



INDEPENDENT COMMUNITY  
BANKERS *of* AMERICA

Testimony of

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Before the

**Congress of the United States**  
**House of Representatives**  
**Committee on Small Business**

Hearing on

**“The State of the Small Business Economy and Identifying Policies to  
Promote an Economic Recovery”**

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Good morning. My name is Paul Merski and I am the Chief Economist for the Independent Community Bankers of America<sup>1</sup>. Chairwoman Velazquez, Ranking Member Graves, and members of the committee, I am pleased to present the ICBA's views on the state of small business and on policy recommendations to promote an economic recovery.

ICBA represents 5,000 community banks throughout the country. Community banks are independently owned and operated and are characterized by personal attention to customer service and serving the lending needs of small business. Community banks specialize in small business relationship banking and are proud to support their local communities and the nation's economic growth by supplying capital to individuals and small businesses.

## Summary of Testimony

- Economic woes continue to plague the small business sector. The sharp decline in the U.S. housing markets and the distressed credit markets triggered a ripple effect throughout the entire nation that continues to strain households and small businesses nationwide. Fiscal policies focused on restoring consumer confidence, broad credit availability, a robust housing market, and job growth are all vital to spurring an economic recovery.
- The turmoil in the financial and economic markets continues to jeopardize the availability of credit and the viability of small business. Many of the nation's largest lenders and money-center banks that tripped up on subprime lending and toxic investments continue to pull in their lending across-the-board, write down losses, and rebuild capital.
- Thousands of independent community banks represent the other side of the financial story. Community banks rely on relationship lending in their communities, not on relationships with investment banks or hedge funds. Community bankers live and work in the communities they serve and do not put their customers and neighbors in loan products they can not possibly repay. While community banks did not cause the current turmoil they are well-positioned and willing to help get our economy back on track.
- To complement the aggressive monetary easing by the Federal Reserve Board, ICBA believes additional targeted fiscal policy action is warranted to promote economic growth. ICBA recommends and supports additional fiscal incentives, including individual and small business tax relief, an enhanced homebuyer tax credit, expanded SBA lending, and Subchapter S tax reforms.

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<sup>1</sup> *The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.*

*With nearly 5,000 members, representing more than 18,000 locations nationwide and employing over 268,000 Americans, ICBA members hold more than \$908 billion in assets, \$726 billion in deposits, and more than \$619 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at [www.icba.org](http://www.icba.org).*

- Additionally, immediate accounting relief and improved community bank access to the Troubled Asset Relief Program (TARP) and Term Asset-Backed Securities Loan Facility (TALF) programs would best allow community banks to continue supporting individual and small business lending and economic growth. ICBA has included in this testimony an outline of fifteen policy recommendations to help small business and to promote a broad economic recovery.

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## **Overview**

Credit fuels our economy and the broad credit markets are still sorting out many problems. The current turmoil in our economic and financial markets nationwide raises genuine concerns about the ongoing availability of credit for our nation's small businesses. As Congress continues to address the problems in the housing and finance sectors, policymakers must also keep a sharp focus on the needs of the small business sector during this economic slowdown. ICBA greatly appreciates the Small Business Committee holding this important hearing to address the concerns of small business and to identify potential economic recovery initiatives.

### **Small Business Health Crucial to Economic Recovery**

Small businesses are crucial to the strength of our economy and employment. Small businesses represent a whopping 99% of all employer firms and employ half of the private sector workers. With the unemployment rate reaching 7.2%, a fifteen-year high, the viability of small businesses is more important than ever.

The more than 26 million small businesses in the U.S. have created 70 percent of the net new jobs over the past decade. Community banks are small businesses themselves and are essential to the success of small firms nationwide. Community banks specialize in small business relationship lending. Community banks stick with their local communities and small business customers in good times and in bad. For their size, community banks are disproportionately large small business lenders. While community banks represent about 12% of all bank assets, they make 20% of all small business loans. Notably, half of all small business loans under \$100,000 are made by community banks.

### **Vital SBA Lending Role**

Small Business Administration lending programs should serve as a counterbalance during times of challenging credit markets for small businesses. Unfortunately, at a time when the economy is faltering, the sharp decline in the number and dollar amount of Small Business Administration loans is troubling. The SBA should act to bolster small businesses credit in economic slowdowns. Instead, the number of SBA loans is plummeting. In the first quarter of fiscal year 2009, which ended December 31, the number of SBA 7(a) loans dropped 57% from first quarter of FY2008 and represents a 62% drop from first quarter of FY2007.

