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U.S. SMALL BUSINESS ADMINISTRATION

ADVISORY COMMITTEE ON
VETERANS BUSINESS AFFAIRS

THURSDAY, MARCH 7, 2019

9:00 A.M.

Recorded by: Jennifer Razzino

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1 P R O C E E D I N G S

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3 (Meeting called to order, 9:07 a.m.)

4 MR. STUBBLEFIELD: All right. We're going to
5 get started here. So this is Larry Stubblefield, the
6 Associate Administrator in the Office of Veterans
7 Business Development. And our meeting is officially
8 open.

9 I want to thank all of you for being here
10 today. And for those of you on the phone, thank you as
11 well. For those of you on the phone, we just want to
12 make sure that you can see -- you can see the screen
13 and the slides. Thumbs up?

14 MR. FENDER: Negative. What is that link?

15 MS. O'BRIEN: It's at the webinar, Alex. Is
16 that Alex?

17 MR. STUBBLEFIELD: Yes. Okay. Just a second,
18 we're going to get it for you.

19 MS. O'BRIEN: We'll send it to him.

20 MR. STUBBLEFIELD: Okay. Amy is sending it to
21 you right now. Okay. Okay. At this time, I'm going
22 to turn the meeting over to our chairwoman. But before
23 I do, I want to thank Mike Zacchea for your -- your
24 time as the chair. You know, it was wonderful working
25 with you and thank you for all that you've done for the

1 committee and what you do every day for, you know,
2 veterans and veteran business owners. So thank you,
3 Mike.

4 All right. At this time, I'm going to turn it
5 over to Liz O'Brien.

6 MS. O'BRIEN: Good morning, everyone. Thank
7 you, Larry. As many of you know, I'm Elizabeth
8 O'Brien. I'm a Senior Director at Hiring our Heroes
9 under the U.S. Chamber of Commerce Foundation. I'm
10 honored to be your Chairwoman for ACVBA for 2019. As
11 folks know, for over 100 years the U.S. Chamber of
12 Commerce has been helping large and small businesses
13 around the country succeed.

14 Hiring our Heroes stands as that intersection
15 for veterans and military family members looking to
16 transition into the space of small business. Again,
17 honored to serve with each and every one of you. And I
18 want to first and foremost thank Chairman -- our
19 Chairman Emeritus most immediately, Michael Zacchea,
20 and obviously recognize Jim O'Farrell and Michael
21 Phipps that are in the room. Thank you for your
22 leadership as we move forward.

23 So back to -- we should start with roll call
24 as well. Elizabeth O'Brien, U.S. Chamber of Commerce.
25

Public Meeting
Advisory Committee on Veterans Business Affairs

3/7/2019

1 MR. STUBBLEFIELD: Okay. Larry Stubblefield,
2 OVBD.

3 MR. ZACCHEA: Mike Zacchea, University of
4 Connecticut, Entrepreneur Boot Camp for Veterans.

5 MR. LOWDER: Lynn Lowder, Veteran Business
6 Project.

7 MR. O'FARRELL: Jim O'Farrell, Advanced
8 Management Strategies for veteran business owners.

9 MR. PHIPPS: Michael Phipps from Millenium
10 Group, Better Business Center.

11 MR. SHARPE: Joe Sharpe, the American Legion.

12 MS. O'BRIEN: Folks on the phone?

13 MR. GWINNER: Sean Gwinner, Bunker Labs.

14 MR. FENDER: Alex Fender, Funnel Science.

15 MR. SNYDER: David Snyder, Aerosage.

16 MS. O'BRIEN: Anybody else?

17 (No response.)

18 MS. O'BRIEN: Okay. Larry, I will hand it
19 back to you for OVBD updates.

20 MR. STUBBLEFIELD: Okay. Thank you -- thank
21 you very much. Did we capture Fran?

22 MR. O'BRIEN: We did not. But we're going to
23 hold one moment. Fran has just entered the room and
24 recognize her for roll call.

25 MS. PEREZ-WILHITE: Good morning. Fran Perez-

1 Wilhite with the North Carolina Military Business
2 Center.

3 MS. O'BRIEN: All right, Larry. Thank you.

4 MR. STUBBLEFIELD: All right. Okay. I have a
5 few slides here. So we'll just jump right into it,
6 just talk about some of the things that's on our radar
7 here at OVBD. Obviously the TAP, the changes to the
8 FY19 NDAA, is first and foremost.

9 I think as we've discussed before, the big
10 change from an OVBD perspective is that the Boots to
11 Business, which was an elective prior to the FY19 NDAA,
12 the Boots to Business will now be a core part of the
13 curriculum. And I'll talk about that a little bit
14 further in the briefing.

15 So we're expecting somewhere around a 20 to 25
16 percent increase in classes, which means that there's
17 going to be an impact on our Veteran Business Outreach
18 Centers. As you know, the Veteran Business Outreach
19 Centers, in addition to Boots to Business, are very
20 emerged in training and counseling. And so we're
21 thinking through, you know, how we're going to be able
22 to continue to fulfill that mission. And that's
23 something that we're definitely going to do. And then
24 the last bullet there just says that the October 2019,
25 1 October is when those changes will come into play.

1 So on the next slide, the slide, primary
2 driver for change, and this just talks about -- if you
3 notice, it talks about the median wage outcomes. And
4 if you look down through the chart, off to the right
5 those career tracks are off to the right and then this
6 gives you, like, the medium annual wages that one can
7 expect to earn if he or she is in those vocations or a
8 business owner, if you will.

9 A lot of emphasis in DOD right now on this
10 service members transition to make sure that they're --
11 they achieve career readiness status and that they're
12 able to go out into the world and do good things and be
13 successful.

14 So the third slide -- and I'm just reading
15 the title of the slides for the benefit of the folks
16 on the phone, we're on the slide that talks about
17 current TAP sequence of events. This is the current
18 version of the TAP. And as I mentioned earlier, you'll
19 notice off to the right the optional tracks, you know,
20 entrepreneurship is an optional track.

21 DOD has one day and the slide just indicates
22 what they do on their day. A big change is going to be
23 the number of days for the Department of Labor.
24 Currently they have three days. And then the VA have
25 one, and then for those -- like I said, the optional

1 tracks for the last two days.

2 If you go to the next slide, that talks about
3 legislative TAP changes, there's six major changes that
4 came out in the NDAA. Looking across from left to
5 right, under counseling pathways, everything that you
6 see in parentheses are the changes that occur because
7 of the legislation.

8 So now under counseling and pathways, under
9 counseling and pathways, the transition period is
10 actually going to start a year out. A year out. The
11 transitioning service members will meet. The
12 transitioning service managers and counselors, there's
13 a statutory requirement now to meet in person or by
14 video. And the service secretaries, in conjunction
15 with the Department of Labor and Department of Veterans
16 Affairs, are to establish three pathways. And the
17 three pathways we're looking at, you know, service
18 members that are high risk, medium risk and low risk;
19 low risk being perhaps the colonel who's got 30 years
20 in service, has a master's degree and knows where he or
21 she is going all the way down to high-risk, possibly
22 being the first term, maybe a high school diploma
23 getting out who isn't sure where he or she is headed.

24 So the service secretaries are going to
25 establish those three pathways, high, medium and low.

1 And then every transitioning service member is going to
2 take a self assessment, which is going to help the
3 commanders determine what pathway that that service
4 member would be in.

5 So the -- as I mentioned earlier, the
6 Department of Labor was cut from three days to one day.
7 And so as you look across for the five mandatory core
8 curriculum days, under the career-related tracks
9 there's -- Department of Labor is also coming up with a
10 vocational training track. So there's employment,
11 vocational training, higher education and then
12 entrepreneurialship. And then the VA has their one day
13 for -- to discuss benefits.

14 And I think one of the things that Congress --
15 we've heard from Congress, I guess, is that service
16 members oftentimes do not -- you know, I mean,
17 transition is so quick and it's kind of like a blur,
18 and then in case -- if you're looking at VA benefits
19 and things of that nature, they don't always understand
20 what benefits they have and so forth. So the emphasis
21 is going to be placed on the VA to really nail that
22 down. I was going to say, Mike -- I thought you were
23 going to ask a question. Oh, I'm sorry.

24 Okay. And then the -- the Capstone event, you
25 know, 90 days out, that's when the commander has to do

1 the assessment and determine if that transitioning
2 service member has reached career readiness status.
3 And if they haven't reached career readiness status,
4 there will be a warm hand over to that American job
5 center. I guess they're located all around the
6 country, and that's under the Department of Labor. So
7 those are the six major changes.

8 The next slide titled SBA follow-on assistance
9 post-CAP. The next slide, SBA follow-on assistance
10 post-CAP. A lot of times we -- you know, we -- in
11 OVBD, we hear from folks on the Hill and at other
12 places that ask, well, you know, when folks go to Boots
13 to Business, you know, what is next? So this slide
14 just talks about our follow-on resources for
15 transitioning service members who are actually
16 interested in becoming business owners.

17 And, you know, here we've got the Small
18 Business Development Center SCORE, Women Business
19 Centers, Veteran Business Outreach Centers. And then
20 under Veteran Entrepreneurialship Follow-On Training
21 Programs, we have our two online courses that are at
22 Mississippi State University and IVMF. And then the
23 last piece under SBA client services just talks about
24 some of the things that we focus on.

25 And then our last slide just is some of the

1 engagement and outreach efforts that are on our radar,
2 if you will. We've got a number of Hiring our Heroes
3 events that are VBOC's district offices and other SBS
4 that we will be participating in.

5 And I'm sure I'll probably see some of you at
6 the VETS 19 conference in San Antonio in May. And then
7 we have the V-WISE in 31 May to 2 June in Atlanta. And
8 that's IVMF as well.

9 Okay. All right. So the next slide is just
10 our contact information. I think everybody here knows
11 how to get in touch with me or anybody at OVBD, if you
12 will. And --

13 MS. O'BRIEN: I have a couple questions.

14 MR. STUBBLEFIELD: All right, sure.

15 MS. O'BRIEN: Has the curriculum changed at
16 all now that this is being incorporated as a mandatory,
17 not optional, day for the Boots to Business piece?

18 MR. STUBBLEFIELD: No. We're going to
19 maintain the same curriculum. I mean, periodically
20 there will be changes as part of curriculum, you know,
21 upgrade and so forth. And that's kind of like across
22 all of TAP. But we're going to maintain the same
23 curriculum. It's just -- you know, it was an elective
24 and now it will be mandatory that the service members
25 have to pick one of those areas. We know we're going

1 to get an increase. We just -- it's an estimated
2 increase.

3 MS. O'BRIEN: Right. And so for the service
4 member that elects into this for the 90-day assessment
5 out and then the follow-on, what does that handoff look
6 like? Is it the individual that taught that service
7 member is making the handoff outside the gates to that
8 next person?

9 MR. STUBBLEFIELD: For -- there's a module in
10 the Boots to Business course that just talks about
11 follow-on resources and contact information in terms of
12 next steps. And, you know, we put that information out
13 during the actual Boots to Business class.

14 MS. O'BRIEN: So it's incumbent upon the
15 service member to make the next connection.

16 MR. STUBBLEFIELD: Let me just look back here
17 to make sure I'm saying the right thing. The service
18 member -- the service member gets that contact
19 information during the -- during the Boots to Business.
20 We've got our VBOC director here, I guess, Stan Kurtz
21 can go into a little bit more.

22 MR. KURTZ: Yeah, this is Stan Kurtz, director
23 of policy engagement. I can answer that question. So
24 Larry said, Module 8 talks about all the resources for
25 SBA. And our VBOCs are connected to each other. So

1 there's 22 of them. They have a very close
2 relationship. So they will send it to the VBOC, which
3 will go to the SCORE chapters and wherever. But that's
4 where the warm handoff will happen.

5 Does that answer your question?

6 MS. O'BRIEN: Sort of. And is there a
7 tracking mechanism for the individuals that have taken
8 the course and what that looks like in terms of --

9 MR. KURTZ: There is, yes. So we track all of
10 the people who have attended Boots to Business and
11 Reboot in sales force.

12 MS. O'BRIEN: Thank you.

13 MR. PHIPPS: Stan, this is Mike Phipps. So
14 one of the things that's always kind of come up in
15 Boots to Business is not just the first day, who's
16 attending the second day additionally; how are we
17 measuring the effectiveness of the program through --
18 and there's been some huge improvements with the
19 surveys that you guys are doing.

20 With this being new with TAP, is there that --
21 is there something in place to kind of track the
22 effectiveness? It's always been an issue because of
23 PII and tracking personal information after they've
24 taken the course. But is there something in place
25 right now that SBA is thinking about to measure

1 effectiveness in the course?

2 MR. KURTZ: Well, the -- first of all, with
3 the mandatory part of this, you know, commanders are
4 going to have to verify that this thing about coming
5 the first day and not coming the second day, you know,
6 that's going to be over with.

7 And then once you -- once you complete Boots
8 to Business, there's a TAP assessment right there. And
9 we're pretty proud of the fact that historically what
10 the TAP -- the immediate TAP assessment, we've had high
11 marks. What we have now is -- I think you met Alyssa.
12 We had Alyssa here one time and she actually has
13 revamped the long-term survey, if you will. And we've
14 -- yeah, we turned our business case in to DOD for data
15 sharing because, you know, we have to indicate and
16 track people long-term to see, you know, what their
17 outcomes were.

18 So what we plan to do is have Alyssa come back
19 probably in our next committee meeting and give an
20 update on where we are with that -- that survey. As
21 the committee and a lot of business centers here having
22 kind of gone through the pitfalls, we like to see what
23 the questions are or how the tracking is being done
24 because we've participated in similar things. Right,
25 Jim, in the past --

1 MR. O'FARRELL: Yeah.

2 MR. KURTZ: Yeah. We'll share that -- we'll
3 share all of that with you at our next committee
4 meeting.

5 MR. O'FARRELL: Jim O'Farrell, a followup
6 question.

7 MR. FENDER: And this also goes to Elizabeth.
8 In these meetings, the events that we attend in between
9 the meetings, like I've gone to Boots to Business; I
10 learn different things. I know that at the end of the
11 year we have the annual report. But some of these
12 things might need to be looked at in a different way
13 sooner. But what's the best way to get that to your
14 attention, Larry, or at least make you aware that
15 there's some pitfalls that are in place right now that
16 may not work or maybe should be rethought in this
17 transition time.

18 MS. O'BRIEN: Alex, this is Liz O'Brien. If
19 you attended Boots to Business, if you had feedback --
20 if anyone in the room attends an event that they want
21 to share feedback, send your writeup to me and I'll
22 connect with Larry. I speak with him weekly and his
23 staff. So send in directly to me and we'll connect
24 with Larry.

25 MR. FENDER: Sounds good, thanks.

1 MR. O'FARRELL: Jim O'Farrell with a followup
2 question related to the -- your Slide 2, Larry, where
3 you talk about the impact could be less flexibility in
4 the scheduling of classes and increase the number of
5 classes and attendees. What -- do you have more
6 details on that? What do you expect the increase to
7 be, A? And, B, do you expect SBA to handle that
8 increase in number of classes and attendees? Do you
9 have the capacity or are you going to need to grow the
10 capacity?

11 MR. STUBBLEFIELD: I -- we're taking a serious
12 look at it, and I think it's going to be more in line
13 with aligning resources. I mean, I know we're -- I'll
14 just say this: Looking at some of our follow-on
15 efforts, I guess a question would be we have two online
16 follow-on courses; do we need two? Maybe just one?

17 We had a cooperative agreement with our
18 resource partners before for a couple years. We let
19 that agreement go. Maybe we need to reinstate that
20 agreement. In other words, reaching out to SCORE, the
21 Women's Business Centers, the SBDCs and actually paying
22 for their travel and modules and helping with that --
23 you know, with the actual courses.

24 So we're -- we're thinking through how to
25 realign our resources because in all likelihood it's

1 probably not going to be an increase to the SBA budget.
2 So we're going to have to make do with what we have.

3 MR. O'FARRELL: Okay. And that's kind of what
4 I was concerned about. Does this just result in a U
5 for unfunded requirement that you aren't able to
6 address? And one of the -- you know, the actions of
7 this committee in the past has been to make
8 recommendations in our report for resource increases
9 where it was the most -- of the most benefit to
10 veterans. So something for our chairperson to consider
11 as well. Thanks.

