sup>th</sup>, gross loan approvals were \$16.637 billion. At the current rate of loan volume, the program will be exhausted soon. Since the last recession, job growth in the United States has been driven, by and large, by small business owners who are willing to endure the risks of starting their own business in a time filled with so many challenges. Allowing the 7(a) program to run out of funding is tantamount to economic surrender for so many looking to carve out their slice of the American Dream.

The IFA is the world's oldest and largest organization representing the interests of franchising, and for over 55 years, it has worked to protect, enhance, and promote franchising through government relations, public policy, media relations, and educational programs. IFA members include franchise companies in over 300 different business formats, including more than 17,000 local franchise business owners, 1,300 franchisors, and 700 companies supporting the industry. America's 780,000 franchise establishments generate nearly 8.9 million direct jobs, \$890 billion of economic output, and 3% of the country's Gross Domestic Product. As part of this continued success, franchise businesses will add 247,000 new direct jobs this year, a 2.9% increase over last year. This growth is in addition to the 235,000 franchise jobs added in 2014.

The franchise industry creates opportunities, not just for thousands of business entrepreneurs around the country, but also for the communities their businesses impact. Ensuring these small businesses continue to have access to capital is crucial to growth and job creation. When the SBA 7(a) program reached its authorization cap last year, Congress passed a supplemental increase to avoid a shutdown of the program. I respectfully urge Congress to do so again this year.

Sincerely,



Stephen J. Caldeira  
President and CEO

cc: The Honorable Steve Chabot, Chairman  
House Committee on Small Business

The Honorable Nydia Velazquez, Ranking Member  
House Committee on Small Business

Members, House Committee on Small Business

The Honorable David Vitter, Chairman  
Senate Committee on Small Business and Entrepreneurship

The Honorable Jeanne Shaheen, Ranking Member  
Senate Committee on Small Business and Entrepreneurship

Members, Senate Committee on Small Business and Entrepreneurship