SBA loans serve a unique niche since bank lenders need to match short-term deposits with short-term small business loans. While the typical commercial small business loan has a maturity of one to three years, SBA 7(a) loan maturities average 12 or more years. Importantly, SBA lending allows longer loan terms up to 25 years. This lowers the entrepreneur's loan payments and frees up needed cash flow to start or grow the small business. As small businesses do their best to weather the

current difficult economic climate, the longer loan term offered by an SBA loan would be a huge help.

### **SBA Lending Hobbled**

While the recession will reduce overall loan demand, other factors are working against the availability of SBA loans and must be addressed. Against the long-term protests of the community banking sector, sharp increases in SBA loan fees, reduced budget funding, the elimination of the successful “Low-Doc” program, and increasing regulatory burdens all have all hobbled the SBA’s viability when it is needed most.

Simply stated, costly and negative changes to the SBA loan programs in recent years have forced hundreds of community banks to drop out of the SBA programs while a handful of the nation’s largest banks further dominated SBA lending. Notably, the number of lenders that have made at least one SBA 7(a) loan has dropped almost in half from 5,288 in 2001 to less than 2,700 today. Just ten large banks made nearly 60 percent of all SBA loans.

ICBA does not believe Congress intended the SBA loan programs to be functional for only a handful of the nation’s biggest financial entities. This gross imbalance in SBA lending was a recipe for disaster. Many of the largest financial players have tripped-up on toxic investments and sub-prime lending and have been forced to pull in their lending across the board -- including small business and SBA lending. Conversely, despite the dominant media coverage about a “credit crunch,” common-sense community bank lenders are very much alive and well with capital to lend to small businesses. However, high fees and other program structure obstacles associated with SBA programs must be reversed to preserve the affordability and workability of SBA lending for all banks and small business borrowers alike. Bank regulators are mandating tighter lending standards across the board during this economic slowdown. Credit scores are dropping and credit risk is increasing as real estate collateral values continue to decline. More than ever, SBA loan program guarantees should play an increased role in supplementing traditional commercial lending products.

### **Boosting SBA Programs**

Given the sharp decline in employment and continued credit market stress, small business access to capital is critical to keep the economy’s gears turning. To that end, SBA programs must serve a more robust role in the recovery. They have supplied nearly one-third of the long-term capital to small business. However, a declining number of SBA lenders and loans is the disturbing trend we see. The ICBA respectfully offers several recommendations to help boost SBA programs most widely used by lenders and small businesses in this challenging economic climate. These recommendations include:

- Immediately offer a “Super SBA 7(a) loan program” for one year as an economic stimulus to help small business access needed capital. ICBA’s economic recovery proposals advanced to Congress recommend a streamlined, expedited 7(a) loan program with a 95% guarantee, and lender and borrower fees reduced to half of their current level for small business loans up to \$500,000.

- Restore a reasonable SBA budget appropriation of \$250 million to \$500 million to help offset the steep fees on both 7(a) lenders and borrowers as an incentive to jumpstart SBA lending by new bank participants and to increase the number of SBA loans.
- Boost the SBA budget which has been cut nearly in half in the past six years.
- Reinstate the availability of combination (“piggyback”) financing to help serve small businesses with larger borrowing needs.

ICBA believes these reforms would allow the federally guaranteed SBA loan programs to work to counter tight credit markets and help provide funding to small businesses in an economic climate where they need the programs the most. Community banks would be better able to extend more SBA loans to meet the needs of small businesses during this economic slowdown. Thriving small businesses would help turn this economy around boost payroll and business income tax revenue for federal, state and local government. Small businesses are critical to supporting a tax base.

### **ICBA Supports TALF to Jumpstart Secondary Credit Markets**

The consumer asset-backed securities market is an important source of liquidity to financial institutions that provide federally guaranteed small business loans and consumer lending, such as auto loans, student loans, credit cards and Small Business Administration loans. However, the secondary market for consumer loans remains largely frozen. ICBA has led the effort to help jumpstart the secondary market, especially for SBA loans, by urging the establishment of a temporary credit facility for approved SBA poolers. ICBA greatly appreciates Chairwoman Velazquez’s efforts to engage the Treasury and Federal Reserve in successfully launching the Term Asset-Backed Securities Loan Facility (TALF). ICBA believes by providing liquidity to issuers of consumer asset-backed paper, the Federal Reserve facility will enable more institutions to step up their lending, enabling borrowers to have access to lower-cost consumer finance and small business loans.

