Working Group on New & Growing Businesses

THE WHITE HOUSE

WASHINGTON

December 30, 1993

MEMORANDUM FOR BO CUTTER
ERSKINE BOWLES
JONATHAN SALLET
CHRIS EDLEY
FRANK NEWMAN
JOE STIGLITZ

CC: ROBERT RUBIN

FROM: PETER YU Y

SUBJECT: ATTACHED DECISION MEMORANDUM

Attached please find a decision memorandum concerning the Administration's policies toward new and growing businesses, with a particular focus on financing and regulatory issues. Your guidance is needed regarding which options should be developed and refined further. As the White House Conference on Small Business will hold its first meeting this Spring, it may be useful for the Administration to articulate its business-development strategy in the coming months--both to influence the Conference's agenda and to avoid an unduly narrow focus on employer health-insurance mandates.

My office will arrange a meeting to discuss this memorandum at a mutually convenient time, most likely toward the end of the first week of January.

Thank you--and Happy New Year.

THE WHITE HOUSE

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December 29, 1993

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FROM: PETER YU

SUBJECT: DECISION MEMORANDUM ON NEW & GROWING BUSINESSES: FINANCING AND REGULATORY ISSUES

This memorandum presents options concerning the Administration's policies toward new and growing businesses. As background, Part I discusses the focus on new and growing businesses, and examines the increasing importance of such businesses to the US economy. Part II addresses the financing of new and growing businesses, presenting options concerning both debt and equity financing, as well as both short-term and long-term strategies. Part III addresses the regulatory environment in which these smaller firms operate and presents several options for improving the regulation of new and growing businesses. (A subsequent memorandum will address issues concerning technical assistance and market development--including export promotion--for new and growing businesses.)

I. THE FOCUS ON NEW & GROWING BUSINESSES

While it is commonplace to associate small business with job creation, it is also somewhat misleading. The vast majority of small businesses are "lifestyle" small businesses, firms that are small and that stay small--the corner store, the local dry cleaner, the family-owned restaurant--these businesses are generally *not* significant job creators. In light of the importance of job creation, we have focused instead on two distinct but related classes of firms: "new businesses" and "growing businesses." In a time when larger firms are--due both to declining competitiveness and to corporate reengineering--shrinking in size, new and growing business are, by definition, the two primary sources of job creation in the American economy.

Beyond being engines of job creation, new and growing firms are particularly important because of the special role those firms play in the evolving American economy. The two dominant trends shaping the American economy are *globalization* and the *movement toward services.* Globalization increases competition and changes production values: in the new economy, product cycles are significantly shorter, mass production is less important, and flexibility, customization, and constant innovation are the primary bases of competition. These changes favor smaller, more nimble, firms, and place a premium on the formation of new firms.

A second trend--the coming dominance of the service sector--also favors new and growing businesses. By the year 2000, services will employ more than 75 percent of the American workforce. History suggests that new firms will play an important role in this transition. During the transition from agriculture to manufacturing, thousands of new small firms--"cottage industries"--led the way, generating innovations in materials, design, and processes. New firms will likely play a similar role in the transition to services.

New and growing businesses are also an appropriate focus from a human capital perspective. Large layoffs by some of the Nation's leading firms have created pools of skilled, talented, and motivated workers in all occupational categories. A strategy that encourages the formation and development of new and growing businesses will make the best use of these important human resources.

The goal of an Administration strategy for new and growing business is, in simplest terms, three-fold: to encourage the formation of new firms, to encourage the growth of existing firms, and to reduce the failure rate among start-up firms. We these goals in mind, this memorandum examines two set of problems that such businesses face: financing and the regulatory environment.

II. FINANCING NEW & GROWING BUSINESSES

A. DEBT FINANCING

Background

While data on lending to smaller businesses are notoriously poor, much evidence, empirical and otherwise, suggests that lending to new and growing businesses has been very weak over the past few years, notwithstanding the fact that most banks are currently flush with capital. This weakness reflects both shorter-term and longer-term trends, most notably:

- *Cyclical forces*--lending expands with the economy (and vice versa): the slack demand underlying what has until recently been a sluggish recovery is reflected in slack demand for lending;

- *Demographic trends*--minorities and women comprise an increasing share of new businesspersons: both groups tend to lack the traditional social contacts that facilitate commercial lending;

- *Structural changes in the banking industry*--consolidation of the banking industry has increased the information gap between smaller borrowers and their banks (i.e., the small businessperson no longer knows his/her banker); and

- *Secular forces*--like most lending, small-business lending requires collateral, the trend toward services over manufacturing complicates the identification of collateral.