12 MS. O'BRIEN: Larry, do you happen to know, or
13 Stan, what the completion rate is of those online
14 courses for individuals that take the initial training?

15 MR. STUBBLEFIELD: We do, and we can get that
16 to the committee. I just don't have it. I just don't
17 have it here right now.

18 MS. O'BRIEN: Thank you.

19 MR. STUBBLEFIELD: But I will tell you that's
20 going to be a part of the consideration moving forward
21 with those courses.

22 MR. KURTZ: To the last question that Jim had,
23 one of the things we recently had VBOC -- so the House
24 Small Business Committee each year reaches out to VBOCs
25 across the country. And so they normally do that by

1 phone. They just kind of give us the courtesy and let
2 us know. We're not involved at headquarters. We're
3 not involved with it. They give us a courtesy and say,
4 hey, we're going to reach out to these VBOCs. So they
5 have.

6 So I know that every VBOC that was contacted
7 this year reached back out to us and said, you know,
8 the number one thing they ask is how can we help, and
9 it's more funding. Because they are pretty stressed.
10 And I know that you're concerned about that.

11 Cherylynn Sagester, who is our VBOC down in
12 Norfolk, through her call they asked her to come to the
13 Hill. So she was on the Hill last week testifying in
14 front of that committee. And her number one thing was,
15 you know, all the great things we're doing for
16 veterans, national guard, spouses, but we need more
17 money to do that. So we continue to trumpet more
18 funding.

19 MR. O'FARRELL: Jim O'Farrell again. Just
20 speaking personally having visited that VBOC and spoken
21 with her and other members of her team, the feedback
22 then was that they spend most of their time getting
23 windshield time driving across multiple states to do
24 training in Boots to Business. And they were somewhat
25 resource-constrained. And then going -- Larry, going

1 back to your comments, is there any discussion about --
2 in terms of kind of reigniting or resuscitating some of
3 those relationships in the past? You mentioned SCORE.
4 Are there other -- I guess I want to call them post-
5 9/11 veteran service organizations.

6 You know, I think we have Sean Gwinner on the
7 phone from Bunker Labs. Are there discussions at all
8 around leveraging their capacity to help with this new
9 requirement?

10 MR. STUBBLEFIELD: You know, that's -- that's
11 a great point. We'll take that into consideration. We
12 do have an MOU with American Legion. I know they
13 helped us with the reboots. And, no, that's a great
14 point. We're all in this together. And so we'll take
15 that back. Thank you very much.

16 We're scheduled to have -- I guess I was
17 supposed to go until 10:00 and we'd have a break. And
18 we're a little early. So we're -- you wanted to say
19 something?

20 So we'll just take -- we'll pause here. We'll
21 see if we can't get Capital Access down here a little
22 earlier.

23 (Brief recess.)

24 MS. O'BRIEN: This is Liz O'Brien. We're
25 going to go ahead and resume. First I want to

1 recognize Brandon Shelton for roll call. Can you --

2 MR. SHELTON: Do I have to say I'm here?

3 MS. O'BRIEN: Yeah.

4 MR. SHELTON: Present.

5 MS. O'BRIEN: But who are you?

6 MR. SHELTON: Brandon Shelton.

7 MS. O'BRIEN: Thank you. All right. Back to
8 you, Larry.

9 MR. STUBBLEFIELD: Okay. We have our
10 colleagues from Capital Access here. At this time,
11 I'll turn it over to John Miller, who is the Deputy
12 Associate Administrator in the Office of Capital
13 Access.

14 MR. MILLER: Thank you, Larry. Thank you all
15 for inviting us here to speak today. As Larry
16 mentioned, I'm the Deputy Associate Administrator in
17 SBA's Office of Capital Access, and I work for
18 Associate Administrator William Manger. And Mr. Manger
19 and I are responsible for leading the office, and our
20 role is to make capital available to small businesses
21 who would otherwise be unable to access capital to
22 start or expand a business through conventional means.
23 And we do this through our programs.

24 One important distinction to remember is that
25 SBA is not a direct lender. We do not interface

1 directly with the veteran or the other borrower or
2 borrower applicants. We provide financing through
3 lending partners, certified development companies and
4 nonprofit intermediaries. They interface directly with
5 the applicant and SBA simply guarantees the loan and
6 partners with those institutions.

7 We also partner with our extensive network of
8 district offices across the country, including OVBD's
9 Veteran Business Outreach Centers. And some impressive
10 statistics between the VBOCs, SCORE, Women's Business
11 Centers and Small Business Development Centers, these
12 -- who we collectively call our resource partners --
13 SBA provides free, individual, face-to-face and
14 internet counseling for small businesses and low-cost
15 training to new entrepreneurs and established small
16 businesses in over 1,800 locations throughout the U.S.
17 and U.S. territories.

18 We'll talk about our lending programs. The
19 information provided on the screen is for the first
20 three months of our fiscal year, Fiscal Year 19. And
21 our fiscal year begins in October. And this is October
22 1 through December 31st of this year. So it's
23 important -- and of all previous years. So it's
24 important to note that it's only three months of data
25 and it's hard to draw correlations for the entire year

1 off the first three months of the data.

2 However, as you can see, our lending and our
3 7(a) and 504 loan programs, 7(a) was down 12 percent
4 during the first three months of the year, and 504 was
5 actually up by 10 percent. Currently now, as of last
6 week, 7(a) is down 8 percent and 504 is up 5 percent.
7 So you can see the numbers are fluctuating as we get
8 further on into the year.

9 At fiscal year-end, we had made -- SBA had
10 approved \$25 billion in the 7(a) program and \$5 billion
11 in the 504 program. The 7(a) program is our largest
12 program. It's our flagship business lending program
13 and it's for general purposes. It offers guarantees on
14 loans of up to \$5 million that can be used for almost
15 anything: purchasing equipment, working capital,
16 acquiring land, purchasing or constructing a building.
17 These can be for startups or expansions. On loans up
18 to \$150,000, the SBA guarantees 85 percent of the
19 balance of the loan for the lender should the loan
20 default. And for loans over \$150,000, the guarantee is
21 75 percent.

22 For the 504 loan program -- oh, back up one
23 slide, please. 504 is our -- proceeds are used for
24 fixed assets and they're longer term loans. These are
25 typically for heavy equipment or purchase of a

1 building, and the maturities on these loans range from
2 minimum of 10 years up to 25-year maturity.

3 Important to note and probably responsible for
4 some of the growth in the program is these loans are at
5 a fixed interest rate. And we're currently in a rising
6 interest rate environment. So it's popular right now
7 for borrowers and lenders.

8 If you want to move on to the next slide, this
9 slide shows our small loan lending activity. So these
10 are 7(a) up to \$150,000. Small loan lending is always
11 a challenge because of the administrative costs to
12 banks to make small loans. Banks with -- generally
13 steer towards the larger loans because the
14 administrative cost is absorbed more by the size of the
15 loan. It doesn't cost a bank a lot more to make a
16 large loan than it does a small loan in administrative
17 expenses.

18 So we're always trying to find ways to really
19 incent lenders to make small loans and lower the cost
20 of our programs. \$150,000 to \$350,000, we are about
21 even where we left 2018.

22 Next slide. And loans to veterans, as you can
23 see there is some variability here. Again, we're only
24 three months into the year. We hope that as we move
25 forward there will be additional loans in growth

1 showing in the 7(a) loans to veterans.

2 And I'm going to turn it over here to Dan
3 Upham, who is our Acting Director of the Office of
4 Economic Opportunity, to talk about some of the loan
5 programs that are more accessible for our veterans.

6 MR. UPHAM: Thanks, John. Yeah, I want to
7 spend a little bit of time and talk in particular about
8 our microloan program. A few differences, obviously
9 micro, so small. These are small business loans that
10 cap out at \$50,000. And they are offered through a
11 group of about 150 participating lenders with us that
12 are nonprofit community development type organizations
13 that specialize in new business and other underserved
14 markets, including veteran-owned businesses.

15 And, you know, the way that we're progressing
16 through the slides, we're sort of starting with the
17 larger loan size, loan programs within cap access and
18 working down into the smaller size categories. But,
19 you know, if you think about it on the larger loans,
20 you have a cost if you're the lender, you know, to
21 generate that loan, do all your due diligence,
22 underwrite that loan, service that loan and so forth.
23 On the small dollar loans you have a very similar cost
24 but not nearly as much incentive to make the loan if
25 you're the lender because they're -- you know, you can

1 only charge a certain interest rate; you can only make
2 a certain amount of money and it's much more difficult
3 to recoup some of those built-in costs.

4 So by working with the nonprofit lenders that
5 don't have the same profit motivation, if you will, as
6 commercial lenders, we are able to get a high volume of
7 very small dollar loans completed.

8 Just to sort of give you a sense of our
9 program, it's operated since '92. It's a well-
10 established program. As I mentioned, 150 lenders
11 participating currently. Last year we had a record
12 year in terms of loan dollars loan production. I think
13 we did right around \$76 million in microloans with an
14 average size of around \$14,000.

15 Since the inception, we've done around \$975
16 million in microloans and supported literally hundreds
17 of thousands of jobs. But I want to make sure that
18 everyone is aware of the microloan program because that
19 is the one that can make a significant impact on
20 veteran-owned businesses.

21 You know, we participate with Larry's office
22 in terms of coordinating our micro lenders with the
23 Veteran Business Outreach Centers and so forth, but
24 just want to make sure that everybody sort of has a
25 good understanding of what the program is here in this

1 group.

2 Let's see, so taking a look at the slide, this
3 is through December and it shows --

4 MR. MILLER: Next slide.

5 MR. UPHAM: Oh, I'm sorry. Next slide,
6 please. So this slide shows our microloan production
7 numbers for the first quarter of the 2019 fiscal year.
8 The microloan program is, again, exceeding what it had
9 done last year. As I mentioned, last year was sort of
10 a record-breaking year for the program. We are seeing
11 a lot of continued interest by both lenders and small
12 businesses using the program. And we are seeing some
13 additional managed growth in the program and we sort of
14 expect that to continue over the next several years.

15 Our Community Advantage Loan Program is sort
16 of the next step on the ladder of economic opportunity,
17 if you will. If microloan is the very smallest, up to
18 \$50,000 loans, the Community Advantage Program is a
19 loan-guaranteed program. It's part of 7(a). But it
20 allows our nonprofit mission-based lenders to
21 participate in 7(a) to make loans up to \$250,000.

22 Something else that I want to mention about
23 our microloan program is the aspect of training and
24 technical assistance. It's required in the program
25 that our intermediary lenders that participate not only

1 make these small loans up to \$50,000 but that they also
2 -- that they also give training and technical
3 assistance to both prospective borrowers under the
4 program and folks that they have lent money to.

5 So it's not just a, hey, we're going to train
6 you up; we're going to get your business started; we're
7 going to make you a loan and then, you know, basically
8 wash our hands and, you know, collect our payments and
9 so forth. But there's a continuing training and
10 technical assistance aspect that continues after the
11 loan is made with that program, which can be really
12 important for, you know, giving small businesses,
13 especially startups, the best opportunity to succeed
14 and thrive and have an opportunity to grow.

15 Next slide, please. So this is a breakdown
16 for the first quarter of the minority and underserved
17 market lending aspects of the microloan program. As
18 you can see in the first quarter, our numbers were down
19 in terms of veteran lending. However, I did run a new
20 report just so I could know myself how we were doing
21 for this fiscal year through yesterday. And I'm happy
22 to say that the numbers are improving, although they
23 could still be better.

24 In terms of number of loans closed with
25 veteran-owned businesses, we're now at 3 percent. In

1 terms of dollars that are going to veteran-owned small
2 businesses, we're at 4.76 percent. So a nice bump-up
3 from where we were at year-end, and it is kind of hard
4 to tell from one quarter's worth of data and the
5 numbers do bump around to some degree. But I suspect
6 that what we're seeing year to date will be closer to
7 where we end up for the year, around 4 to 5 percent in
8 lending to veteran-owned businesses.

9 Any questions on the microloan program?

10 MR. Zacchea: Mike Zacchea. So, yes, in
11 November, the New York Fed published a paper that SBA
12 contributed to about traditional barriers for veterans
13 or access to capital and that veterans continued to be
14 less well served in terms of access to capital.

15 So my question is, what are you seeing in
16 demand for access to capital? Is there an increase in
17 demand or less demand for loans?

18 MR. UPHAM: In the program that I manage
19 specifically, the microloan program, I'm seeing a very
20 strong demand for the product. And, yeah, the
21 unfortunate thing, if you will, is that with the
22 microloan program, unlike the 7(a) and 504 programs
23 which are loan-guarantee programs, we're making direct
24 loans to intermediary lenders. So there's -- there is
25 a subsidy cost involved in the program.

1 And, you know, the nice thing is that the
2 administration and the folks on the Hill have been
3 willing to sort of increase our funding over the last
4 couple years. I predict that that could continue, and
5 if it does I think that the demand will continue to
6 meet or possibly still exceed the supply of what we're
7 able to do with the money.

8 MR. SHARPE: Joe Sharpe. What's the default
9 rate for veterans?

10 MR. UPHAM: I don't know the default rate in
11 particular. I can tell you within the microloan
12 program default rate in general, meaning the
13 intermediaries defaulting on their debt obligation to
14 SBA, historically has been below 2 percent. The small
15 business default rate to the intermediary on those
16 small business loans, on those very small loans is in
17 the 8 to 12 percent range. It just depends on, you
18 know, what time period and what the economy looks like.
19 Right now, it's historically low, maybe even below 8
20 percent of those microloans defaulting.

21 MR. SHARPE: Is that below the civilian rate?

22 MR. UPHAM: I'm sorry?

23 MR. SHARPE: Is that below the civilian rate?

24 MR. UPHAM: No. That's -- that's for the
25 entire program.

1 MR. SHARPE: Oh, the entire program.

2 MR. UPHAM: Yeah. I would have to look
3 specifically at Veterans, you know, for that breakout.
4 I don't have that number available.

5 MS. O'BRIEN: We'd appreciate the breakout
6 when you could find it.

7 MR. UPHAM: Okay.

8 MS. O'BRIEN: Thank you.

9 MS. PEREZ-WILHITE: This is Fran Perez-
10 Wilhite. What are your recommendations on what to say
11 to female minority veterans when they ask about what to
12 do with my microloans, how to get a microloan? What
13 would you exactly say?

14 MR. UPHAM: You know, there's a couple of
15 great sources that makes it really easy for prospective
16 borrowers to get in contact with the lending folks that
17 participate with SBA. One of our -- one of our slides
18 that's coming up that we haven't gotten to yet talks
19 about lender match, which is a portal on the SBA.gov
20 page that connects borrowers to lenders. It asks a
21 series of questions and sorts and sends that
22 prospective borrower's information to lenders that
23 participate in our programs that would potentially meet
24 the needs of that borrower, micro lenders included.

25 The other thing is, on our SBA.gov page on the

1 four partners page, there is a listing of all of the
2 active participating micro lenders, community advantage
3 lenders and so forth. So if they wanted to look, you
4 know, in their state for the ones that are actively
5 participating, all that information is right there for
6 them.

7 MS. O'BRIEN: I have a question. This is
8 Elizabeth O'Brien. Do you have the numbers or can you
9 provide them to us at a later date of how many
10 individuals applied for these loans? So, you know, in
11 2019, looking at 1,366 approved, wondering how many
12 applicants there were. And the second part of this
13 question, what -- why has the number jumped so much for
14 2019? Are there more lenders involved? Are more
15 people applying and being approved? Are they coming to
16 the table better prepared?

17 MR. UPHAM: Well, yeah, I mean, we only have
18 our intermediaries -- this is the microloan program
19 specific again. We only have our intermediaries
20 reporting to us on the microloans that they closed. So
21 we don't have statistics on the microloans that they
22 don't approve.

23 It's a little bit difficult for us to say
24 specifically how many are applying versus how many are
25 being approved. We can tell you very certainly what

1 they're reporting to us in terms of the number of loan
2 closings. And, you know, we can guesstimate on sort of
3 how that funnel works and how many are applying versus
4 how many are being approved. But we don't have any
5 firm statistics on those -- those ones that apply and
6 don't get a loan. So --

7 MS. O'BRIEN: Okay. And can you share with me
8 why you think the number has jumped so much the first
9 three months in terms of approval compared to 2018? It
10 looks like based on these numbers you basically
11 exceeded all of 2018.

