



Franchising[™]
Building local businesses,
one opportunity at a time.

December 23, 2008

The Honorable Henry M. Paulson
U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220

Dear Secretary Paulson:

On behalf of the International Franchise Association (IFA), I urge you to consider the important role of small franchised businesses as the Treasury Department seeks to implement the remaining funds available under the Troubled Assets Relief Program (TARP).

As the largest and oldest franchising trade group, the IFA's mission is to safeguard the business environment for franchising worldwide. IFA represents more than 85 industries, including more than 10,000 franchisee, 1,200 franchisor and 600 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.

The IFA strongly supported the Administration's proposal last September that Congress eventually enacted as the TARP program. At that time, it was critical to right the ship on Wall Street so that capital would continue to flow to Main Street. Even though many financial institutions received essential support to save our financial system, these efforts are slow in making their way to franchised small businesses. The Treasury took a significant step in November with the decision to provide \$20 billion of credit protection to the Federal Reserve to back the creation of the \$200 billion Term Asset Backed Securities Loan Facility to provide liquidity to issuers of consumer asset backed paper and stimulate small business lending. Nevertheless, the secondary market for healthy SBA guaranteed loans remains dysfunctional. Investors who normally flock to the security of federally guaranteed loans are currently seeking investments with higher interest rates. This forces lenders to keep SBA loans on their balance sheets instead of offering them in the secondary market. Without a market, lenders are losing a critical source of additional funding to authorize new loans. In turn, this increases the cost of available SBA loans, making them unaffordable to small businesses. In order to free up the market for new SBA loans, we urge you to deploy additional TARP funds to purchase a significant portion of existing healthy SBA loans pooled from the secondary market.

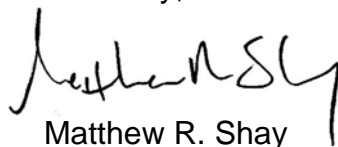
Early in the next year, we will be releasing the Economic Forecast of Franchised Businesses prepared for the IFA by the economic consulting office of PricewaterhouseCoopers. This report will show that franchising remains a strong source of jobs and economic output, but our business leaders are reporting that the credit market contraction and consumer spending declines are having an impact. Particularly in times of economic stress, franchising gives small businesses an extra margin of help through access to training, business methods and marketing support provided by the franchisor. Similarly, franchising offers the U.S. economy a strong foundation from which to encourage job growth and recovery. Providing franchised businesses access to capital by improving operation of secondary markets will ensure that these small business entrepreneurs will be positioned to help lead us out of recession

We urge you to take further action under TARP to provide the necessary stability to the small business loan market. Franchised small businesses rely on programs such as the SBA's 7(a) and 504 loan guarantee programs to ensure that affordable financing is available. Franchised businesses provide 8.1 percent of all U.S. private sector jobs and contribute toward 4.4 percent of U.S. economic output. They are uniquely situated to significantly assist economic recovery in this country.

The IFA stands ready to assist the Department in its efforts. Enclosed is a summary of five key steps that we believe that the Bush Administration can take along with the incoming administration to help promote strong and sustainable growth in the small business economy.

Please do not hesitate to contact us with any questions or concerns. Thank you for your consideration of this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew R. Shay". The signature is fluid and cursive, with the first name being the most prominent.

Matthew R. Shay
President & CEO

cc: Sen. Mary Landrieu
Sen. Olympia Snowe
Rep. Nydia Velazquez
Rep. Sam Graves

Timothy F. Geithner
Office of the President-elect