### **Making the TALF Successful**

The Federal Reserve is still working on the details of this new liquidity facility and intends to have it fully functional by February. The Term Asset-Backed Securities Loan Facility is structured as a Federal Reserve Bank of New York (FRBNY) lending facility that will lend using high grade collateral held by securitizers. Under TALF, FRBNY will make loans to issuers of asset-backed securities (ABS) that have the highest investment-grade rating (i.e. Aaa-rated) from at least two nationally recognized statistical rating organizations (NRSROs). In the case of the small business loan guarantee pools (“pool security”) the Federal Reserve highlighted to ICBA that they will not need to be rated since they are guaranteed by the Small Business Administration (e.g. have the full faith and credit of U.S. backing). ICBA requests that the broadest range of established SBA loan pools be eligible to qualify under the TALF program. The FRBNY will lend an amount equal to the market value of the ABS less a small haircut and will be secured at all times by the ABS. The TALF loans will have one-year term. The FRBNY will assess a non-recourse loan fee at the inception of each loan transaction. FRBNY will take the Aaa (or otherwise NRSRO/SBA-sanctioned) ABS as collateral for loans that the ABS-issuers will then be able to use to make more ABS / SBA pools (and, in turn, more loans will be able to be securitized and freed-up for consumers and small

businesses). The ICBA believes this will help supply temporary liquidity to the secondary market players so they can continue securitizing more consumer loans and small business loans. The TALF will end making new loans on Dec. 31 2009, unless extended. To manage the TALF loans, FRBNY will create a special-purpose vehicle (SPV). Treasury department will provide \$20 billion from the \$700 billion TARP funds to safeguard losses the Federal Reserve might incur.

ICBA supports the TALF program to help keep money flowing to consumers and small businesses and continues to work closely with the Small Business Committee, Federal Reserve and Treasury to help ensure the program is crafted and implemented to provide the intended value and results. Many community banks remain unable to make additional loans because they cannot sell off existing ones to investors through the secondary markets. The ICBA-backed TALF program should help jumpstart the secondary market.

### **TARP Access Needed for All Banks**

ICBA greatly appreciates the Small Business Committee's attention to ensure the Emergency Economic Stabilization Act, and specifically the TARP's Capital Purchase Program (CPP), is widely available to all interested banks. ICBA urges Congress to help ensure TARP funds are available to all interested banks as the law dictates. ICBA members are growing increasingly concerned that only \$60 billion is left uncommitted from the \$250 billion Capital Purchase Program and still more than 3,000 community financial institutions cannot qualify for the CPP under the Treasury's term sheets because they are Subchapter S banks or mutual institutions. .

More than half of the CPP's \$250 billion was quickly given to just nine of the nation's largest banks. Additionally, large companies such as credit card firm American Express and auto lender GMAC have rapidly converted to bank holding companies and already received TARP funds. This follows the rapid conversion of the gigantic investment firms such as Goldman Sachs and Morgan Stanley into bank holding companies after being battered in the markets. **Meanwhile, thousands of traditional community banks interested in CPP funds to help boost lending have been largely shut out.**

Community banks did not cause the current financial crisis with exotic lending products, subprime loans, and absurdly complex investment bank financial engineering that went terribly awry. Nevertheless, many community banks too are now suffering the consequences of frozen credit markets and finding it difficult to raise capital in the current marketplace. Community banks, interested in the CPP deserve prompt access to the TARP to secure capital.

ICBA urges that Congress and Treasury to continue their efforts to help more banks access the TARP CPP in a fair and timely fashion. More than 8,000 community banks nationwide are well positioned to extend lending to their communities using capital from the CPP. Some 48 percent of small businesses get their financing from banks with \$1 billion and under in assets. By only granting a few hundred of the nation's largest banks CPP funds, more than half of small businesses may not see any change in their available credit. ICBA believes to get more dollars flowing to Main Street and to boost economic activity as Congress intended, a greater number of interested community banks must be part of the CPP.