This multi-dimensional problem warrants a multi-faceted response. In general, the primary means of addressing the cyclical and demographic trends are expanding federally subsidized lending and encouraging increases in unsubsidized lending. The first set of options below would increase federally subsidized lending by improving the efficiency and targeting of SBA lending programs. The second set of options would increase unsubsidized lending (and reduce the vulnerability of small-business lending to cyclical forces) by encouraging the securitization of small business loans. Mitigating the effects of structural changes in the banking industry and the shift toward services is somewhat more difficult; a third set of options addresses these issues.

Options for Expanding Subsidized Lending by Improving SBA's §7(a) Program

While total lending to small business declined substantially in the 1990s, demand for SBA §7(a) loans has more than doubled; in FY1994, SBA will likely guarantee more than $6 billion in §7(a) loans. In practice, virtually all of these loans are guaranteed at an 80-to-90 percent level.

Given the design of the program, it seems very likely that these loans are priced inefficiently. Lenders may use the program to originate loans that they would have originated without a federal subsidy or request federal guarantee levels of 80 to 90 percent for loans that they would have originated with a much smaller federal subsidy. These practices would effectively subsidize lending to borrowers who need little or no subsidy, while crowding out loans to riskier borrowers who lack access to unsubsidized borrowing. Thus, more precisely targeting SBA guarantees would increase both subsidized lending and overall lending to new and growing businesses.

We considered three (non-exclusive) options for improving the efficiency of SBA lending.

- *Option 1: Establish a variable-guarantee tranche system for §7(a) lending.*

The inefficiency in the current program could be reduced--and subsidized lending expanded--by establishing tranches of SBA loans at different guarantee levels and by establishing a mechanism to ensure that lenders are provided only the guarantee necessary to originate the loan. For instance, four tranches of federal participation on loans at, say, 90, 75, 50, and 25 percent could be established, with each §7(a) loan placed into one of these tranches. In theory, if the risk to the lender was accurately reflected, many loans now being made with an 80 or 90 percent guarantee would be made at a much lower guarantee, thus reducing the corresponding subsidy. High-risk loans now being crowded out of the market would be made, albeit at the highest guarantee level.

There are three general methods for enforcing such a tranche system:

- an "administrative review system"--which would establish target allocations for the various tranches and use sampling-based administrative review to ensure compliance;

- a "quota system"--which would establish certain portfolio profiles and require each lender to make a certain proportion of loans at each guarantee level; and

- a "price-driven system"--which would assess increased origination fees on loans with higher guarantees and thus provide incentives for lenders to use only as much guarantee as necessary.

Each of these methods poses risks. An administrative review system could require substantial administrative costs. If, under the "quota system," the size of various tranches is inaccurately established, the result could be a *reduction* in total lending. A "price-driven system" could also reduce lending by pricing some creditworthy borrowers out of the market for guaranteed loans, and would be vulnerable to criticism as a form of governmental "loan sharking."

- *Option 2: Target federal guarantees by type of lending.*

A second approach to expanding subsidized lending by improving the efficiency of §7(a) lending would involve "functional tranches." Under this approach, SBA would establish different guarantee rates for different types of financing. For example, loans for the purchase or refinancing of real estate would receive lower guarantees (e.g., 25 percent); contract financing, seasonal lines of credit, and transactional financing (including export financing) would receive higher guarantees (e.g., 90 percent); and all other lending would receive guarantees up to 75 percent.

While this option should increase the overall efficiency of the §7(a) program, it may be too blunt a tool to effectively target federal resources. For example, in some cases real estate refinancing may be critical to the livelihood of a new firm, but at the same time a 25-percent guarantee may be an inadequate incentive to potential lenders. Stated another way, improving the efficiency of the §7(a) program is primarily a function of identifying the riskiness of the loan--and the type or category of lending is often a poor proxy for riskiness.

