



May 17, 2010

The Honorable Barney Frank
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Spencer Bachus
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Frank and Ranking Member Bachus:

On behalf of the International Franchise Association (IFA), I write today regarding the committee hearing on "Initiatives to Promote Small Business Lending, Jobs and Economic Growth." Thank you for your attention to this important issue, and we are hopeful that Congress will shortly advance legislation that addresses the credit crisis facing small franchised businesses, specifically the Small Business Job Creation and Access to Capital Act (H.R. 4302/S. 2869).

As the largest and oldest franchising trade group, the International Franchise Association's (IFA) mission is to safeguard the business environment for franchising worldwide. IFA represents more than 85 industries, including more than 12,000 franchisee, 1,100 franchisor and 500 supplier members nationwide. According to a 2008 study conducted by PricewaterhouseCoopers, there are more than 900,000 franchised establishments in the U.S. that are responsible for creating 21 million American jobs and generating \$2.3 trillion in economic output.

We commend the Administration for its proposals aimed at spurring small business lending, and we strongly support H.R. 4302/S. 2869, which will increase the maximum loan amounts for the 7(a) programs to \$5 million and for the 504 program to \$5.5 million. It will extend the 90 percent loan guarantee rate through the end of FY2010. Given the extreme difficulty many aspiring entrepreneurs are facing in this economy, this increase will allow more individuals to get off the sidelines and access to the start-up capital they seek. This legislation is bipartisan and has been endorsed by the Administration.

Franchising can play an essential role in helping lead us out of recession if policymakers give franchised businesses the tools they need to succeed. During previous economic downturns, franchising has led the economy toward recovery. Our data shows that between 2001 and 2005, the franchising sector expanded by over 18 percent, adding more than 140,000 new establishments and creating more than 1.2 million new jobs. The direct economic output of franchised businesses increased by more than 40 percent during that period of time compared with 26 percent for all U.S. businesses. In fact, by virtually every measure, franchising recovered more quickly and more strongly than other sectors of the economy.

We strongly encourage Congress to find solutions that do not worsen our federal budget outlook and rising deficits. Instead, policies should be enacted that lead to increased lending and less government spending. Based on the experience of franchising, we firmly believe that policies to encourage lending will lead to more sustainable long-term job growth. In fact, according to IFA's recently updated *Small Business Lending Matrix and Analysis*, for every incremental \$1 billion in lending, franchised businesses can create 40,400 jobs and \$4.2 billion in economic output.

The IFA looks forward to working with the committee on initiatives that will improve the conditions for small business lending. Investors and entrepreneurs alike are sitting on the sidelines, unable to purchase or expand their business and create economic opportunity and jobs. We need to update and improve existing SBA loan programs so that more franchise business owners can obtain the necessary capital to help lead our economy on a road to recovery.

Please do not hesitate to contact me should you have any questions. Thank you for your continued leadership on behalf of our nation's small businesses.

Sincerely,

A handwritten signature in black ink, appearing to read 'David French', is written over a white background.

David French
Vice President, Government Relations