**Therefore, ICBA reiterates its urgent request that all banks be offered access to the remaining funds in the remaining CPP funds in a timely fashion.** We appreciated the opportunity to directly

spell out to Treasury the unique structure of our nation's private banks and our suggested means to include make eligible the 2,505 Subchapter S banks, and more than 600 mutuals in a term sheet that will work for their structure and allows CPP access. We are hopeful that Treasury will soon release new terms for the CPP program so that smaller banks can participate.

### **Housing Decline Must Be Reversed**

ICBA strongly supports additional targeted housing tax incentives to break out of the downward spiral in the housing market. One of the largest underlying problems preventing an economic recovery remains the declining housing sector. Housing and household related spending accounts for nearly 20 percent of the nation's Gross Domestic Product. Plunging home values are putting record numbers of borrowers' underwater and fueling record foreclosures. Millions of small businesses are suffering the fallout from the dramatic decline in the housing market.

The housing markets' continued woes are a major factor drowning consumer confidence. The Conference Board's gauge of consumer sentiment has dropped to a record low. Household net worth has declined for the past three quarters largely due to the sharp drop in home values, according to Federal Reserve data. Rising mortgage defaults have forced lenders to tighten up on credit and even potential buyers have been sitting on the sidelines despite historically low interest rates.

The broad credit markets have been severely damaged by the sharp decline in housing prices and real estate collateral. Some 45% of small business loans outstanding are collateralized by real estate. Small business owners in particular often rely on their homes for collateral and widely use home equity loans and lines of credit. Without further fiscal policy assistance to address the struggling housing sector, further declines in the credit availability for small businesses will jeopardize their ongoing viability.

Financial institutions in general have already experienced more than \$600 billion in real estate related asset writedowns and credit losses since 2007. When lenders lack capital, they are unable to lend to small business and consumers, exacerbating the economic downturn. Additionally, declining home values and rising foreclosures increase stress in the credit markets by jeopardizing the value of mortgage-backed securities and crimping liquidity.

The vicious downward cycle in the housing sector must be broken. ICBA respectfully recommends a number of economic recovery items outlined below to help the credit markets and small businesses.

### **Homebuyer Tax Incentives Will Help**

ICBA's economic recovery recommendations include extending the \$7,500 first-time homebuyer federal tax credit through December 31, 2010 and removing the repayment provision in order to jumpstart home sales, reduce unsold inventories, and stabilize home prices and foreclosures. An enhanced first-time homebuyer tax credit would provide a reasonable incentive for potential qualified buyers to get off the sidelines and to take advantage of low interest rates and the temporary tax break to purchase a home. Stabilizing home prices will lower mortgage refinancing qualification hurdles as well and help to keep more people in their homes. The credit is not a "bailout" and would directly benefit individuals by giving them a tax cut incentive to purchase a first-time home.

Stabilizing real estate prices will better allow small businesses to use their real estate values as collateral for credit.

### **Local Infrastructure Boost**

ICBA believes targeted tax incentives can help stimulate local infrastructure needs to help boost economic activity. To more efficiently finance local projects, ICBA recommends an immediate increase in the annual issuance limit for qualified-tax-exempt muni-bond obligations from \$10 million to \$50 million. This would create greater credit availability and expedite low-cost funding for local projects such as school construction, water treatment plants, and other municipal projects. The cost of municipal projects has increased dramatically over the years while this annual bond limitation threshold has not been increased in 23 years and has not kept pace with inflation. An increase would help assist financially struggling state and local governments finance their infrastructure needs with lower cost financing, creating more small business opportunities and local jobs.

### **Foreclosure Mitigation**

Foreclosure is the least attractive alternative for resolving mortgage defaults for the borrower, the lending institution and other homeowners in the borrower's community. Community bankers did not trip up on aggressive subprime mortgage lending. If needed, community banks first work directly with their customers to restructure mortgages and keep their local customers in their homes. Community banks also support additional voluntary options including loan modifications under the Hope for Homeowners Program and other avenues.

The ICBA also supports the expanded role the Federal Housing Administration has undertaken in insuring up to \$300 billion in refinanced mortgages for struggling borrowers after loan holders reduce principal. ICBA believes growing foreclosures can impact not only the borrowers and lenders, but entire communities and towns by depressing property values and eroding the local tax base. Providing a *voluntary* means for qualified borrowers to remain in their homes will help ameliorate the broader negative consequences of the wave of foreclosures.

