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## United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

October 2, 2008

The Honorable Jim Nussle  
Director  
Office of Management and Budget  
Executive Office of the President  
Eisenhower Executive Office Building  
1650 Pennsylvania Avenue, NW  
Washington, D.C. 20503

The Honorable Sandy K. Baruah  
Acting Administrator  
U.S. Small Business Administration  
409 Third St., SW  
Washington, D.C. 20416

Dear Director Nussle and Acting Administrator Baruah:

On October 1, 2007, the Small Business Administration (SBA) altered the test to determine whether a home owner or small business owner could obtain "credit elsewhere." This test is used to determine eligibility for low interest disaster loans. The effects of this change came to our attention after the recent flooding in the Midwest when individuals and businesses had trouble securing low-interest loans to assist in their recovery. In response to many complaints from victims of that disaster, we have asked the SBA why they changed their credit elsewhere standard, and specifically asked if there was pressure from the Office of Management (OMB). SBA told us that OMB had not issued a directive or instructed SBA to change the credit elsewhere criteria.

However an anonymous letter (enclosed) was sent to Senator Harkin's office with a copy of an internal SBA email. The email, which was sent from SBA Chief Financial Officer Jennifer E. Main, includes a subject line which states "Re: Congressional inquiry on credit elsewhere test" and goes on to say, "I think that's a good plan. Will be fascinating if we hear from OMB that the credit elsewhere test they pushed for is a problem now..." While the email does not provide the full context of the conversation and does not include the previous or subsequent messages from that email chain, it strongly indicates that OMB had direct involvement in pushing SBA to change its credit elsewhere test.

This is troubling on several levels. First of all, it appears to contradict what we were told by SBA, indicating that OMB had a greater role than SBA previously disclosed. Additionally, we are deeply concerned that the reason OMB requested this change was to reduce the cost of the disaster loan program without considering the impact to the victims who so crucially need access to these low-interest loans in the aftermath of a disaster.

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Right now, people in the Midwest are struggling to rebuild their lives. Many have lost their homes and everything they own. Business owners have lost livelihoods that not only provide them and their employees with an income, but provide the local economy with much-needed tax revenue during this recovery period. It is unconscionable to think that OMB is endeavoring to balance the budget on the backs of the struggling disaster victims. The credit elsewhere standard must be a fair standard that ensures victims get the help they need. It should not be manipulated by OMB and treated as an opportunity to cut costs.

We request that you provide us with all relevant documents and emails from OMB and SBA that pertain to the SBA's 2007 decision to change the credit elsewhere test. Please have copies delivered to the Committee on Small Business and Entrepreneurship no later than October 8<sup>th</sup>, 2008.

Sincerely,



John F. Kerry  
Chairman



Tom Harkin  
U.S. Senator

Enclosure: Copy of correspondence.

From: Main, Jennifer E.

Sent: Friday, July 18, 2008 7:31 AM

To: Mitchell, Herbert L.; Levine, Nina D.

Cc: Kempler, Harry D.; Becker, David J.; Smith, Jessica I.; Garland, Roger B.; Rivera, James E.; Rowe III, C. Edward; Smith, Steven G.

Subject: Re: Congressional inquiry on credit elsewhere test

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