



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

February 3, 2009

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Republican Leader
United States Senate
Washington, DC 20510

Dear Majority Leader Reid and Republican Leader McConnell:

On behalf of the International Franchise Association (IFA), I am writing to share with you our comments on the American Recovery and Reinvestment Act of 2009. We support several of the necessary changes this legislation makes to the way the Small Business Administration (SBA) loan guarantee program functions, but we strongly urge Congress to devote more resources to small business programs and tax relief in order to ensure we can help the economy create new jobs.

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 1,200 franchisor, 11,000 franchisee, 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 Emergency Economic Stabilization Act, and we shared the view that 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. Proposals in the American Recovery and Reinvestment Act will go further toward easing the flow of capital to small businesses. The IFA is strongly supportive of provisions that will spur the recovery and renewal of franchised businesses, including those which:

- Provide \$730 million to support small business lending;
- Increase the guarantee amounts under the 7(a) program from \$2 million to \$3 million;
- Waive fees associated with SBA guaranteed loans to lower lender costs;
- Make it easier for small business owner to refinance existing debt;
- Extend various key tax relief incentives for small businesses such as bonus depreciation, net operating loss carry back, Sec. 179 expensing, and depreciation of business assets; and,
- Establish a tax credit for the hiring of returning military veterans in addition to the unemployed and disconnected youth.

While we support these provisions, there are additional steps that Congress can take to aid the American economy. The money the American Recovery and Reinvestment Act devotes to small business lending activities is sharply lower than the job creation potential of the small business community. For example, small businesses account for 99.7 percent of all employer firms in the U.S. and, according to the SBA, as of June 2007 there were \$684.6 billion in outstanding loans to

small businesses in this country. SBA data indicates that small businesses account for almost 50 percent of all jobs in the private sector, but only .08 percent of the pending measure is devoted to small business lending programs. Experience shows that commercial banks are likely to restrict credit until there are clear signs that the economy is on its way to a complete recovery. Therefore, it is imperative that Congress devote even more resources to SBA lending programs and guarantees now, because these tools will result in job creation more quickly than other recovery and reinvestment initiatives. Small businesses account for the majority of new job creation in this country, and Congress should be empowering them with the tools to lead the economy out of recession.

Please do not hesitate to contact us with any questions or concerns. Again, we greatly appreciate your leadership on behalf of all U.S. small businesses.

Sincerely,

A handwritten signature in black ink, appearing to read "David French". The signature is stylized with a large, sweeping initial "D" and a cursive "F".

David French
Vice President, Government Relations

cc: Members of the U.S. Senate