12 MR. UPHAM: Yeah. We are exceeding over 2018.
13 Part of it is simply funding. We have more funding
14 available. You know, we've had some additions to our
15 annual appropriation. We also have experienced lenders
16 as, you know, the longer they're in the program, the
17 easier things to get, they get their processes down and
18 gain some efficiencies, you know. We have added a few
19 microlenders. On average, we're adding between 3 and 5
20 per year. And I'm sure that we will continue that. I
21 know that we're reviewing several applications for new
22 lenders in the office now. So there does seem to be a
23 continued interest in participating in the program.

24 And, yeah, everything that I'm hearing from
25 the lenders themselves is that the demand for the

1 product is very robust right now. So --

2 MR. FENDER: This is Alex Fender, Funnel
3 Science. I'm curious to know what type of outreach is
4 done to increase the microlenders around military bases
5 or HUBZones. And only three to five a year, that
6 doesn't seem like too much growth. What can be done to
7 get it to like 50 a year?

8 MR. UPHAM: Right. The program itself is
9 authorized to have a total of 300 lenders by statute.
10 Right now we have, like I was saying, around 150 that
11 participate. You know, and -- you know, we market the
12 program to, you know, attract additional lenders every
13 year. We also have lenders that exit the program every
14 year. And so, you know, if we're seeing growth of 3 to
15 5, you know, we may be adding seven or eight and losing
16 two or three. And that's just -- that's just the way
17 that it has happened over the last couple years.

18 MR. STUBBLEFIELD: Is that because there are a
19 lack of community banks as there were in the past?

20 MR. UPHAM: You know, I think community banks
21 have a certain -- have a certain niche. And certainly
22 they play in some of the small-dollar lending. But in
23 a lot of cases, our intermediaries, our community
24 advantage lenders, all these mission lenders are very
25 tied in with their regional community banks. You know,

1 they work together, if you will. If you think about
2 those types of referral relationships, somebody might
3 walk into a bank; they're not quite ready for a bank
4 loan; instead of telling that borrower no and just
5 sending them away, they send them often to a community
6 advantage microloan intermediary who can provide them
7 with some of that training, technical assistance, help
8 them build up their business, get them started with a
9 small-dollar loan. And then, you know, once they have
10 sort of graduated and they're on their feet, they're
11 operating, they're profitable, more bankable, they get
12 turned back over to that -- you know, to that bank
13 maybe to make a larger loan and so forth.

14 So ultimately what the micro and all of the
15 SBA loan programs are doing is providing loans to folks
16 that can't find credit elsewhere at similar -- similar
17 terms and conditions with the ultimate goal of building
18 that business up and eventually turning them back over
19 to where they no longer need federal assistance. You
20 know, back to commercial banks and so forth.

21 MR. LOWDER: Lynn Lowder from Veteran Business
22 Project. John and Dan, thank you guys for what you're
23 doing. We had a conversation last time when you guys
24 were here and I'm still stuck on the same record. I
25 would love to have an opportunity to sit down with you

1 guys and see if we could find a way to bridge the gap
2 from 49 percent of our post-World War II veterans
3 owning and operating their own business and 67 percent
4 now.

5 And I've been in this now for about three
6 years. My lips are chapped from talking to bankers out
7 in the Chicagoland area. We're now sort of
8 matriculating over to matching typically a baby boomer
9 who wants to sell his or her business so that at least
10 when you're going into banks you're not talking about a
11 startup. You're talking about cash flows, tax returns
12 and all that. It just makes sense. And we kind of
13 style ourselves as the Eharmony of matchmaking in that
14 arena.

15 Where the action is at, where banks always
16 want to go, we don't see typically anything under
17 \$150,000. The action seems to be in your 7(a) program.
18 That's where community banks want to niche it.

19 I've had some community bankers tell me that
20 if you guys would peg it at an 85 percent guarantee,
21 they'd be more prone to do business with us. That's
22 one thing. And then the whole idea here honestly is
23 the people that -- where we really need your help,
24 please, are the junior enlisted people. We have
25 generals that strut around with their chest out, you

1 know, getting credit for doing wars, you know, that
2 kind of stuff. But it's the lance corporals and
3 corporals that do the fighting. And it's those people
4 that have great heart, all these abilities.

5 And also we've got all these great Boots to
6 Business programs. It's wonderful. But in World War
7 II they had none of that. We had community banks that
8 wanted to lend and we had the Fed delivering a 50
9 percent loan guarantor if you wanted to buy, you know,
10 business property or a farm. So those days are long
11 gone. As they tell people, George Bailey in a
12 Wonderful -- you know, that guy in "It's a Wonderful
13 Life," George has left the building. He's off the
14 planet. He's not around anymore.

15 So 7(a), in that category above 150 is really
16 where the action is at and that's where banks want to
17 go. So the notion of cranking up the guarantee,
18 please, and then we need to get down to an area of
19 realism if you guys want a credit score of over 700,
20 the corporal machine gunner is never going to have
21 that. And if you want collateral at a buck for every
22 three to four they borrow, as you know they're never
23 going to have that.

24 So the people that we really need to help more
25 than anybody in this whole exercise are the junior

1 enlisted people. And they just get absolutely
2 marginalized and shoved to the side. They don't have a
3 shot at all unless, you know, they've got a dad or an
4 uncle or somebody that can help them out. So that's
5 point number one.

6 The other part about it is the microlending
7 program. And I'm in here begging you guys last time
8 around, so maybe you could find a way to bump it and
9 get it up there into the realm of possibility. But
10 those are the three things. The ones that deserve it
11 most are never going to have the collateral. They're
12 never going to have the credit score. We've got great
13 Boots to Business programs, but from where I sit I
14 could care less. We can train them up on how to run a
15 business, but if they can't get a loan we're building
16 false hope.

17 And if we can find a way to get these post-
18 9/11 veterans more into the realm of what it was post-
19 World War II, they will absolutely crack it. They will
20 get going. There's no difference between the veterans
21 now and the folks back in World War II except, you
22 know, we're willing to send them where they can bleed
23 out, but we cannot seem a way to find them a loan.

24 And just let me -- I'm about ready to stop.
25 The other thing about it is I'm a dad, right? You can

1 get -- you can still get a lot of money for an 18-year-
2 old kid to go off to college. But we can't find a way
3 to get a veteran a shot at owning their own business.
4 There's something terribly wrong with that. The
5 average G.I. Bill now benefit is \$182,000 on average.
6 And if you keep your nose clean and keep your grades
7 up, you're going to get that over a four-year run.
8 Grades, not far off that. But if somebody wants to
9 start their own business, I'm sorry, we have nothing
10 for you.

11 And that's really the message. I'd love to
12 spend time with you guys and say, look, can we just
13 start -- the phrase is getting out of the box, you
14 know, I've heard that, too. But if we have some people
15 with your horsepower and ability to think about how we
16 could get that 7(a) program cranked or get the
17 microlending up to want in, to get a corporal machine
18 gunner alone so he or she can start -- he can start the
19 business. Is that making any sense or am I completely
20 over the moon?

21 MR. UPHAM: No, no, it makes a lot of sense.
22 If you don't mind, I'll take the microloan side of the
23 question. There's a couple points that I need to make.
24 The first is that in terms of credit and so forth, with
25 the microloan program the intermediaries are doing

1 their own underwriting. It's not based on SBA credit
2 underwriting policy at all. They're putting their own
3 dollars at risk. They're borrowing money from us. But
4 if that small business loan goes bad, they still have
5 to repay SBA.

6 So as a result, we allow them to have their
7 own underwriting, you know, due diligence criteria.
8 They make the final decision on whether they make the
9 loan or not. And so in a lot of cases they will make
10 very, you know, riskier loans than what might be
11 approved under SBA's own underwriting criteria. Okay?

12 The side that -- the limit on the microloan
13 size, \$50,000 is statutory. And it has increased over
14 time. I think it started back in '92 at \$15,000 and
15 jumped up to \$25,000 and then \$35,000, then \$50,000.
16 But in order to increase the size above \$50,000, it
17 requires action on the Hill.

18 So that might be a good -- you know, a good
19 place to -- you know, to get that word out. If there's
20 a real need and demand for microloan specific dollars
21 above \$50,000, they would have to make that change.

22 MR. O'FARRELL: Jim O'Farrell. Let me just
23 interrupt one second. So, Lynn, I would highly
24 recommend that you put some draft language together to
25 provide to the -- to our chair for the annual report.

1 And when we do our work on the Hill, this should be one
2 of their talking points.

3 MR. LOWDER: Happy to do it, Jim. Thanks.

4 And, you know, I'm ready. I would love the opportunity
5 to go, I'm ready to go beg --

6 MR. UPHAM: Yeah. Well, right --

7 MR. LOWDER: -- please, please, kick this up.

8 MR. UPHAM: Sure. And I think she's heard
9 that from other folks and I think she's at least
10 somewhat willing. But as I also mentioned, there is a
11 subsidy cost involved in the program both on the
12 lending side as well as on the grant that we provided
13 to help offset our intermediaries cost of training and
14 technical assistance. So as we sort of beef this
15 program up and grow it, there is an additional cost.
16 So not only do we have to possibly beg for some policy
17 changes, but also more money.

18 MR. LOWDER: How can we get together and put
19 together a persuasive argument with you pros? Because
20 the banks look to you guys. If you're for something,
21 they're going to be for it. If you guys are dragging
22 your feet or being kind of lukewarm, not so. How can
23 we crack this, you know?

24 MR. MILLER: Frankly, I don't know the answer
25 to your question on how we can -- how we can work

1 together. We'll have to talk to Larry about that and,
2 you know, figure that out. I don't know if it involves
3 our Congressional liaison group.

4 MR. LOWDER: To me, it's 7(a) above 150,
5 attacking the credit score and the collateral
6 requirement and it's getting the microlending up with
7 the notion that these people deserve this opportunity.
8 They really do. You know, excess cause and all that, I
9 don't want to blow by that. But really in my head, I'm
10 seeing the kid rolling around in the sand with a
11 machine gun. Let's figure out a way around this.

12 MR. MILLER: And as Dan mentioned, you know,
13 we have the microloan and community advantage, our
14 nonprofit mission-based lenders that have a mission-
15 oriented focus. And our -- our regular 7(a) lenders
16 are for-profit lenders. So they are in this for the
17 profit for the bottom line.

18 A couple of points to make. Dan mentioned the
19 statutory requirement for microloan size. We also have
20 that statutory requirement on the loan guarantee. So
21 it would be a change in statute. The other important
22 thing on the 7(a) program is a higher guarantee costs
23 the government more money. And so there is a subsidy
24 cost and the 7(a) program is subsidy neutral. It's
25 required that we do not have a subsidy. So all of the

1 fees that are generated from the program, the
2 origination fee that the borrower pays, and then the
3 bank -- the lender pays an ongoing guarantee fee based
4 on the amount outstanding on the loan almost like an
5 insurance premium to keep that guarantee in place.
6 They pay that on an annual -- a monthly basis,
7 actually.

8 Those requirements -- those fees must cover
9 the losses in the loan program. And so, again, we have
10 to balance the -- we have to balance the guarantee that
11 we would face some headwinds in raising the guarantee
12 because it will cost more. But as to your point on
13 collateral, SBA is a cash flow lender. So if we can
14 get these -- these individuals to put together a good
15 business plan and we have all of the resource partners
16 I mentioned earlier specialize in business plans, put
17 together a sound business plan that shows cash flow, it
18 doesn't even have to cash flow at the onset but within
19 a year that we're going to be generating some positive
20 cash flow on the loan, then it's -- it's an SBA doable
21 deal.

22 We don't have to have collateral. We're not a
23 collateral lender. If collateral is available, we'll
24 take it. But if it's not available, that won't
25 prohibit us from making the loan or guaranteeing the

1 loan.

2 MR. LOWDER: You know, what we did -- what
3 we've done in our organization is we've -- you know,
4 special operations, two ways in, two ways out. So
5 we're going to the states now and we've got legislation
6 in Illinois, legislation in Missouri. Missouri has got
7 \$421 million that they would lend every penny to
8 veterans. When I go in front of these committees at
9 the state level, we have never had a dissenting vote,
10 not one. The -- I just go 49 percent and 6 to 7
11 percent and here's what we want to do. And the
12 constant question that I get every time is always, why
13 haven't we done this before?

14 And I always tell them, I say, you know, I
15 don't know. But here I am and there you are. So I'd
16 love --

17 MR. FENDER: Lynn, it's going to take an act
18 of Congress. This is Alex Fender of Funnel Science. I
19 think it's going to take an act of Congress to maybe
20 change some SBA forms. I want to clarify some of the
21 statements you made. And I'm looking and referencing
22 on the SBA site about the underwriting basics. And
23 this was published to the lenders. And on the personal
24 financial statements, I assume that all applicants have
25 to fill this out. Is that correct, or is this only

1 limited to certain loans? Can we -- can you answer
2 that? And then I have a couple follow-on questions on
3 these loan documents and the underwriting criteria.

4 MR. MILLER: Okay. So there are -- that would
5 be for the 7(a) program, there are some forms --
6 personal financial statement that would be required,
7 yes. But it could be on the lenders own form as well.

8 MR. FENDER: Is the lender's form required to
9 match the SBA fields?

10 MR. MILLER: It has to contain -- it has to
11 contain the majority of the information, yes.

12 MR. FENDER: Okay. I'm just kind of surprised
13 here. Can you help me understand on, I guess, the
14 statement of personal history form it asks, you know,
15 the basic questions like name, address, phone, zip,
16 right? That's standard. And then it asks other
17 questions like place of birth and citizenship. And
18 then it goes down further and it asks information about
19 criminal history and if you're under current
20 indictment, anything like that. And then it also has a
21 checkbox where you have to authorize the SBA inspector
22 general to request background or criminal information.
23 But on this personal statement, I don't see one box
24 that asks if you're a veteran or if you were honorably
25 discharged. You know, on -- if you go and apply for a

1 gun, you know, and do the background check, that's one
2 of the questions. Why is it not here on the statement?
3 Why aren't the lenders requiring and why isn't the SBA
4 asking for this on the personal history?

5 MR. MILLER: Well, I think there is on one of
6 our forms, there's definitely a checkbox for veteran.
7 So it may not be on that one that you have right in
8 front of you.

9 MR. FENDER: Well, the problem that I have
10 with that response is this is in the SBA guidelines for
11 underwriting basics, and this is a course that's being
12 presented from SBA and it's the present documentation
13 on your website. So which form is supposed to be used
14 for a veteran versus a nonveteran? Is that published
15 and why is that not in the underwriting basics?

16 MR. MILLER: Yeah, I can't answer that
17 question.

18 MR. FENDER: Can you please get back to us
19 with that in a written response or please tell us what
20 needs to be changed, who needs to be contacted, who
21 specifically -- whose authorization is needed to change
22 this form, SBA912(2-213), and specifically what
23 underwriting criteria is used for a veteran-owned
24 business versus not.

25 MR. MILLER: The underwriting criteria is the

1 same for the veteran-owned business as a nonveteran-
2 owned business. The 912 form is a statement of
3 personal history. It is not a financial statement and
4 is not the application form.

5 MR. FENDER: These are the -- these are the
6 underwriting basics that are being sent out to the
7 microlenders. It seems to me that there's a conflict
8 with the basics and what you're saying versus the data
9 that's being collected. And if there's not a mandate
10 for these lenders to have the checkbox for veterans or
11 not, then we're missing the data set. It's just not
12 being analyzed correctly.

13 MR. MILLER: There is no mandate for lenders
14 to check certain boxes in SBA's application.

15 MR. FENDER: That needs to change, don't you
16 think?

17 MR. MILLER: That's not within our purview to
18 change. That was something that was being addressed by
19 the Consumer Finance Protection Bureau, which I believe
20 their name has changed, and I don't know that that
21 regulation or that authority ever passed.

22 MR. FENDER: What? We're talking about the
23 SBA forms. We're talking about -- it has the SBA logo
24 on it. And this is what is being published to lenders.
25 How does the Consumer Finance Bureau have anything to

1 do with what checkbox the SBA has on their forms and
2 what's being published in the underwriting criteria?