Housing must be stabilized and ICBA believes these various targeted housing incentive proposals would all help stem the ongoing decline in the housing sector that is rippling through the entire economy and hurting individuals and small businesses. **Small business optimism is plummeting and credit availability is a genuine concern. The National Federation of Independent Business index of small-business optimism has dropped to its lowest level since it began this survey in 1986.** Housing incentives must be an important component of any recovery plan to unlocking greater confidence and economic growth.

### **Beneficial Small Business Tax Reforms**

A substantial portion of the economic recovery proposals currently being promoted by president-elect Obama and Congress are various forms of tax relief. For many small businesses, taxes are the second highest cost after labor costs. Therefore, ICBA strongly supports a number of small business tax relief measures to assist small business in these difficult economic times.

## Flexibility for S Corporations

S corporations continue to be the most prevalent type of corporation in our nation. More than four million small businesses are structured as Subchapter S corporations. For small businesses, raising capital is critical to the start-up, survival, and growth of the business. However, arbitrary and restrictive limits on Subchapter S businesses are jeopardizing their ability to raise capital. Specifically, current tax law restricts the number and types of individuals or entities that may own S corporation stock. S corporations may not have more than 100 shareholders, new IRA shareholders, and can only have one class of stock outstanding. ICBA believes these restrictions should be immediately reformed to spur more private sector solutions for small businesses to attract capital as Treasury is injecting taxpayer funds as capital into banks. In order to increase the options for small businesses to raise capital from the private sector, ICBA recommends:

- Increasing the maximum number of allowable S corporation shareholders to 150 from 100.
- Allowing IRAs as eligible S corporation shareholders.
- Permitting the issuance of preferred stock for all S corporations

Small businesses including community banks are dealing with frozen capital markets and the near-impossibility of raising new capital. Immediate adoption of the reforms listed above would go a long way in creating addition private sector capital-raising options. **Notably, community banks must maintain certain minimum capital ratios to be considered well-capitalized institutions for regulatory purposes yet are restricted in their capital raising options.** In today's economic environment, earnings alone may not provide sufficient capital to fund lending and growth. ICBA believes allowing S corporations more flexible options in attracting capital to fund business operations and serve their communities will boost lending and economic activity.

## Conclusion

America's small businesses are facing the most difficult economic circumstances in decades and acquiring credit is getting more problematic due to the turmoil in the credit markets. The freefall in SBA lending is cause for alarm and immediate action. ICBA pledges to work with the Small Business Committee to ensure our nation's small businesses have the access to capital and credit they need to invest, grow, and provide jobs and economic growth. As policymakers work on legislation to stimulate an economic recovery, small business would benefit from additional tax incentives, enhanced SBA lending, and increased community investments. Community banks are well-positioned and prepared to help.

I appreciate the opportunity to testify today for the Independent Community Bankers of America. Thank you.

ICBA's Economic Recovery Recommendations Outlined Below:

## **Highlights of ICBA Proposals for Economic Recovery**

### **Helping Taxpayers and Workers**

- Immediate AMT Relief. Provide immediate individual AMT relief for tax years 2009 and 2010. Will provide tax certainty and prevent additional taxpayers from being swept into punitive AMT calculations and payments and increase their after-tax incomes. AMT relief can be rebated in advance by check directly to taxpayers.
- Extend Work Opportunity Tax Credit. Enhance and extend the employers' WOTC through 2010 to create jobs by encouraging greater hiring of new workers.

