

February 24, 2010

The Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

It is critical that the Federal Government, in partnership with the states and U.S. territories, explore all options to restore credit to our small businesses as quickly as possible. **Expanding the capacity of state and U.S. territorial small business loan guaranty funds** would be an important complement to your Administration's on-going efforts to support small businesses through a variety of federal programs.


As the American economy is recovering from a global recession, one of the lingering challenges continues to be access to credit, especially for our small businesses. In the aftermath of excesses on Wall Street, banks have been forced to adopt significantly stricter banking practices in serving their Main Street clients who live and do business in our jurisdictions. As steps are taken to ensure that our community banks and smaller financial institutions have sufficient capital to lend, it is important that we recognize that even fully capitalized, many of these institutions may still not be able to extend credit. Under these institutions' new, stricter lending criteria, many of their previously creditworthy small business customers no longer qualify for a loan or a line of credit.


While it is difficult for the states and territories to be a direct lender to small businesses on a large scale, it is possible to unlock six dollars, or more, of private bank lending for each dollar of additional funding to a state and U.S. territorial guaranty program. Guaranty programs also directly address the issue of otherwise creditworthy businesses' inability to access credit by lowering the perceived credit risk through a small guaranty that covers the collateral shortfall. According to the Council of Development Finance Agencies, **34 states and U.S. territories have some form of existing loan guaranty program**. In today's economic environment, many of these programs are challenged in terms of available funding.

As part of your initiative to capitalize community financial institutions to spur small business lending, we urge you to consider allocating ten percent of the \$30 billion in TARP funds contemplated for this purpose to state and U.S. territorial loan guaranty programs. Based on the leverage ratio of six-to-one, a \$3 billion investment in state loan guaranty programs could unlock as much as \$18 billion in small business lending. We look forward to working with your Administration to maximize this and many other tools that we have to offer in our collective effort to grow our economy.

Thank you for your consideration.


Very truly yours,



Governor Martin O'Malley
Maryland

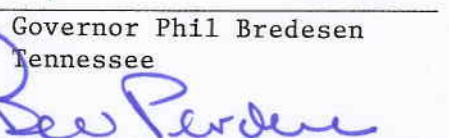

Governor Donald L. Carcieri
Rhode Island

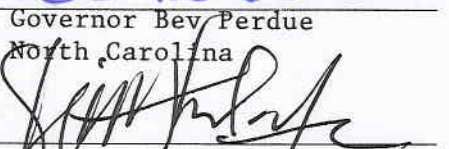

Governor Bill Ritter, Jr.
Colorado

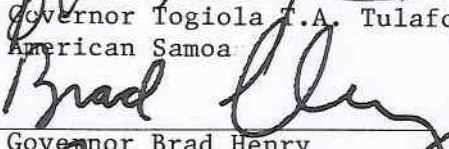

Governor M. Michael Rounds
South Dakota

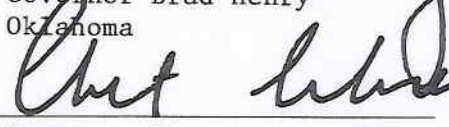

Governor Jay Nixon
Missouri

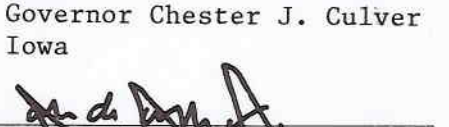

Governor Haley Barbour
Mississippi


Governor Phil Bredesen
Tennessee

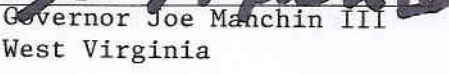

Governor Bev Perdue
North Carolina

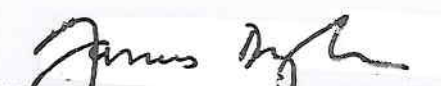

Governor Togiola T.A. Tulafono
American Samoa



Governor Brad Henry
Oklahoma


Governor Chester J. Culver
Iowa

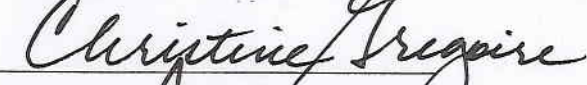

Governor John deJongh, Jr.
Virgin Islands



Governor Joe Manchin III
West Virginia

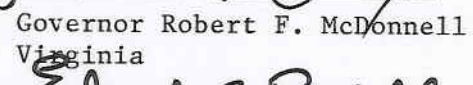

Governor James H. Douglas
Vermont

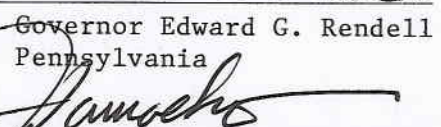

Governor Steven L. Beshear
Kentucky

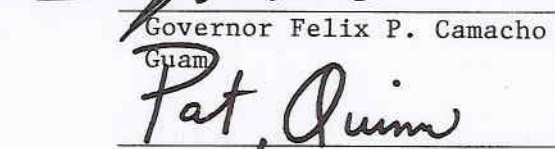

Governor Brian Schweitzer
Montana

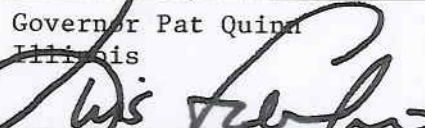

Governor Christine O. Gregoire
Washington

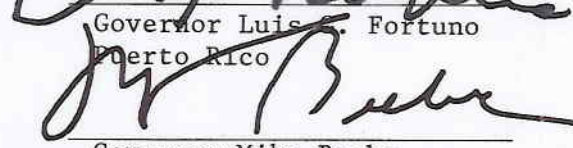

Governor Jennifer M. Granholm
Michigan



Governor Robert F. McDonnell
Virginia

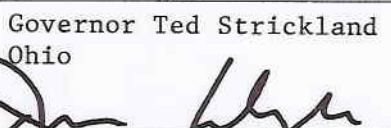

Governor Edward G. Rendell
Pennsylvania

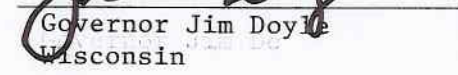

Governor Felix P. Camacho
Guam


Governor Pat Quinn
Illinois


Governor Luis Fortuno
Puerto Rico


Governor Mike Beebe
Arkansas


Governor Ted Strickland
Ohio


Governor Jim Doyle
Wisconsin



Governor Deval Patrick
Massachusetts



Governor Theodore R. Kulongoski
Oregon