3 MR. MILLER: I think what you're -- correct me
4 if I'm wrong, but I heard that you were referring to
5 that the box needed to be checked mandatorily by a
6 lender as to whether it was a veteran-owned to a
7 veteran. And that is not the case. The lender is not
8 required to check that box, whether it's a veteran or
9 not.

10 MR. FENDER: Okay. So should there not be a
11 checkbox on here to say that you were dishonorably
12 discharged from the military?

13 MR. MILLER: Well, there -- let me get back to
14 you. Also, there are also -- lenders are not required
15 to checkboxes for race, ethnicity and other information
16 as far as demographic information.

17 MS. O'BRIEN: So protected classes are
18 included on that?

19 MR. MILLER: That's correct.

20 MS. O'BRIEN: Across the board.

21 MR. MILLER: It's just not mandatory.

22 MS. O'BRIEN: It's not mandatory. All right.
23 We're going to throw it over -- thank you for your
24 comments, Alex. We're going to turn to Brandon, who's
25 been patiently waiting.

1 MR. SHELTON: Alex, if you're going to be this
2 aggressive, you've got to come in from Dallas. I've
3 got to see you in person, brother.

4 Brandon Shelton, TFX. Good morning, guys. So
5 I've got a couple questions and I'll make them real
6 quick.

7 So clearly we have demographic data. So just
8 so we're clear --

9 MR. MILLER: We do have demographic data --

10 MR. SHELTON: That is self-reported, self-
11 reported.

12 MR. MILLER: I think there's a disclaimer at
13 the bottom of each slide because of that.

14 MR. SHELTON: Got it, understood.

15 MR. MILLER: And we encourage --

16 MR. SHELTON: I got it.

17 MR. MILLER: We encourage, trust me.

18 MR. SHELTON: I understand, I understand. So
19 I think probably the followup for maybe the committee
20 as Alex has challenged is just run that to ground so we
21 know because we're here just every quarter and help us
22 to be advocates for you.

23 Can you go back to Slide 4, whoever's got the
24 slide deck? So I guess a question on the data then to
25 that point. There's -- so if we go above the microloan

1 level to what Lynn was talking about in terms of size -
2 - and I'm an equity investor in my business. So I'm
3 generally software-centric, you know, manpower
4 intensive firms. So the number is right around 100,
5 150, matches up actually to what I see a lot in terms
6 of that first 12 months, 24 months of a business.
7 Right?

8 And there's all kinds of alternative lenders
9 outside of banks, community banks, popping up because
10 the banking underwriting is too burdensome whether it's
11 SBA or non and on and on we go. A lot of them now
12 require personal guarantees and that creates all kinds
13 of damages and challenges for business owners.

14 So with that as the backdrop, when I look at
15 this slide right here, this percentage of number, the
16 third column, so it says veteran, self-reported.
17 Right? That 637 loans for 2019, 4.4 percent. That's a
18 percentage of what number?

19 MR. UPHAM: That would be the percentage of
20 the total number of approved loans, so percentage of
21 the 637. I'm sorry, back up. I'd like to go back to
22 the first slide.

23 MR. SHELTON: Right. Of all the loans, right?

24 MR. UPHAM: Yes.

25 MR. SHELTON: You can go. So my point is is

1 that I know it's self-reported data, but something that
2 we could do at this committee is if we want to drive
3 access to capital this year, I think -- I'd be curious
4 to know if you go to the slide that has minority,
5 female and veteran on that, and I know that was
6 microloan breakout.

7 MR. MILLER: Yes.

8 MR. SHELTON: That sounds like we have a
9 little bit better fidelity on data there, maybe. Okay.
10 So, yep, one more, I think it is. Yep, Slide --
11 whatever, 6. So my point is is that this may be wrong,
12 but if I look at how many minority business owners are
13 already in the United States, estimated by the SBA, if
14 I look at how many women business owners are already in
15 the United States, estimated by the SBA, and then I
16 look at the women and minority trajectory, it looks
17 correct. It roughly -- not to be mathematical, here.

18 But, however, veteran, at 2, 4, 3, 5 percent,
19 if we're supposedly 10 percent and off to the right,
20 you know, some people think it's much higher,
21 regardless of participation rates for surveys, I'm
22 wondering if we could set as a committee --
23 structurally, what can we do to challenge and support
24 you guys, support all the other mechanisms that have to
25 change. I'm wondering if a year or two from now this

1 number can get dramatically bigger.

2 And we have to go through all the structural
3 changes and all the elaborate stuff, I guess, that has
4 to happen up here in DC, but I'm just wondering if a
5 more commensurate amount of loans -- microloan and then
6 7(a) and others -- going to veteran business owners to
7 match the amount of small business ownership that they
8 actually are. I'm just wondering if that is something
9 we can maybe set as a topic for this year, anything
10 that would feed that effort, you know, performance
11 metrics, loss rates, I think was a great question from
12 Joe.

13 I mean, like my mind can spin forever, like
14 how many people applied and got turned away. Maybe
15 there's a structural problem like Alex is talking
16 about. Maybe the forms aren't correct. Maybe we have
17 the wrong banking partners. I hate to say it that way,
18 okay, but maybe they're in the wrong towns, maybe
19 they're in the wrong geographics.

20 I'm just saying, I see way too many veteran
21 entrepreneurs, founders coming for equity capital when
22 they should be coming here. And the moment I mention
23 SBA loan and I give them the website, now I'm all
24 proud, I'm like, yes, I'm on the test, they just stop,
25 they don't want to do it. It seems -- it's either

1 perception too burdensome or they've had some bad
2 experiences or someone they served with had a bad
3 experience, but if we set that as a goal, if that -- if
4 we dive into that number, maybe with your coaching, the
5 two of you, and we figure out a way to lift it, what
6 are the things that need to happen, maybe we can start
7 getting some of these answers there, but just a
8 suggestion, Liz, under your leadership this year we can
9 --

10 MS. O'BRIEN: Taken.

11 MR. MILLER: Yeah, and I would just comment
12 that we are -- you know, we're actively working with
13 the VBOCs, so we've got veteran borrowers of various
14 different levels of sophistication and maturity in the
15 loan programs. I'm sure some come in for equipment
16 expansion loans in the million-dollar range, right, for
17 a successful business that's ongoing.

18 And then -- but I think we often -- when I
19 think of loans to veterans, I'm always thinking of
20 somebody who's using high-interest credit cards to try
21 and start up a business. And, so, that is the -- that
22 is the heart and soul of this microloan program. And
23 with the technical assistance up front and then the
24 technical assistance post-loan, to make sure not only
25 do we help you get into business, we help you stay in

1 business and remain successful. That is the -- that is
2 why it's so important for us to get the word out on the
3 microloan program.

4 MS. O'BRIEN: Are the microloans available to
5 military spouses or veterans solely?

6 MR. UPHAM: Yeah, any eligible borrower, so,
7 yeah, a veteran spouse would be eligible.

8 MS. O'BRIEN: But not a demographic you track.

9 MR. UPHAM: Not a demographic that we track,
10 no.

11 MS. O'BRIEN: Just thinking long-term how the
12 military spouse can stand up the small business before
13 the veteran transitions out, how it has a positive
14 impact long-term on their financial stability.

15 MR. ZACCHEA: This is Mike Zacchea. So
16 something that I think it was Dan said, that the
17 lenders do not treat the civilian versus noncivilian
18 applicants any differently. So in other words, they're
19 held to the same underwriting standard, but I really
20 think that the New York Fed report that came out in
21 November was really, really important because it
22 underlines how veterans are underserved and
23 disadvantaged by being held to the same underwriting
24 standards, and it's actually suppressing the ability to
25 start businesses by veterans, rather than creating

1 opportunity for veterans.

2 I think that there's a real disconnect there
3 that can be addressed at a policy level and possibly a
4 structural level as Brandon was saying or Alex pointed
5 out on the forms. I think that what you just said is
6 really important, that there's no difference in the
7 treatment for noncivilian versus a veteran applicant
8 for a loan. And we're seeing that in the data.

9 MR. MILLER: Yeah, I can't say that there's no
10 different treatment. There's no different underwriting
11 standard or minimum standard for SBA.

12 MR. ZACCHEA: Well, I think -- Mike Zacchea
13 again. I think that's what Lynn is saying is that
14 there can be a different underwriting standard if it's
15 guaranteed by, you know, either a state or some other
16 institutional pot of money so that we can remove that
17 artificial barrier to access.

18 MR. MILLER: Let's see. Why don't we hit the
19 next slide. So veterans guaranteed fee relief. So we
20 do -- we do have some fee relief that is statutorily
21 mandated, as long as the programs remain zero subsidy.
22 So, again, I mentioned earlier that we can't run a
23 taxpayer subsidy in the 7(a) program, so it's very
24 important that we keep -- SBA works very hard to keep
25 the program subsidy-neutral or even negative-subsidy.

1 And when we are subsidy-neutral or negative-
2 subsidy, we can offer the veterans fee relief. So
3 veterans pay no fees on SBA Express loans, so those are
4 loans with a 50 percent guarantee. They're 7(a) loans
5 of up to \$350,000. So there is an incentive for
6 veterans. They don't pay the up-front guarantee fee.

7 And if -- this year in 2019 we actually had
8 some subsidy -- some subsidy fee money left over that
9 we then expanded to small loans, 150,000 and less, in
10 rural and HUBZone areas. And we reduced the fee -- up-
11 front fee that the borrower pays, veteran or
12 nonveteran, from 2 percent down to .667, and provided
13 an incentive for lenders to make those small loans by
14 reducing their fee from .55 to zero.

15 And then, again, Lender Match is a tool that
16 we encourage all borrowers to get into. It's free,
17 it's on our website. And we have only our SBA lenders
18 can go in and either nonprofit or for-profit lenders
19 will find those borrowers and their criteria that
20 they've input into the system, and they will -- if it
21 matches what the lenders have put in, then they can --
22 they can actually reach out and make -- and finance
23 that business, or at least contact that business for
24 more information.

25 And it's been very successful. We've had

1 about 4 million -- excuse me. Where are my numbers
2 here? Yeah, we've had over -- it's generated over 4
3 million leads since we've started this about three
4 years. We continually update it and improve it. And
5 we've had over 179,000 unique borrowers that have been
6 contacted by lenders for financing options.

7 So for -- this is something that would be very
8 important also for business owners who -- or veterans
9 that are coming back and they don't know where to turn.
10 Here's something they can input their information into
11 and see if -- see if they can get a contact from a
12 lender, as opposed to -- they can also proactively go
13 to one of our resource partners or reach out to one of
14 our microlenders as well.

15 MR. FENDER: This is Alex Fender of Funnel
16 Science. If you're a civilian or veteran in the State
17 of Hawaii or exit -- or Alaska and you go to this
18 website, it returns a result of no lenders in the list.
19 Who are they supposed to contact?

20 MR. MILLER: Is that for micro lenders?

21 MR. FENDER: Yes.

22 MR. UPHAM: Right, yeah -- this is Dan.

23 Lender Match is not going to give you that list of
24 lenders. Lender Match is where the small business that
25 is interested in accessing capital is going to answer a

1 series of questions about their business, about their
2 financing needs and so forth. That information then is
3 packaged and delivered to lenders that are also in the
4 Lender Match system who have said we want to look at
5 loan transactions that fit these certain criteria.

6 They -- once they see the information that's
7 been input by the small business, they can opt in or
8 opt out, meaning, yes, we want to talk with that small
9 business, and it will send that small business the
10 lender's detailed information. However, on the "for
11 partners" page of SBA.gov, if you want a list of
12 microloan intermediaries that participate in the
13 program, it is available on the "for partners" page.
14 And it would be looked up by state.

15 MR. PHIPPS: This is Michael Phipps. So it
16 seems with the 7(a) fee relief that we have a built-in
17 yes-or-no I'm a veteran, unless the veteran doesn't
18 want the fee relief and wants to pay more, we are
19 getting that number.

20 MR. MILLER: That's right. Yes, with the 7(a)
21 fee relief, there is an incentive for a lender and a
22 borrower to input that there's a veteran on the loan
23 application. And that's a required field in order to
24 get that fee relief.

25 MR. PHIPPS: So it seems we already have the

1 crowbar in the door with a method already that's built
2 in with the fee relief to get proper veteran numbers.
3 It might -- and I don't know enough about how to extend
4 fee relief to your other programs, but if there was
5 some other related incentive, it seems like we could,
6 as a committee, figure out how to do that, maybe with
7 your help, and get those statistics, unless you're
8 dealing with a class of veterans that would rather not
9 give up their PII in terms of money, but I don't think
10 that you're going to get too many veterans that want to
11 pay more. And that might be just an avenue of approach
12 right there.

13 MS. O'BRIEN: Thank you, Mike. We'll
14 certainly take that into account.

15 I want to thank the two gentlemen for joining
16 us today. We're going to close now for questions and
17 move on. So thank you for your time. Appreciate your
18 comments.

19 MR. MILLER: Thank you.

20 MR. STUBBLEFIELD: Okay. Again, thanks, John
21 and Dan. You know, we've had a lot of discussion about
22 access to capital, and as Mike mentioned earlier, the
23 report that came out in November. So one of the things
24 we've done at SBA is reached out to Treasury to start
25 the dialogue on moving veterans into that category

1 known as OTP, other targeted populations.

2 And so we're very pleased today to have with
3 us from Treasury Jeff Merkowitz, who is a senior
4 adviser for the CDFI Fund and one of the gentlemen that
5 we've been working with. So, Jeff, thank you very much
6 for making the time to be here with us today, and we
7 look forward to your presentation.

8 MR. MERKOWITZ: Thanks, Larry. Is there a way
9 for me to control the slides, or do I -- I just say
10 next slide. Okay.

11 Well, thank you for inviting me here today to
12 talk a little bit about the CDFI Fund and community
13 development financial institutions and the ways that
14 they may be able to serve veterans. Next slide.

15 So for those who aren't familiar with the CDFI
16 Fund, as you can see, we're a part of the Department of
17 Treasury, and our mission is to expand economic
18 opportunity for underserved people and communities by
19 supporting the growth and capacity of the national
20 network of community development lenders, investors,
21 and financial service providers, many of whom are
22 actually SBA lenders themselves. Next slide.

23 Our vision is to -- of an America in which all
24 people and communities have access to the investment
25 capital and financial services they need to prosper.

1 Next slide.

2 So the CDFI Fund operates a number of
3 different programs, and we operate under four different
4 statutory authorities. I won't go through each of them
5 here. Next slide.

6 What's important to know is that, you know,
7 since our establishment, we've awarded over \$3.3
8 billion to CDFIs and other community development
9 organizations and banks through our funding programs.
10 We've allocated \$54 billion in tax credits through the
11 new markets tax credit program and \$1.5 billion through
12 our bond guarantee program.

13 This is money that is very effective at
14 attracting private sector dollars as well, so as you
15 can see here, for every dollar of CDFI Fund federal
16 money that goes out in the form of an investment, it
17 brings in \$8 on average of private capital. Next
18 slide.

19 So what are CDFIs or community development
20 financial institutions? They are community-based and
21 mission-driven organizations that operate in low-income
22 communities, providing financial products and services,
23 primarily targeting individuals and businesses that
24 historically have been left out of the mainstream
25 banking system. They tend to be -- they may be banks

1 themselves, credit unions, loan funds, and venture
2 capital funds. So -- but engaging in the type of
3 activities that banks and other lenders engage in, like
4 loans for homes, for small businesses, consumer
5 lending. Next slide.

6 So to become a CDFI or to be recognized as a
7 CDFI, an entity would need to meet certain statutory
8 criteria, and they come to the CDFI fund to be
9 certified as a CDFI. So it has to be a legal entity.
10 It has to have a primary mission of promoting community
11 development. It has to be a financing entity.
12 Primarily serves one or more target markets. So that
13 means at least 60 percent of its investment activity,
14 financial activity, has to go to one or more of its
15 target markets. And I'll talk more about target
16 markets in a little bit, but for now I'll just say that
17 target market may be a geographically based, low-income
18 investment area, or it can be a type of targeted
19 population that has a demonstrated lack of access to
20 capital.

21 MR. PHIPPS: I'm sorry to interrupt. This is
22 Michael Phipps. Are veterans identified in that group?

23 MR. MERKOWITZ: They are not -- I'll get to
24 that. So that's part of what we're -- they -- we have
25 different categories. Some are preverified, some can

1 be. Veterans are in the category of they can be, but
2 they're not automatically, so...