### **Helping Homeowners, Homebuyers, and Renters**

- Enhance First-Time Homebuyer Tax Credit. Extend the existing \$7,500 federal tax credit for first-time home purchase through 2010 and remove repayment provision. A homebuyer tax credit is a proven incentive that will help will boost the housing and housing-finance sectors.
- Unleash FHA Potential. Increase capacity for Federal Housing Administration to serve homebuyers and homeowners. As credit for home purchases and refinancing has evaporated, FHA insurance has taken on an expanded role. FHA is vital to the provision of affordable housing and the recovery of the housing market. Increasing capacity at FHA and Ginnie Mae will allow the agency to carry out its mission and assist homebuyers and communities.
- Increase Resources for Rural Housing Guarantees. Increase the Rural Housing Service Section 502 Guarantee Program. Section 502 loans are primarily used to help low-income homebuyers purchase homes in rural areas. Funds can be used to build, repair, renovate or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities. This will assist rural housing markets, create jobs and generate new tax revenues.
- Stimulate Construction of Affordable Rental Housing. Reduce interest rate for loans backed by multifamily properties assisted with low income housing tax credits. Because of increases in costs and reductions in the value of tax credits, most of these properties in development are not feasible at current interest rates. A significant number of these properties would, however, be feasible at a lower rate. This program would provide significant economic stimulus in the form of construction jobs and also provide housing affordable to families earning less than 60% of area median income.

### **Helping Small Businesses**

- Expedite SBA Small Business Loans. Create a streamlined SBA 7(a) loan program with up to 95% government guarantee for small business loans up to \$500,000 and reduced lender

and borrower fees. Will provide greater small business capital in expedited manner to start, or grow a small business and create jobs.

- **Small Business Subchapter S Tax Relief.** Increase the S corporation shareholder limit to 150 from 100, allow the issuance of preferred stock, and IRA investments in Subchapter S businesses. This will help boost capital investments in small businesses and community banks, increasing economic activity and lending for the nation's 3.7 million S corporations.
- **Expand Small Business Section 179 Immediate Expensing.** Extend the \$250,000 small businesses immediate expensing and raise to \$1 million the purchase cap through 2009. This will boost small businesses capital investment in equipment and software and improve cash flow.

### **Helping Communities**

- **Immediate Increase in Muni-Bond Threshold.** Update from \$10 to \$50 million the annual issuance limitation for qualified-tax-exempt-obligations. This will allow community banks to play a larger role in supporting school construction, infrastructure and other municipal projects. Will assist financially struggling state and local governments.
- **Community Bank Support of Local Government Projects.** Provide permanent authority to Federal Home Loan Banks to guarantee community bank-issued letters of credit issued to enhance the credit rating of local government bonds. This allows community banks to serve traditionally underserved small issuers of tax-exempt bonds. Local governments use these bonds to finance fire stations, water treatment facilities, bridges, healthcare facilities, schools and other important activities. The current authority expires on December 31, 2010. Making this important support for small government infrastructure projects permanent will help communities plan for growth.
- **Rural Economic Advancement Program (REAP) –** Allow banks to exempt from taxation interest income from loans made in rural areas to finance loans to farmers, small businesses, and for economic development. The following customers or purposes would qualify: 1) real estate loans to bona fide farmers including young, beginning and small farmers; 2) real estate loans to small businesses including for start-up and expansion purposes; 3) infrastructure and economic development financing. Amount of loan volume exempted from taxation would equal up to 25 percent of an institutions asset size and institutions of \$1 billion or less would qualify. Institutions of with assets of \$1 billion to \$5 billion would receive a 50 percent tax exemption on 10% of their loan portfolio for the same purposes.

### **Helping Community Banks Serve Consumers and Businesses**

- **Community Bank TARP Access.** Ensure interested community banks have access to the Troubled Asset Relief Program (TARP), to boost capital and increase lending as the legislation intended. Community banks are positioned to boost lending but Subchapter S banks as well as mutual institutions still do not have access the Treasury's TARP Capital

## Purchase Program.

- **Direct Accounting Relief.** Congress should direct regulators to temporarily suspend the misapplication of mark-to-market and “Other Than Temporary Impairment” (OTTI) concepts to financial institutions during these extraordinary abnormal market circumstances. These requirements must be suspended until the financial markets return to more normal operations to prevent further destruction of capital and lendable funds in the economy. Congress gave the SEC the power to suspend mark-to-market accounting to avoid this race to the bottom. SEC and FASB have, instead, reiterated prior guidance and allowed the mark-to-liquidations to continue. Congress should direct the SEC to act.
- **Expand Loss Carryback to Five Years.** Expand the current Net Operation Loss Carryback (NOL) period to five years from two years. This will help free up small business resources now to help weather the economic downturn and to support investment and employment in their communities at a time when capital is needed most. Expanding the NOL to a five-year carryback simply allows businesses to accelerate the use of allowable NOL deductions that can be claimed in future years under current law.