



April 23, 2010

The Honorable Christopher Dodd  
United States Senate  
Washington, D.C. 20510

Dear Senator Dodd:

As you seek to craft a bipartisan financial regulatory reform bill, the National Small Business Association (NSBA) urges you to fully consider the unique needs of America's small-business community. Reaching 150,000 small firms across the nation, NSBA is the country's oldest small-business advocacy organization.

NSBA shares your belief that it is time to "restore faith in our markets... and to avert a potential future catastrophe." The best means to achieve this restoration remains contentious, however. NSBA urges you to consider reestablishing the centrality of lending to America's banks.

It is clear that certain activities within the financial sector played an instrumental role in creating the nation's worst financial crisis since the Great Depression—a financial crisis that has disproportionately distressed the small-business community. Unfortunately, it also is clear that the nation's largest financial institutions earned an overwhelming majority of the net operating revenues from these same activities in 2009—a stunning reversal from the previous half a century—and are unlikely to revert to their previous business model.

This bodes ill for the small firms that form the backbone of the U.S. economy. America's entrepreneurs—existent and aspiring—have been suffering through a crippling credit crunch for nearly two years. According to a recent report by the U.S. Department of the Treasury (Treasury), 11 of the top TARP recipients cut their small-business loan balance by more than \$2.3 billion in December, marking the eighth consecutive month (at least) of constriction by these banks.

Currently, less than 20 percent of the fraction of the assets of the nation's largest banks devote to commercial lending goes to small firms. Many of these banks no longer participate in SBA lending, which was down dramatically in Fiscal Year 2009. This is not encouraging.

The questionable, non-lending activities at the heart of the global financial crisis and the devastating effect it has had on small-businesses' access to capital leads the small-business members of NSBA to the inescapable conclusion that it is time to consider re-erecting the wall between traditional banking activities (i.e. lending) and the various trading activities that have wreaked such havoc.

In 1999, NSBA opposed the repeal of the *Glass-Steagall Act*, believing it would result in a banking system less geared towards making loans and more prone to making trades and other financial products. Unfortunately, this fear has been proved prescient.

NSBA urges you to consider reestablishing the centrality of lending in the activities of America's banks by restoring the separation between lending and trading in the financial regulatory reform bill on which you are working. Please let me know if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd O. McCracken", with a long horizontal flourish extending to the right.

Todd O. McCracken  
President