3 CDFI also has to provide development services
4 in conjunction with its financing activities. That
5 usually takes the form of technical assistance or other
6 types of activities that help get a borrower ready for
7 a loan. They need to maintain accountability to their
8 defined target markets. That usually means having
9 board representation from their target markets, so a
10 member of the target market community would sit on
11 their governing or advisory board. And they need to be
12 a nongovernment entity. Next slide.

13 So there are currently about 1,100 CDFIs
14 throughout the country, and as you can see from this
15 map, they're in every state plus DC, Puerto Rico, and
16 Guam. Next slide.

17 So the way the CDFI Fund operates is to
18 support our network of CDFIs and other community
19 development-type organizations through a series of
20 programs, which I'll go through quickly. Next slide.

21 So our Bank Enterprise Award program provides
22 awards to FDIC-insured banks and thrifts that
23 demonstrate an increase in their investments in some of
24 the most highly distressed communities in the country.
25 What we do is we take a look at -- we set a baseline

1 year for a bank or a thrift; look at their activity;
2 and then we look at the level of increase from year to
3 year. And we reward those banks that are investing in
4 those highly distressed communities that meet certain
5 demographic criteria for income and poverty and
6 unemployment and reward them for increasing financial
7 products, services, investments in those communities.
8 Next slide.

9 Our Capital Magnet Fund uses fees raised
10 through Fannie Mae and Freddie Mac to provide grants to
11 CDFIs and nonprofit affordable housing organizations,
12 and they can use that money to create -- to finance
13 affordable housing activity and related economic
14 development activity. For the purposes of this
15 committee, its primary focus is on housing, so it's not
16 as relevant, though I will say that a number of CDFIs
17 do finance affordable housing developments that are
18 specifically targeted towards veterans. Next slide.

19 Our CDFI Bond Guarantee Program, this provides
20 a source of long-term capital, up to 30 years, for --
21 that can be lent out to CDFIs that then can use that
22 money for community and economic development purposes.
23 It is primarily real estate-based, but as you can see
24 from this slide, there is a small piece that lenders
25 have managed to be able to use for small businesses.

1 Next slide.

2 Our CDFI program is sometimes referred to as
3 our core program, and this is a program that's fairly
4 unique, as is a lot of the approach of the CDFI Fund,
5 but unique among federal programs. A lot of federal
6 programs will send money out to states or localities to
7 distribute, or they finance specific projects. We
8 don't pick and choose projects. We will -- we tend to
9 finance what we say are called the enterprise level.
10 We're financing balance sheets.

11 So we will -- CDFIs will apply to our program.
12 They will identify the needs in their communities, and
13 they will tell us what their strategy is for meeting
14 those needs. And so we're evaluating their strategy
15 and basically then providing them an award that they
16 can use to strengthen their balance sheet, leverage
17 that to bring in other capital and lend that out in the
18 form of loans, other types of investments, loan loss
19 reserves.

20 And, you know, this program has provided more
21 than \$2.3 billion in financial assistance and technical
22 assistance awards, which are used basically to become a
23 CDFI. Just in 2018 alone, our awardees originated more
24 than \$11.1 billion in loans and investments and
25 financed more than -- nearly 18,000 businesses and

1 micro-enterprise loans. Next slide.

2 Our -- we also have a native CDFI program.
3 This is -- pretty much mirrors our CDFI program but
4 targets native communities specifically and native
5 CDFIs. Next slide.

6 Our new markets tax credit program, this
7 program we allocate tax credits to community
8 development entities. They in turn are able to use
9 those tax credits to bring in equity investments that
10 they are then able to use to lend out to low-income
11 communities. This program tends to lean towards real
12 estate, but also there's a very healthy chunk of it
13 goes towards creating revolving loan pools that are
14 used for small business lending as well. Next slide.

15 So those are our programs. This is a map that
16 shows basically the footprint of our investment
17 activity of our awardees, so not all CDFIs, but those
18 that have received an award. It shows where loans have
19 been made from all of our different programs, where
20 businesses are -- CDFIs are headquartered, tax credit
21 projects have been financed, so all of that. Next
22 slide.

23 So getting to veterans, the interest of this
24 committee. We don't track specifically whether a loan
25 -- or awardees are not required to report back to us

1 specifically on whether a loan was made to a veteran.
2 That said, through a lot of analytic, as well as
3 anecdotal, evidence, we know that our CDFIs are serving
4 veterans. So last year, we did an analysis looking at
5 areas in which -- that have both a high concentration
6 of veterans and major military institutions and looked
7 at the activity that was going on there.

8 So in -- as of February 2018, you could see
9 that CDFI awardees at that time had loans outstanding.
10 They had about -- a little over 2,000 loans valued
11 at -- more than \$159 million outstanding in those
12 areas. They had financed 15 new market tax credit
13 projects in those areas, and you can see there are 17
14 CDFIs that are headquartered in those areas.

15 Now, we can't say with certainty that all of
16 these loans went to veterans because it looks at a
17 geographic area rather than the individual borrower,
18 but I can say with certainty that this does not capture
19 the full extent of CDFI lending to veterans because we
20 know that there are CDFIs in other areas that are very
21 engaged in lending to veterans. And so we have several
22 examples of CDFIs with programs that focus specifically
23 on veterans. Next slide.

24 So Veteran LLC, for example, is a multistate
25 collaborative of CDFIs that share a common purpose of

1 providing loans and technical assistance to military
2 veteran-owned small businesses, started out as I think
3 three CDFIs working in different states. I think I saw
4 that they just added five new members as part of that
5 collaborative. Separately, there are three other CDFIs
6 that recently partnered to fund grocery stores in six
7 states through Honor Capital, which is a veteran-owned
8 small business that was founded by veterans and has a
9 mission of supporting veterans and small businesses as
10 well in underserved communities.

11 And the Colorado Enterprise Loan Fund launched
12 a new program called Veteran Access Loan Opportunity
13 Resource, or VALOR, to support military veterans and
14 Gold Star families in their business ventures in
15 Colorado. Next slide.

16 So I talked earlier about target markets, and
17 Larry mentioned this, other targeted populations. So
18 as I said, we have two different types of target
19 markets. Again, CDFIs have to serve -- at least 60
20 percent of their activity has to be in these target
21 markets, their dedicated target markets in order to
22 qualify as a CDFI.

23 One of them is investment areas. Again, these
24 are geographically based low-income communities. They
25 have a poverty rate greater than 20 percent of -- or

1 median family income at 80 percent below a area or
2 state median income, and they have unemployment rates
3 1.5 times the national average. Next slide.

4 We also -- CDFIs can also serve targeted
5 populations. These come in different forms. So they
6 can serve low-income targeted populations. So those
7 are individuals or families who have, again, an income
8 of 80 percent or below of the area median income or
9 state median income. Or they can serve in other
10 targeted population. And these are populations that
11 have a demonstrated lack of access to capital.

12 And we have certain populations that we have
13 preverified that meet the standards, and these include
14 African Americans, Latinos, and a number of native
15 groups, populations. Next slide, please.

16 So the question has been raised about whether
17 veterans can be another targeted population, and the
18 answer is yes, they can be. We don't currently have
19 any CDFIs that have come into -- that have been
20 certified with an other targeted population. We have a
21 set of criteria that any CDFI could come in to provide
22 us with a study of a specific geographic area that
23 shows the lack of access that veterans have experienced
24 in that area, and we would be able to certify them with
25 a veteran other targeted population.

1 We have been working with Larry and Bill as
2 well to discuss what it would take for us to be able to
3 include veterans at a -- as a -- one of the preverified
4 groups as well and about the type of data that we would
5 need to see at a national level or for a national
6 study. But, again, even without that other targeted
7 population, CDFIs are serving and continue to be able
8 to serve veterans, and a lot of them, even if it's not
9 their -- a specified targeted population for them, you
10 know, it is a priority for many of them. They focus on
11 veterans, you know, whether it's through specific
12 programs or operating in areas that have high
13 populations of veterans.

14 And that's my presentation. So I would be
15 happy to take any questions.

16 MS. PEREZ-WILHITE: This is Fran Perez-
17 Wilhite. Are you measuring number of veterans based on
18 only proximity to the military installations?

19 MR. MERKOWITZ: So, yeah, in that slide that I
20 showed -- I don't know, if you go back a few to the
21 page with the map, it says page 5, I messed up there,
22 but it's -- you just passed it.

23 MS. PEREZ-WILHITE: The one with the map?

24 MR. MERKOWITZ: Yeah, keep going forward.
25 Next one. There we go. Yeah, so that -- you know,

1 again, we don't have a way -- our awardees, when they
2 report to us, if they have a other targeted population,
3 they will -- they need to tell us the numbers that they
4 served for that targeted population. So if they're
5 serving African Americans, they're serving low-income,
6 Latinos, they would tell us the numbers there. But we
7 don't ask them the veteran status. So this was just --

8 MS. PEREZ-WILHITE: I would just like to point
9 out that in a lot of states, especially mine, the
10 number one counties with veterans just happen to not be
11 anywhere near the military installations.

12 MR. MERKOWITZ: So this was -- it wasn't just
13 military installations that we looked at. We looked at
14 counties that I think were in the top quintile of
15 veteran populations.

16 MS. PEREZ-WILHITE: And where are you getting
17 the numbers of veterans in the counties from, because
18 there seems to be -- in the circles that I deal with
19 the veteran leadership, there seems to be some
20 contention on where to get veteran numbers from.

21 MR. MERKOWITZ: So I did not create this
22 analysis, but my guess would be that we got it from
23 Census data.

24 MR. SHARPE: Are you doing any marketing for
25 outreach to veterans?

1 MR. MERKOWITZ: So, again, we don't reach out
2 specifically to borrowers. We work with CDFIs, and the
3 CDFIs, many of them, you know, and I listed a few
4 examples, are reaching out to -- CDFIs have programs
5 that target CDFIs specifically, whether it's for small
6 business lending. As I also mentioned, you know, a lot
7 of CDFIs do affordable housing development so have
8 created affordable housing that -- for veterans.

9 MR. SHARPE: So they are reaching out.

10 MR. MERKOWITZ: Yes. Yeah, yeah.

11 MR. SHARPE: Okay.

12 MR. MERKOWITZ: But not all, and, you know,
13 but -- and, again, it's up to the individual CDFI. If
14 they feel like there's a market in their community of
15 veterans, then they would be doing that.

16 MR. SHELTON: It's Brandon Shelton with TFX.
17 Jeff, thanks for this brief. I'm actually familiar
18 with some of this. I didn't realize it was this
19 organized, so thank you.

20 I guess a question I would have is if, Larry,
21 if you and the team are going to pursue veterans to
22 make it into this status, I assume there's some sort of
23 parallels to how the Native American programs and other
24 specific programs are running. So I guess a question
25 would be is how is the initial conversation on

1 certification going, because as a person, I have great
2 heartache with how those rules are handled over at the
3 VA and at DOD.

4 And then that compounds itself when we talk
5 about lending. I mean, a veteran is a veteran, is it a
6 DD214, do I need to go get this certification? Is it
7 51 percent owned? You start -- the permutations get
8 really crazy. So in your early meetings or your
9 conversations, how have you guys discussed that sort of
10 certification, verification, that you are, in fact,
11 dealing with a veteran or a veteran business owner?

12 MR. STUBBLEFIELD: I was going to say we have
13 -- we're pretty much in the preliminary, initial phases
14 of discussion, and correct me if I'm wrong, but, Jeff,
15 I know the last time we met we were talking about the
16 high hurdle it is to, I guess, in terms of statutory
17 requirements as it stands to define a other targeted
18 population. So we've got to come up with kind of like
19 evidence-based, if you will, on -- to be able to get
20 past the statutory hurdle, if you will.

21 MR. SHELTON: So it's Brandon. Thanks, Larry.
22 So I guess -- what is the early thinking, then? Let's
23 say you get past it, we could get the veterans into
24 this group. What are your thoughts on certification in
25 terms of how CDFI operates, stuff like that?

1 MR. MERKOWITZ: You know, again, then it would
2 be incumbent on the CDFI to come in and say, yeah, this
3 is how we want to be certified. So, you know, we don't
4 tell CDFIs, you know, what they -- what their target
5 markets should be. We are in the process -- you know,
6 I'll say this, though, that we are in the process of
7 modifying some of our policies around certification.
8 It won't affect the sort of evidence-based requirements
9 for OTP status, but it will make it easier in some ways
10 for CDFIs to serve multiple target markets if they, you
11 know, are able to verify, I think was part of your
12 question, that they are indeed serving that population.

13 I think this question also gets to the
14 question that the gentleman on the phone was raising
15 earlier about, you know, collecting demographic data
16 from borrowers. And, yeah, this is actually a
17 conversation I've been having with CFPB as well because
18 there are restrictions. There are legal restrictions
19 on what voluntary -- even voluntary data banks or
20 lenders are able to collect from their borrowers.

21 Now, oftentimes, in our cases, for the CDFIs,
22 when they lend to one of our targeted populations, they
23 need to describe to us their methodology for
24 determining that they are indeed lending to that
25 targeted population. You know, so in the case of, you

1 know, minorities -- African American or Latinos -- you
2 know, they can't ask -- you know, they can't put that
3 on a form and ask the borrower to check that off. So a
4 lot of times it has to be visual or, you know, an
5 analysis by name. I don't have the answer yet on how
6 we would do it with veterans.

7 MR. SHELTON: I appreciate it.

8 MR. MERKOWITZ: But, you know...

9 MR. SHELTON: Thank you.

10 MR. STUBBLEFIELD: I just want to add --

11 MR. FENDER: I've got a question. This is
12 Alex at Funnel Science. So -- and the SBA has a
13 special purpose loan program. It's specifically called
14 a veterans loan program. But the problem is is for all
15 eight of the special-purpose loans, they're not --
16 they're not funded. So why can't we use the CDFI funds
17 to fund the veterans loan program that's not funded at
18 the SBA?

19 MR. MERKOWITZ: I'm not sure if I understand
20 the question. As I had mentioned, a number of CDFIs do
21 participate in SBA loan programs, so --

22 MR. FENDER: I only want to talk about --

23 MR. MERKOWITZ: But you can't lend to a
24 government agency, though.

25 MR. FENDER: -- the veterans loan program, not

1 the 7(a) or some of the other ones.

2 MR. MERKOWITZ: Oh.

3 MR. FENDER: But from what I understand is
4 CDFI has funds and works with lenders, right, and
5 there's money available, but then SBA has a specific
6 loan program, the veterans loan program, but it's not
7 funded. So maybe I'll direct it to Larry.

8 MR. MERKOWITZ: Well, that's actually a
9 question for Congress. So, you know, our -- Congress
10 gives us an appropriation with a specific purpose, and
11 so if -- it's not for us to lend to another government
12 agency or to fund another government agency's program.

13 MR. PHIPPS: So this is Michael Phipps, and I
14 actually want to split hairs on Brandon's initial
15 question because I think it'll shed a little bit of
16 light because we historically have dealt with -- and
17 this is almost a legal question. So the SBA uses the
18 definition, and you guys can help me, is it other
19 targeted populations, underserved, where minority
20 populations at -- what is the legal definition of that,
21 of that term, Larry?

22 MR. STUBBLEFIELD: I was going to say -- I'm
23 going to defer to Dan in terms of loans.

24 MR. PHIPPS: No, this isn't for the SBA
25 programs, and I want to say we were briefed where the

1 Department of Treasury somehow determine -- has to
2 approve what those protected classes -- maybe we called
3 it the protected classes are in order -- it was a legal
4 definition that the SBA uses to give assistance to, you
5 know, other populations.

6 MR. STUBBLEFIELD: I'll have to take that
7 question and get back to you.

8 MR. PHIPPS: Okay, so my question here, all
9 right, because there's a legal definition of what is a
10 protected class or other targeted population, minority
11 kind of populations, and so the first question is with
12 the mission of the CDFI, is that -- do you guys use the
13 SBA's definition, because it sounds like you have a
14 more general definition, where you don't need that
15 legal definition to get assistance if you're a CDFI
16 that wants to come into your program and help veterans,
17 you guys would not use the SBA's legal definition in
18 order to accept somebody into the program.

19 MR. MERKOWITZ: No legal definition of veteran
20 or, I'm sorry.

21 MR. PHIPPS: No, the legal definition of what
22 an underserved --

23 MR. MERKOWITZ: Oh. We have our own criteria
24 of what is underserved, yeah, so --

25 MR. PHIPPS: So that crossroads of what the

1 SBA's legal definition for underserved population and
2 your definition would be, you know, if the veteran --
3 can the veteran fit into that definition that you guys
4 have?

5 MR. MERKOWITZ: Yeah, essentially.

6 MR. SHELTON: Yeah, Mike, it's Brandon. I
7 mean, I guess what I'm -- let them figure that out is
8 my perspective. I like that, Larry, you guys are
9 working on that, so maybe we would love to keep getting
10 updates. However, my personal heartache is
11 understanding how the VA got into the certification
12 business decades ago. It started off -- the way I've
13 been briefed, it started off in a similar intent of we
14 have contracts here for veteran -- it was a health care
15 system. We have contracts here, why don't we, you
16 know, earmark and it goes through Congress, all that
17 stuff.

18 Now as you know from Tom when he was in that
19 role in December, it's morphed into 100-plus person
20 organization, these elaborate rules, and then you have
21 people trying to skirt the rules, so the rules get
22 bigger, then there's more people trying to cheat the
23 rules. So now it almost becomes suffocating for a
24 veteran business owner to meet the threshold. That's
25 why only 14,000 have passed out of 2.5 million, right?

1 And so my point was is that if you guys get
2 through the OTP and for the CDFI program through
3 Treasury, I liked your answer. Leave it -- it's got to
4 be situation by situation based on your definitions and
5 stuff like that, but if you start dictating that the
6 only people who can, you know, come through this is
7 this elaborate ownership and control and paperwork, you
8 know what I'm saying, like, I think it could lose its
9 intent. And that was, I think, the ownership, the
10 suggestion or question.

11 MS. O'BRIEN: This is Elizabeth O'Brien. I
12 agree with what you're saying. The more barriers we
13 put up the harder it is to navigate, the more difficult
14 it is to access.

15 MR. STUBBLEFIELD: I was just going to say,
16 Mike, I think Teresa may have wanted to chime in on the
17 question you had asked before. And I think you're
18 right.

19 MS. LEWIS: So good morning. My name is Teresa
20 Lewis. I am now at the American Legion with Joe
21 Sharpe, but I'm the former HHS OSDBU director. I also
22 am the person who stood up the service-disabled
23 veterans program for SBA. And the definition of
24 veteran-owned business is different at SBA than it is
25 at the VA. So if you're going to use a standard

1 language, you have to decide on which one you're going
2 to use because you're right, because the bar,
3 unfortunately the VA set the bar a little bit higher
4 for veterans than SBA standard.

5 And so whatever you end up doing, I think it
6 makes sense to use a standard that is being used within
7 the Government. I think you have to decide on which
8 standard that you want to use. And as far as those
9 categories, I think you were referring to the
10 socioeconomic categories that SBA uses for its various
11 programs.

12 MR. SHELTON: Mike, was that it?
13 Socioeconomic?

14 MR. PHIPPS: It does. I think in terms of
15 veteran entrepreneurship, in regard -- I'm trying to
16 just find the intersection here between CDFI and
17 veteran entrepreneurship from our committee. And so it
18 seems like at that level the veteran entrepreneurship
19 would be as an approved CDFI. Is that how you would
20 categorize it?

21 MR. MERKOWITZ: So in terms of the veteran
22 piece of this, you know, there are different
23 approaches. You know, again, CDFIs don't need to have
24 veterans as a specific target market in order to serve
25 veterans. If they are part of a low-income community,

1 investment area, if they happen to live there, they can
2 provide the service -- they can lend to them there.

3 If they are members of another targeted
4 population or one of the targeted population groups,
5 whether it's low-income, if they're low-income, they
6 can get a loan that way and count toward CDFI status.
7 CDFIs can lend outside of their target markets as well,
8 but at least 60 percent has to be to one of their
9 target markets. And then there's this additional
10 conversation which we've been having with Larry and
11 Bill about making veterans a specific other targeted
12 population. So it wouldn't -- so, you know, we have
13 CDFIs, as I noted, that are targeting veterans, but
14 they're doing it within the current structure of an
15 investment area or a targeted population.

16 It may not -- like, if they -- if this became
17 available, it may not change much in terms of their
18 behavior or their activity, but they would just have
19 this additional --

20 MR. PHIPPS: Mission.

21 MR. MERKOWITZ: -- yeah, I mean, they may have
22 a mission already, but they would have this -- I guess
23 an additional tool through which they could serve --

24 MR. ZACCHEA: Jeff, this is Mike Zacchea. So
25 you just mentioned something, and I was going to ask

1 this question, is let's assume that veterans do become
2 a part of this other targeted population, what happens
3 then? What does that mean to us in practical terms?

4 MR. MERKOWITZ: Well, if you mean "us," SBA or
5 "us" --

6 MR. ZACCHEA: As the veteran business
7 ownership community.

8 MR. MERKOWITZ: Okay. It means, again, that
9 there is a lender out there who has identified veterans
10 as a targeted population that it is choosing to serve.
11 You know, again, they can do that without the official
12 other targeted population of veterans and they are
13 doing it. Again, whether it's through investment
14 areas, other targeted populations besides veterans, but
15 that veterans, you know, fall into.

16 We have -- we have some groups that -- some
17 CDFIs that focus on disabilities, for example, and we
18 recently -- Congress gave us some additional money to
19 focus on building capacity for CDFIs to lend to the
20 disabled community. As you know, a lot of veterans
21 fall into that category. So there's a lot of crossover
22 between our existing target markets and the veteran
23 community. And, again, I think the idea behind having
24 a veterans targeted population, it's not that the same
25 goals can't be achieved under the existing structure;

1 it just provides an additional tool.

2 MR. STUBBLEFIELD: You know, I just wanted to
3 say to your point earlier, Lynn, one of the things we
4 talked about when you talked about that high hurdle to
5 become an OTP, other targeted population, was we talked
6 about the economic welfare of veterans and that, you
7 know, veterans are not just lumped into one category
8 because, to your point, you've got the retired colonels
9 and generals, but you also have the lower ranking
10 members. And so we've actually approached Treasury in
11 terms of if we can't get veteran status, you know, 100
12 percent across the board, can we at least look at it in
13 terms of the rank structure. So that's part of the
14 discussion as well.

15 MR. FENDER: And, Larry, this is Alex at
16 Funnel Science. I'm looking at the CFR, and the CFR
17 actually specifies -- and I'll read it to you -- it
18 says, the veteran status of an individual may only be
19 used once to qualify for an SBA loan. And that's
20 122.56-4. So the CFR already calls for this, so I
21 don't understand why there's ambiguity on whether or
22 not they can ask this. It's already written into law.

23 MS. O'BRIEN: Alex, is this is in reference to
24 the CDFI or a previous topic? This is Elizabeth.

25 MR. FENDER: I think this is to all topics on

1 -- if who's -- you know, they're asking is it a
2 veteran-specific loan, and then they're coming back and
3 saying we can't -- we can't designate or put a checkbox
4 on here because we don't know what the real status is
5 or there's some ambiguity between the Treasury saying
6 is this a protected class or not, but the CFR already
7 says for SBA loans, and it's saying specifically SBA-
8 guaranteed loans, and then it -- there is eligibility
9 requirements for veterans. The first one talks about
10 Vietnam-era veterans. The second one is disabled
11 veterans.

12 MS. O'BRIEN: Alex, thank you for your
13 comments, and we'll take that back moving forward and
14 work through the pieces that relate to CDFI versus
15 Small Business Administration. Thank you.

16 Brandon Shelton?

17 MR. SHELTON: Oh, sorry. Oh, I'll just make
18 one quick suggestion and then let Lynn in for it. And
19 this may go back, Dan, to what you guys briefed us
20 earlier. I don't know if it's permissible, but as we
21 think about access to capital this year and we think
22 about the dispersion of veterans, like Fran was talking
23 about, I'm betting if we looked hard enough there's a
24 geographic problem, where the lenders are, where the
25 people are, where the veteran -- okay.

1 So, one I'd love to see if we could get
2 whatever data we could, if we could get like a heat map
3 and an overlay of that just from the microloan, just in
4 lending stuff, and that may be something curious to
5 what -- the CDFI conversation. The way I as a private
6 citizen interpret CDFI is that you're reaching
7 communities that don't get reached or are underserved.
8 I saw the heat map you gave us, yes, it's New York
9 City, it's Chicago, right, these mega-cities that have
10 poverty areas, but I saw you in some states and some
11 cities that aren't that trafficked, right.

12 That's where Honor Capital started was to
13 attack all food deserts, you know, where there are
14 certain distances between Walmarts and other -- okay,
15 so I just bet if you also took that same analysis of
16 where SBA loan activities are and in a perfect world
17 take where all the VA loan certifications are, you know
18 what I'm saying? You could geolocate and see where
19 that true overlap is in terms of where you're already
20 present, where you already have institutions, but maybe
21 there's two suggestions there but not only for the
22 program but for CDFI, Larry, for future meetings.

23 MR. LOWDER: Or for a better business project.
24 I was just going to ask you, the other targeted
25 populations, you know, you look down the list there,

1 and we've got them all in our group for veterans --
2 black, white, everybody. We've got them all. We are
3 the whole rainbow group. That's point number one.

4 It always fascinates me with the socially
5 disadvantaged classes and breakdowns that we get into
6 in VA contracts, and I look at those, the percentages
7 described, and I think we got them all, all in our
8 group, first of all. So there's a lot of homogeneity
9 in our group because we all go and fight all together.
10 It's really, I think, an important thing.

11 The CDFIs is doing it like an association, a
12 club, or a group where they all get together annually
13 and talk about what's going on?

14 MR. MERKOWITZ: They are trade associations.

15 MR. LOWDER: Yes.

16 MR. MERKOWITZ: But it's not, you know,
17 they're not -- you're not required to be a member of
18 that. You know, the only commonality really is that
19 they're all certified by the CDFI Fund.

20 To your first point, I'll just add, that's
21 exactly right, and it's why -- I mean, I think we are
22 happy to work with SBA and others, you know, about
23 creating -- you know, determining whether there's the
24 evidence there to establish kind of a preverified
25 veteran category for other targeted population, but I

1 think what many CDFIs who may want to serve veterans,
2 as well as other groups that have wanted to serve other
3 populations that aren't in our preverified list, have
4 discovered is that they can often serve those
5 populations -- their target population -- through one
6 of our existing criteria.

7 You know, we have groups that -- from the
8 Asian American community who come in as well and would
9 like to be included on that list. You know, that
10 presents its own unique challenges because there are so
11 many different categories of Asian American and they
12 often have different wealth and income experiences, but
13 it's the same way with veterans. As you note, you
14 know, a lot of them are African American or Latino or
15 Native. Many of them are low-income.

16 So CDFIs can find that within our existing
17 structure, they may want to serve, they may be
18 dedicated specifically and have a mission specifically
19 to serving veterans, but they can get CDFI
20 certification even if they're not using a veteran OTP,
21 and they're free to serve veterans that way.

22 MR. LOWDER: I think -- Lynn Lowder again. I
23 think Brandon is onto something. I think the
24 geographic aspects of it, we'd have to get some more
25 CDFIs cranking first of all. I was looking at the

1 dispersion of awards, and I had a daughter that went to
2 school up in Minnesota, and I wanted to ask you offline
3 what the heck's happening in Minnesota where there's
4 all sorts of loans.

5 MR. SHELTON: Ice fishing startups.

6 MR. MERKOWITZ: There are some good CDFIs up
7 there.

8 MR. LOWDER: Yeah.

9 MR. MERKOWITZ: But I will note -- I think as
10 Brandon said, that, yeah, CDFIs are trying to reach
11 into the areas that mainstream lenders have either been
12 unable or unwilling to go, and, yeah, so a lot of those
13 clusters on the East Coast are in, you know, pockets of
14 poverty. Likewise with rural areas, I think about 15
15 percent of the U.S. population lives in rural areas.
16 Our programs serve probably about 20 percent -- are 20
17 percent rural or nonmetropolitan areas.

18 Areas of persistent poverty, which are, you
19 know, areas that have experienced 30 percent -- or 20
20 percent -- 20 percent poverty for 30 years or more. We
21 have a lot of CDFIs active there. Those are also in
22 very -- tend to be in rural areas, Native communities
23 and inner-city, urban areas. So -- but that's where
24 CDFIs tend to be operating.

25 MR. LOWDER: Lynn Lowder one more time.

1 Thanks for coming in. This is very enlightening. I
2 want to thank Larry for opening this door. There's, I
3 believe, some progress here.

4 MR. MERKOWITZ: All right.

5 MR. STUBBLEFIELD: Thank you very much, Jeff,
6 for being here, and I'll definitely reach out to you
7 and we'll continue the dialogue.

8 MR. MERKOWITZ: Thank you.

9 MR. STUBBLEFIELD: Okay, we're up to the
10 public comment period. And I will tell you we had the
11 VA on the phone. Do we still have the VA?

12 (No response.)

13 MS. O'BRIEN: I think they --

14 MR. STUBBLEFIELD: Okay. I know Beth was --
15 she had a time period blocked, so I don't think we have
16 the VA on the phone, but we do have from our Office of
17 Hearing and Appeals, if you remember a few committee
18 meetings ago we had Judge Holleman here, and he was
19 briefed on, you know, SBA had picked up the --

20 MS. O'BRIEN: Go ahead and mute your phone,
21 please.

22 MR. STUBBLEFIELD: We had picked up the
23 appeals and protests part of the certification process.
24 So here from the Office of Hearings and Appeals is
25 Daniel George, and he just wanted to present general

1 findings that OHA -- since we picked up that mission.
2 So, I'll turn it over to you, Daniel.

3 MR. GEORGE: Good morning. Thanks for having
4 me. My name is Daniel George. I'm an attorney here at
5 the Office of Hearings and Appeals at the SBA. Our
6 office, as of October 1st, 2018, started handling CVE
7 protests and CVE appeals that they're coming over from
8 the VA as a result of the 2017 NDAA. Our first cases
9 started coming in in about December. For CVE protests,
10 those mean the cases where the VA has issued a
11 solicitation set aside for the service-disabled
12 veteran-owned small business, and it gets awarded to
13 Business A; Business B wishes to challenge the status
14 of the awardee.

15 How that works is the company that's
16 challenging the status of the awardee must file a
17 protest with the contracting officer. The
18 contracting officer is responsible for grabbing the
19 protest and making sure that it's sent over to our
20 office. We've -- now that we started to get some of
21 the cases, unfortunately, sometimes, we don't receive
22 those protests right away. We're working with VA to
23 find a way for those protests to get to us a little bit
24 quicker. Once they come in, we work those cases, as we
25 work any of our other cases that we have jurisdiction

1 over.

2 The CVE appeals, those are a little bit
3 different. CVE appeals are if your company has been
4 denied access to CVE or it has been canceled out of the
5 CVE, you may -- you have the opportunity to file an
6 appeal with our office challenging that decision. From
7 there, once we receive those appeals, we'll send out
8 this inclusive protest. We send out what's called a
9 notice and order. It kind of gives the parties an idea
10 of, like, how our process works, and we set certain
11 dates for when parties may submit additional documents.
12 With the CVE appeals, by regulation, once the record
13 closes, we have 60 calendar days to issue a decision.
14 Again, we try to work those as fast as we can and get
15 decisions out because I know a lot of the, you know,
16 veteran businesses are -- they need that certification
17 in order to bid on contracts.

18 With the protests, we actually don't have
19 regulatory deadline, but, again, we work those cases as
20 soon as they come in and as fast as we can. Some of
21 the issues that we've seen from cases that have started
22 to come in is just confusion on part of the veteran-
23 owned small businesses. They don't know if they need
24 to come to us. They don't know they need to go to CVE.
25 Sometimes they want to challenge the status and also

1 the size of the awardee, so that they think that, you
2 know, it's just one protest for everything.
3 Unfortunately, you know, it doesn't really work that
4 way. If you have a status issue, you file a status
5 protest. If you have a size issue, you file a size
6 protest.

7 Another thing is they -- some of the issues
8 that we see is we see these companies, they get a
9 denial letter, and they don't really know where to go.
10 So we're working with VA again to just kind of make
11 sure that the process, it's a little more clear and out
12 there for these small -- for the veterans' small
13 businesses.

14 My boss, she also wanted me to -- since we
15 have so many trade groups here -- to express her -- to
16 offer for us to go and talk to any group that wishes
17 our office to come in and talk to you guys about the
18 process, because this is brand new, right? We've only
19 really started receiving cases in December, so right at
20 the beginning of it, so we'll be happy to go in and
21 talk to any groups that wish to kind of just get a
22 little more information on how this works.

23 If any of you have gone through the CVE
24 process, you understand that you can be denied, you can
25 be canceled. You have won an award, and somebody

1 challenges you, you know, it can get kind of
2 convoluted. Our process is a little bit different from
3 the VA process that was in place. So part of what we
4 try and do is work with that group so that they're out
5 there, kind of like, so they know exactly what's going
6 on.

7 We receive a lot of phone calls, especially
8 when it comes to denials and cancellations. And a lot
9 of these -- the business owners are frustrated. They
10 don't really -- they don't seem to be getting accurate
11 information, so they call us, and then unfortunately
12 sometimes they're very frustrated, and they're
13 frustrated with us because we are not able to help
14 them, maybe like the VA might, because the process has
15 changed. And what we try and do is go out there and
16 make sure that we talk to as many people as we can so
17 people can start getting more familiar with the
18 process.

19 Other than that, I'm here to answer any
20 questions that you guys might have about the process.
21 Obviously, I won't be able to answer any questions
22 about any pending cases or any hypotheticals.

23 MR. PHIPPS: This is Michael Phipps. So
24 during the protests that you're seeing, are you going
25 to be keeping statistics on cases that where CVE has

1 been overtured or you guys have found the status not to
2 be correct?

3 MR. GEORGE: So another thing, so on our
4 website, SBA.gov/OHA, we have a link to our decisions.
5 All of our decisions are public -- size, NAICS appeals,
6 the vet cases that we used to do that are non-VA
7 contract vet cases, and now all the CVE cases -- all of
8 them will be public. We base our decisions on the
9 facts at hand, and every case by itself, but we also --
10 you know, we use precedent when we make our decision.
11 So while we don't expect to be -- to have a chart on
12 our website that has all the statistics, every decision
13 that we issue regarding CVE cases will be published.

14 MR. PHIPPS: So a quick question. Can we
15 assume that if somebody's filing a protest on status
16 that they have to have some kind of evidence to protest
17 that this company is not really CVE-certified?

18 MR. GEORGE: Absolutely. It's -- the
19 protests, we understand, right, you have a certain
20 amount of information that's available for you
21 regarding the business that was awarded the contract.
22 It just can't be I believe that this person is not a
23 veteran-owned small business. That's not going to get
24 you far. However, with a protest, the way it works, if
25 somebody files a protest with the CO, the CO forwards

1 that protest to us. We receive it; we notify VA; and
2 the contracting officer will receive the protest when
3 we issue notice and order. VA is then required to send
4 us everything that they have on that -- on the company
5 that was protested, from when they first applied to the
6 CVE, all the way through up until the latest amount of
7 information that they have. If you're a business who
8 is challenging the other company and you have an
9 attorney, your attorney can have access to that via a
10 protective order. Unfortunately, that information we
11 won't willingly send if you are pro se, meaning that if
12 you are by yourself, you're the owner, because we can't
13 release that. It's confidential business information.
14 So there's potential for you, if you have an attorney,
15 to get the CVE file and then supplement your protest
16 with more information that you have gained based on
17 that.

18 Other than that, we base -- you know, we --
19 it's up to the -- our center review means it's up to
20 the company that has protested to show that they are
21 indeed a veteran-owned small business or a service-
22 disabled veteran-owned small business. The service-
23 disabled part, it's pretty easy, right? We just get a
24 document from the VA stating that. The control aspects
25 of it are a little -- that's where it gets a little

1 more complicated.

2 SBA issued those new rules that also went into
3 effect October 1st, 2018, and we're -- our decisions
4 are based on those rules, but we -- because we're right
5 at the beginning right now, we also have to look at the
6 existing VA rules. If when you bid on that contract
7 was -- if you bid on that contract before October 1st.
8 So our decisions, again, they're made public. You will
9 see where we put on the front of that, our decisions
10 are based on the rules the VA had before October 1st
11 and our decisions that SBA had after October 1st.

12 MR. PHIPPS: This is Michael PHipps. So the
13 reason this is -- I see what's going on at OHA with the
14 appeals process as so important is because on the
15 certification -- this all -- you're kind of like the
16 intersection of what happens for certification in the
17 result of a protest. We've always had this idea that
18 the certification at the VA can be onerous, can be
19 overwhelming, can use a lot of resources. And so it
20 would be -- and I know you guys don't keep this, but it
21 would be good if the SBA and we could come up with the
22 statistics on the results.

23 It doesn't even -- it doesn't have to get into
24 the legality, but the results to see, you know, are we
25 -- what was the term that we used, the self-licking ice

1 cream cone, right? So if we're veterans that are CVE-
2 certified and we're protesting other veterans that are
3 CVE-certified, and the VA has this huge process that's
4 going on where they're spending a lot of energy to
5 certify, you know, we're in the cyclical self-licking
6 ice cream cone where we're just veterans fighting other
7 veterans, and is there any results that are actually
8 improving the certification process, or is this just
9 in-fighting?

10 And so seeing the statistical results on what
11 you -- the culmination of their -- what your decisions
12 are would be of great interest to the committee but
13 would also point to certain things at the certification
14 level, I think, that would guide and give certification
15 some overhauls.

16 MR. STUBBLEFIELD: I was going to say I know
17 you're going to take that back to Ms. Ford, and then
18 maybe this -- if the committee agrees, it could be a
19 short topic, item of discussion at our next committee
20 meeting.

21 MR. GEORGE: Absolutely. I'll be happy to
22 share that with her, that it's clearly a decision above
23 my pay grade.

24 Another thing that I want to point out is on
25 the CVE appeals, those are going from denials or

1 cancellations, just note that our office does receive
2 the file from VA, so anything that you submitted to VA
3 in order to get certified, we received that
4 information, and that's what we base our decision on.
5 We base -- the documents you submitted, we look at that
6 and review whether or not the CVE made an error by
7 denying or canceling your CVE certification. So it's
8 based on that record. Obviously, if you have been
9 denied or canceled you receive a letter from VA
10 explaining why, and it will be up to you to explain to
11 us why you believe that CVE decision was made in error.

12 MR. STUBBLEFIELD: Any other questions for
13 Daniel?

14 MR. O'FARRELL: Daniel, Jim O'Farrell. Who do
15 you interface at the VA with? Which office? OSDBU or
16 --

17 MR. GEORGE: CVE mostly.

18 MR. O'FARRELL: CVE, okay.

19 MR. GEORGE: Yes. John Perkins was the deputy
20 over there. We serve all our things to the Director of
21 CVE and then to John and another attorney that works in
22 CVE, so we work just directly with them.

23 MR. O'FARRELL: So for the chair and for
24 Larry, we'd really like to see the new OSDBU come brief
25 us at the next meeting, the lady that's taken over for

1 Tom Leney, and also maybe we could have the CVE rep
2 participate as well.

3 MR. STUBBLEFIELD: Yeah, we've reached out to
4 -- we reached out to Ruby Harvey, that's her name, and
5 I guess Ms. Harvey is still getting her feet on the
6 ground, but next time we come around for the next
7 committee meeting, she'll be in the group.

8 MR. GEORGE: And, again, we're more than happy
9 to speak to any group or any committee regarding the
10 process. I always think when you have years and years
11 of one process being one way and then suddenly it
12 changes, you're going to run into a lot of questions
13 and issues. Again, we do our best. We have a main --
14 on our website, you -- it's not like a 1-800 number.
15 We put the phone number that we have. It's a phone
16 number to our office. There is always an attorney
17 there, so we'll be happy to answer any questions
18 regarding process.

19 You know, and we really -- our office is
20 dedicated to make sure that these cases get worked as
21 fast as we can but also that the right decision is made
22 because we understand how important these contracts and
23 that CVE certification is to these vet businesses, and
24 that's what we do at our office. We make sure that an
25 actual service-disabled veteran-owned small business is

1 receiving these contracts. That's our main goal, and
2 that's what we try to do.

3 MR. O'FARRELL: Jim O'Farrell again. So have
4 you been to brief the National Veteran Small Business
5 Coalition, NVSBC?

6 MR. GEORGE: I don't think that we did. When
7 we -- right before the rules were -- became in effect
8 in October, one of our judges, Judge Christopher
9 Holleman, I know he spoke to certain trade groups, vet
10 groups. I don't have the exact list.

11 MR. O'FARRELL: Okay. So I would encourage
12 you to reach out to Scott Denniston. If you need his
13 contact information, I can provide that to you. Thank
14 you.

15 MR. STUBBLEFIELD: You know, I was going to
16 say, I can do that, and, you know, they -- the
17 Coalition, they have a monthly dinner here in D.C., and
18 they're always looking for guest presenters, so we'll
19 discuss that.

20 MR. GEORGE: Okay, thank you.

21 MR. FENDER: This is Alex Fender, Funnel
22 Science. Would it make sense to bring in the folks at
23 the Department of Treasury into the next committee
24 meeting as well since so many -- so much of the topic
25 keeps coming back about what Treasury says?

1 MR. STUBBLEFIELD: Point well taken, Allen --
2 or Alex. And we'll reach out. I'll -- I just walked
3 Jeff Merkowitz out and told him I'd give him a call
4 later today, and I'll bring that up with him.

5 MR. FENDER: Thank you, Larry.

6 MR. STUBBLEFIELD: Okay, are there any other
7 public comments in the room? Please move to the table
8 and the microphone.

9 MR. HITCHCOCK: I'm a Marine. I may not be
10 able to figure this technology out.

11 MS. O'BRIEN: Just identify yourself and your
12 company, please.

13 MR. HITCHCOCK: Good afternoon. My name is
14 Mike Hitchcock, Charles Atwater Group out of the
15 Hampton Roads market. I just wanted to come out today
16 and share with you a little bit about my experiences in
17 trying to work through the SBA's CV certification
18 process.

19 Three years ago, I had the opportunity to
20 receive the certification, and I got to tell you, it
21 was really quite simple to work through the process.
22 The portal worked very well. The representatives that
23 walked us through the process were absolutely amazing.
24 I mean, any questions that we had we were able to dial
25 up the phone pretty quickly, get to a case manager.

1 The case manager answered the questions, and the
2 application got submitted. And, quite frankly, I
3 received the SBA certification a lot sooner than I did
4 the State of Virginia's small business veteran
5 certification. I think it took the State of Virginia
6 about nine months to work the certification. The VA
7 got theirs knocked out in about six months.

8 This year, it's been about, oh, about three
9 months I've been working through the process, and it's
10 been an exercise in frustration, quite frankly. And
11 most of it has been through trying to upload the tax
12 documents in the portal. So we've been at this for
13 about -- I think the last six weeks or so now. The
14 application just got put in a dormant status, called
15 the help desk line again, and this time I got a great
16 help desk support person that did not kick me back over
17 to the technical support reps. Actually, she served as
18 the bridge between tech support, herself, and me, were
19 able to figure out what the issue was in terms of
20 getting the document uploaded and literally got the
21 application submitted that day.

22 So I guess there were a couple of major
23 takeaways. One, nothing replaces a good help desk
24 person or the agency that you're talking to on the back
25 end of the problem there. I got to tell you, if

1 they're well trained and they're knowledgeable about
2 the process and the tools they're using, it makes all
3 the difference in the world, and if they have a give-a-
4 crap factor. And this particular help desk support
5 person did, and she spent over an hour and a half on
6 the phone with me to help me get that application
7 submitted, so kudos to her.

8 The second piece is the amount of information
9 that's requested. I got to tell you, this is an
10 incredibly laborious process to literally stop what
11 you're doing during the course of the day and spend,
12 you know, hours upon hours of grabbing all of that
13 documentation and put it back in the system. So
14 anything that we can do to improve the automation of
15 reverifying the information that we've already provided
16 would be very, very helpful, because I got to tell you,
17 both of my certifications came due at the same -- about
18 the same time, for the State of Virginia, as well as
19 for the SBA, and it was all stops --

20 MR. O'FARRELL: Sir, can I interrupt you one
21 second? You keep saying the SBA, but I believe you
22 mean the Department of Veterans Affairs.

23 MR. HITCHCOCK: The Department of Veteran
24 Affairs, yes.

25 MR. O'FARRELL: The VA, okay.

1 MR. HITCHCOCK: It shouldn't be phones at the
2 SBA. Thank you. For the Department of Veteran
3 Affairs.

4 So I got to tell you, it's a very laborious
5 process to get those documents, not just uploaded in
6 the system but also to capture all of that data that
7 you've been, you know, basically storing for the last
8 three or four years. But I will say that the folks
9 that are on the other end of the phone, if they really
10 care about the veterans that they're serving, and
11 there's been two or three reps that I've spoken with
12 that really do, and that's not to say the rest don't,
13 but the level of give-a-crap factor, the willingness to
14 really deep dive and try to resolve your problems,
15 that's what really makes a difference in getting your
16 application submitted. So thanks for all that you do.

17 MR. STUBBLEFIELD: I want to thank you for
18 being here, and I also want you to know you're on the
19 record, and I'll get -- I want to take your contact
20 information before you leave.

21 MR. HITCHCOCK: Sure.

22 MR. PHIPPS: Larry, this is Michael Phipps. I
23 just -- I have to chime in on what Charles [sic] was
24 saying. This is the same thing Tom Leney said was
25 fixed and was no longer happening, that people weren't

1 being put in dormant status. Since the call yesterday
2 for the IATF, I've already gotten phone calls, and I
3 have some documentation I'd like to share with you guys
4 at the SBA where people are getting asked the same
5 exact question over and over again, so they can delay
6 the status, put them either in dormant status or just,
7 you know, keep them in that cycle of you're not
8 responding, you're not responding, and so their process
9 of being in the VA certification system and that
10 timeline is not being held on the VA, it's being held
11 on the veteran business, and it's quite literally --
12 it's pretty obvious that they're asking very simple
13 questions over and over again.

14 And so when -- was it Ruby? Yeah, when Ruby -
15 - it would be good to get some interaction with the VA
16 and understanding that even Tom wasn't responsible for
17 this to see where we can take it so we don't -- you
18 know, Tom took a lot of stress because of what the VA
19 was doing. I'd like to move that up the VA chain so we
20 don't get stuck in the same cycle.

21 MR. ZACCHEA: This is Mike Zacchea from UCONN,
22 and just to amplify Mike Phipps' remarks, Mike
23 Hitchcock reached out to me earlier this week to
24 express his frustration with the CVE process, and I
25 asked him to come so we could get his story on the

1 record, but in the last three weeks, I have gotten
2 calls from veteran business owners all over the
3 country, including California, Wisconsin, Florida,
4 Ohio, and Indiana and now Virginia, about being unable
5 to get certified in the CVE system that is supposed to
6 have been fixed. And I asked that question to Beth
7 Torres very deliberately yesterday because the feedback
8 that I'm getting nationwide is that the system is not
9 fixed yet.

10 MS. O'BRIEN: We'll go ahead and open up to --

11 MR. WYNN: Okay, thanks. Good morning. This
12 is -- my name is Joe Wynn, Air Force veteran with the
13 VetForce, Veterans Entrepreneurship Task Force and the
14 vets group. I'm glad you're mentioning some of the
15 comments about the CVE, the process, and the capital
16 access. If I had -- before I came up, I was hoping I
17 had a little bit of change in my pocket because I would
18 put two cents on the table, because that's all I want
19 to do is share a couple of, you know, hey, what it's
20 worth.

21 But, anyway, my comments are kind of focused
22 on the activities of this committee and wanting to find
23 out if there's some ways that we can, you know, we
24 meaning myself, veterans community, organizational
25 representatives, kind of get some like an advance

1 agenda, what you guys are going to talk about at the
2 top of the year and do some development of those topics
3 so that by the end of the year maybe we get some
4 answers.

5 As you know, some of you know, you know, I
6 come to these type of these sessions regularly. And
7 let's say, like the CVE and the capital access we've
8 been talking about these things for a couple of years,
9 but how much progress have we made with regard to
10 veterans getting more capital access to veteran
11 businesses? The CVE process, you know, we've talked
12 about that. It's gotten better, and now it's gotten
13 worse.

14 So -- but it's kind of seemingly like we'll
15 come -- you come to these sessions and you hear people
16 make presentations about different various topics
17 related to the veterans community, and then the next
18 session you have some other presenters talking about
19 topics related to the veterans community. Maybe it
20 would be more productive if we kind of -- like today,
21 it sounds like we kind of got back on some consistent
22 themes with the CVE and the capital access so that we
23 can collectively -- I say we because, you know, I feel
24 a part of the team, too, but get to -- get to some
25 recommendations, concrete recommendations that could

1 actually be followed up on.

2 I know there was some comments made
3 previously. We've had these two gentlemen that were
4 here talking about capital access, we've had those two
5 gentlemen in this room before. And some of the
6 comments that you made today were made then. So -- and
7 they're still in the same space. They're still saying
8 the same thing, holding the party line, but it sounded
9 like some comments were made about, you know, with
10 regard to some recommendations that possibly could be
11 made.

12 I think, Lynn, you and I talked about some of
13 these things have to be made congressionally, how are
14 we going to -- we talked before about marching on the
15 Hill and making our -- you know, our recommendations
16 known to the legislators so some things could actually
17 get changed.

18 So the other thing I just wanted to mention,
19 too, you know, we got -- there's that other group that
20 meets in the room the day before, right, the
21 Interagency Task Force. There should be a
22 distinguishing difference between the Interagency Task
23 Force and the Advisory Committee on Veteran Business
24 Affairs. It's starting to look almost like the same
25 thing, I mean, other than you have agency

1 representatives -- supposed to have agency
2 representatives from the Task Force and more veteran
3 business folks on this committee.

4 And there may be some, you know -- there may
5 be some lack of guidance with regard to that Task Force
6 because we've been without the Deputy Administrator
7 who's really supposed to chair that. I don't know when
8 that seat might get filled again, but legislatively
9 there's a distinguishing difference between the Task
10 Force and the Advisory Committee, but the theory is one
11 thing. Actual practice in reality is another.

12 And I think that this committee really has
13 more of an opportune time to focus and connect with the
14 veterans on the ground and what's happening in the
15 community because so many of you are of diverse, you
16 know, backgrounds and businesses. So, you know, just
17 like I said, two cents, just a thought. Maybe if you
18 could give us out here in the community some idea of
19 what you're going to try to tackle for the year to
20 come, right? And I know, Elizabeth, you're heading
21 this up this year. It kind of rotates each year now,
22 before you can, you know, really get your feet on the
23 ground, the year will be over, and, you know, here we
24 go again.

25 One other thing I was going to just mention,

1 too, could perhaps this committee do -- find some ways
2 to do a little more outreach to the veterans community.
3 There was a time when this room would be filled because
4 it was such a interest from the veterans community what
5 you guys were going to be discussing. But, you know, I
6 do get the notice from Cheryl, the email notice, and
7 it's probably posted on the Federal Register, as it's
8 supposed to be, but, hey, how many people are, you
9 know, out here doing business looking at the Federal
10 Registry notice?

11 So can -- you know, maybe come up with some
12 ideas to get the word out. Let's get more veteran
13 businesses involved so collectively we can get more
14 feedback on what's really happening and how to solve
15 some of these issues.

16 MS. O'BRIEN: I'm happy to provide you with
17 our agenda for the year if you leave your contact
18 information, and I think this is where folks that are
19 coming and listening can be helpful in advance if we
20 are sharing when the event is occurring, when the
21 meeting is occurring, if you are then pushing out into
22 your communities and helping us rally support. We have
23 certain limitations in how we can push out from this
24 particular group, but leveraging the collective
25 community is more than an option.

1 MR. WYNN: Thank you, thank you. And I do
2 realize you guys only meet four times a year, so in
3 between, you know, what happens, maybe we can get some
4 updates along the way.

5 MR. PHIPPS: Joe, those are excellent
6 comments. As the committee, it's only as good as we
7 set the agenda for and have the people here. It's
8 solely on this committee if we don't have a stacked
9 meeting, right? There's nobody else. That's not the
10 SBA's issues; that's something internally that we have
11 to do.

12 In terms of the outreach, we actually went to
13 the SBA. This is prior to Larry, and maybe Larry can
14 help us with their -- with this issue and we can talk
15 to legal again. We were willing to host a website as
16 the committee to post the presentations, to organize,
17 to make comments, and the SBA denied that.

18 So -- because we feel the same way. We feel
19 like just the people in this room are getting huge
20 amounts of knowledge, and it should be shared with all
21 veterans on a platform that's not the SBA site, because
22 we're independent, even though we're being hosted by
23 the SBA. The presentations that were given are not
24 posted on the SBA site. What you get on the SBA site
25 is a 500-page documentation of everything we've said,

1 which if you're the Chairman and you have to go back
2 through that is just weeks and weeks of your time,
3 right, Mike, we need the report.

4 So what we would like to do is see what we can
5 do as the committee. It doesn't even have to be
6 labeled SBA or ACVBA, but I'd like to bring that up as
7 just -- and it's a very short question to talk to SBA
8 legal on what we might be able to do to at least plug
9 that hole because it's something that this committee
10 has talked about for a number of years.

11 MR. SHELTON: Hey, Mike, it's Brandon Shelton.
12 Just something to build on that, as a new person in
13 this, this is my third or fourth meeting, I have the
14 same heartache. I'm really busy. I don't have time to
15 come up here and gripe about the Government and all
16 that stuff, so I appreciate you bringing that up so it
17 goes on the record.

18 We've also -- we don't get anything done here.
19 No offense. Okay, so if I'm going to continue doing
20 this, like we have to move the ball, like we need to
21 focus on one or two things, work within the construct
22 of government employees, congressional mandates,
23 limited, I got it. You know, we've asked to meet
24 actually more often, and we were denied. We're not
25 allowed to. So we're confined as small business owners

1 with our own day jobs. We have to show up here. We
2 can't do it outside this room.

3 We have to physically do it in this room. We
4 can only do it for these number of hours at this --
5 it's the -- this the reason why a lot of veteran small
6 business owners who are not in the D.C. area or are not
7 in government contracting don't want to step foot in
8 this building. They don't want to deal with all this.
9 So -- but if we can get more people involved, I think
10 we have a better solution, right? We should have
11 people from all 50 states on the call, private business
12 owners, Government contractors, people who employ
13 others, older veterans, younger veteran, male -- if we
14 can get more and more, I think that's the real power of
15 the collective, but we do need some more support from
16 the SBA to allow this committee to meet more often and
17 actually hold some people accountable against some
18 deliverables, because I'm equally as frustrated my
19 fourth time in.

20 If we're going to just keep coming here and
21 get the same four updates every four hours, and
22 everybody goes to the four winds, like, it's not worth
23 my time, sadly. So I appreciate you saying that. I'm
24 saying this also rhetorically for the record, but this
25 committee has convened, and the private part's been the

1 last two sessions, I think, right? And we said we need
2 to do more. So I appreciate you calling that out
3 today.

4 MR. WYNN: Thank you.

5 MS. O'BRIEN: Thank you.

6 MR. WYNN: Thank you.

7 MR. O'FARRELL: Hey, Jim O'Farrell, Joe. Once
8 again, thanks for your comments, and I'm looking here
9 at the charter, the actual charter of the ACVBA, which
10 was last updated in 2014. And, also, by the way, it
11 says the charter shall be subject to update every two
12 years. So going with what Brandon and Mike Phipps just
13 said, you know, it's time for a renewal of the charter.
14 And so if it's time for a renewal of the charter, maybe
15 we change the charter, working with the SBA to make
16 this committee something that isn't a paper tiger.
17 It's not even really a tiger. It's maybe a paper
18 kitten at this point.

19 So I would go back to right now the objectives
20 and scope of this committee, so everyone in this room
21 and it goes into the record can hear this. The way it
22 is right now, the committee serves as an independent
23 source of advice and policy recommendations to the SBA,
24 the Associate Administrator for Veteran Business
25 Development, the Congress, the President, and other

1 U.S. policymakers on issues of interest to small
2 businesses owned and operated by veterans.

3 So our mission is to provide policy guidance,
4 advice, et cetera. And everything you said, Joe, is
5 absolutely spot on in terms of how do we get that
6 policy advice to the committee. Well, we don't do it
7 in a room -- no offense to those who did take time to
8 show up today -- without the input of others. And we
9 have to get that input in between the meetings. That's
10 key. That's what's missing here, and I think that's
11 what's feeding a lot of Brandon's frustration as one of
12 the newer members and some of us that are older
13 members, we've been frustrated all along.

14 I would say that the last published report,
15 for which I was the chairman, and copied a bunch of
16 what was in Mike Phipps' report, was in 2017, and his
17 was in 2016. Mike Zacchea will publish his report
18 soon, and we hope that it will continue the themes that
19 we had put in there. There were actual recommendations
20 in there. For example, one of them that is near and
21 dear to me is standing up a veteran business
22 development program similar to the 8(a) minority set-
23 aside program so that you could actually see a sole-
24 source contract awarded to a veteran and not have it
25 be, you know, what we refer to as a unicorn. We've

1 heard of them, but we've never seen them. So, you
2 know, those kinds of things, you know? I think it's
3 important. Thanks, Joe, for bringing it.

4 MR. WYNN: Thank you. Mm-hmm.

5 MR. SHARPE: Joe Sharpe, the American Legion.
6 For the Legion, I think it would be helpful for this
7 committee if we had a yearly report from SBA on the
8 state of veteran-owned businesses. By having that
9 report, we could look at it to see what SBA has done,
10 some of the things that are needed, which we can
11 pinpoint to emphasize on prior to the meeting, so when
12 the meetings start, we already know that SBA doesn't
13 have information -- enough information on the 7(a) loan
14 program or some of the other questions that we
15 constantly ask when these speakers come in and we'll
16 ask, you know, well, where is your data on veteran-
17 owned businesses, and there always seems to be gaps,
18 you know, so that's something that I think we should
19 have prior to our meetings.

20 MR. O'FARRELL: Just following up on that,
21 great question. I mean, so how many times, how many --
22 have we asked a hundred times what is the actual impact
23 of the Boots to Business program? I mean, if I had two
24 cents for every time we asked that question, I wouldn't
25 be sitting in this chair. I'd be retired. Thanks.

1 MR. STUBBLEFIELD: Okay, well, let me just say
2 this, and this is off the record, a lot of this, what
3 you're talking about now is for your time after we
4 leave. This is the public comment period, so having
5 said that, is there anyone in the public or anyone else
6 in this room that want to make a public -- or a comment
7 on the record?

8 MR. PHIPPS: Larry, I have one more comment, a
9 question for the SBA. There was the Small Business
10 Extension Act of 2018, which is supposed to take the
11 three-year NAICS code average and extend it to the
12 five-year average. That was passed into public law, I
13 think, or it was -- I think it might have been a
14 Presidential memo in December of 2018. We've been
15 reading various things on maybe the SBA didn't agree
16 with that or maybe there was just some administrative
17 delay. Does anybody know what the status of that
18 particular act is?

19 MR. STUBBLEFIELD: I do not. The one
20 takeaway, and there's several takeaways for this
21 meeting today, is in the future, I assure you, we're
22 going to have somebody here, an expert from GCBD,
23 Government Contracting Business Development. A lot of
24 questions have come up today, and I'll reach out to
25 Barb, because, you know, she's the Deputy there now, to

1 make sure that we have somebody here from GCBD.

2 MR. FENDER: This is Alex Fender of Funnel
3 Science. As it relates to the SBA, in three meetings
4 that I still have yet to understand why the veterans
5 loan program is not funded. And I would like to know,
6 like the gentleman today did not address that, and who
7 needs to be brought in from the SBA to get that,
8 specifically the veterans loan program funded and
9 written into the SOPs for 2019?

10 MR. JENKINS: Good day, folks. I'm Bill
11 Jenkins, retired SBA veteran procurement liaison. And,
12 first, I'd like to address the concerns of the
13 gentleman that just spoke. Sir, that program was
14 called the Patriot Loan Program.

15 MR. FENDER: I know, sir. I'm not talking
16 about the Patriot Loan Program. It's two different
17 ones.

18 MR. JENKINS: Well, that is how we provided
19 funding to the veteran businesses, through that
20 program. And I would be willing to learn something new
21 here today if you have a public law that talks about a
22 veterans loan program.

23 MR. FENDER: Yes, sir, I can email it to you.
24 What's your contact?

25 MR. JENKINS: Let me give you -- let me give

1 you my -- well, it would be nice that everybody would
2 have that information as far as a public law that was
3 enacted for that specific program that you speak of.

4 MR. FENDER: It's published on the SBA
5 website, it's SOP 50-10-5. It's the current SOP for
6 the Small Business Administration. It's specifically
7 for lender and development company loan programs. So
8 you can access this. It's publicly accessible, and
9 it's published on the SBA website.

10 MR. JENKINS: Okay. Well, let me do this so
11 that we can interact with each other here. Let me give
12 you my personal email address.

13 MS. O'BRIEN: Alex, this is Elizabeth. Why
14 don't you and I connect? You send me your email. I'll
15 connect you to Alex so it's not part of the public
16 record.

17 MR. JENKINS: Okay. Thank you.

18 MS. O'BRIEN: Okay.

19 MR. JENKINS: I was about to give it all up
20 here.

21 MR. O'FARRELL: We know where you live.

22 MR. JENKINS: Yeah, you know where I live.

23 Okay, on the other issue dealing with the
24 five-year size standard change, they call it, I
25 believe, the Runway --

1 MR. PHIPPS: Runway Extension Act.

2 MR. JENKINS: -- yeah, Runway Extension Act,
3 and let me tell you the dilemma that the business
4 community is dealing with and some of us don't know it.
5 When that law was passed to accommodate those
6 individuals or companies that grew exceedingly fast,
7 and there is a reason why in government contracting a
8 lot of companies that grew very fast, well, when they
9 enacted the law, they didn't take in consideration
10 those small businesses that was reducing their revenue
11 so that they could get back up under the three-year
12 average.

13 So what happened was those individuals that
14 were lowering their revenue found out that they had
15 to stay large for an additional two years. So the SBA
16 is trying to deal with that issue. That is why you're
17 not seeing that much activity in that area right now.
18 So we have to do something to accommodate those
19 companies that are being -- that are suffering as a
20 result of reduced revenue. If you go out on the
21 website and look at Steve Koprince's blog, they will
22 explain it to you very thoroughly as to what is going
23 on in that area.

24 MR. PHIPPS: Thank you very much, Billy. I
25 have read that argument. I think that it's a little --

1 a good argument -- I don't think it's a good argument
2 at all. This was -- because you're really just talking
3 about a much smaller class of small businesses, and if
4 you're gaming the system to that degree, this shouldn't
5 even apply to you. This was really meant to allow
6 companies, as they grew, and to allow other small
7 businesses to stay smaller longer because there is no
8 difference between a Lockheed and somebody, you know,
9 making \$100 million a year or an average of \$30 or \$50
10 million a year.

11 So really I just would like to see what the
12 SBA's thoughts are on this because as the committee,
13 you know, we can have some -- we have some input and
14 see where the SBA is on it, the status, and really what
15 you're talking about, what are the pros and cons,
16 because I don't know them all, besides that one that
17 you mentioned, you know, that's just something that the
18 SBA kind of has in their hand right now, I assume. Is
19 that right, Billy?

20 MR. JENKINS: That's correct. And as veterans
21 advocates, we need to make sure that we look at
22 everybody and how they're being affected. And that was
23 not done when this law was passed. Thank you.

24 MR. STUBBLEFIELD: Last call for public
25 comments.

1 (No response.)

2 MS. O'BRIEN: All right. No, I just want to
3 thank everybody for participating today. I'm looking
4 forward to pushing out our agenda and having actionable
5 outcomes at the end of the year for recommendations.
6 Thank you, everyone, for your time, and look forward to
7 reconvening in June.

8 UNIDENTIFIED: The date?

9 MS. O'BRIEN: We're going to send it out at a
10 later date. Thank you.

11 MR. STUBBLEFIELD: Okay, special thanks to Amy
12 and Cheryl for all the work putting this together, and
13 with that being said, the meeting is adjourned.

14 (Whereupon, at 12:11 p.m., the meeting was
15 adjourned.)

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