- *Option 3: Impose a Community Reinvestment Act (CRA)-type requirement on §7(a) lenders.*

Data suggest that the §7(a) program severely underserves distressed and minority communities. Such "redlining" is undesirable both as a matter of fairness and as a matter of efficiency: as noted above federal guarantees should be targeted to riskier borrowers--borrowers who would otherwise lack access to credit--these populations are disproportionately represented in distressed and minority communities.[1] Accordingly, the efficiency of the §7(a) program could be improved and federally subsidized lending expanded by imposing a CRA-type requirement on SBA lenders (both bank and nonbank). Such a requirement would be justified because the lenders are administering a government benefit.

SBA could impose a CRA-type requirement as a condition of "preferred lender" status, or as a condition on participation in the §7(a) program. Or under a less intrusive scheme, SBA could require each lender to disclose the geographic distribution of its §7(a) loans and SBA could then rank the various lenders' performance.

Analysis. Each of these options would represent a major change in federal policy. As a political matter, the first two options would likely be criticized by lenders as "credit rationing" and would need to be packaged as an overall *increase* in subsidized lending in order to minimize criticism from borrowers. For both options, however, the lack of data and our incomplete understanding of the program's dynamics creates some uncertainty about the reforms' likely impact on lending. The CRA-type option also poses a political problem: financial institutions (such as mutual funds and finance companies) are very concerned about the extension of CRA requirements and could view this option as the first step in such an extension.

At this point, we need your guidance on which of these options (all of which we anticipate to be budget-neutral) to pursue further, with a goal of vetting these options with interested groups and developing legislative or regulatory specifications over the next several weeks. While the options are not mutually exclusive, it would be difficult for SBA to pursue all three at once.

___ *Option 1: Establish a variable-guarantee tranche system for §7(a) lending.*

___ *Option 2: Target federal guarantees by type of lending.*

___ *Option 3: Impose a CRA-type requirement on §7(a) lenders.*

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[1]Although SBA has several programs expressly designed to serve minority borrowers, these programs are very small.

Options for Expanding the Securitization of Small Business Loans

A second set of measures to increase lending to new and growing businesses concerns the secondary market for small business loans. In general, securitization facilitates lending by (i) increasing liquidity for lenders and bringing new investors into the market, (ii) encouraging the standardization of lending agreements, and (iii) reducing the cost of lending through (i) and (ii). Perhaps more importantly in the case of lending to new and growing businesses, a substantial secondary market tends to function as a counterpoise to cyclical and other contractions in the banking system.[2]

While a large secondary market for residential mortgages and modest markets for credit card receivables and other assets exist, the secondary market for unguaranteed[3] small business loans has been slow to develop. One reason is existing legal, tax, and accounting-related impediments to the securitization of small business loans. While the "D'Amato provisions" in the pending CDFI bill would eliminate many of these, most experts agree that these changes alone will not lead to the formation of a sizable secondary market for unguaranteed small business loans. A more significant impediment to the development of a secondary market is the highly variable nature of small business loans, which tend to involve idiosyncratic loan conditions and collateral: in general, it is difficult to project the cash flow that a bundle of small business loans will generate. While there exists substantial information regarding the likely performance of mortgages, credit card receivables, and auto loans, the risk of--and thus the appropriate price for--a bundle of small business loans is far less clear.

The options presented below cover a range of possible interventions, from minimal to substantial. Because the options are mutually exclusive, they are presented briefly and then analyzed together.

- *Option 4: Compile and disseminate borrower characteristic, default, and prepayment information.*

Under this option, SBA, Treasury, Commerce, and the banking regulators would collect and make available data about borrower characteristics and loan performance. The experience of the existing secondary markets suggests that such data would facilitate securitization by the private sector.

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[2]For example, home buyers were not substantially prejudiced by the recent contraction in the banking system, in large part due to the existence of a strong secondary market in residential mortgages.

[3]The SBA securitizes the guaranteed portion of its loans; currently about half of all SBA guaranteed loans are sold on the secondary market.

- *Option 5: Recognize a class of entities authorized to engage in the securitization of small business loans.*

Representative Kanjorski has introduced a bill that would encourage the development of "secondary market facilitating organizations" by providing special regulatory incentives for those organizations while at the same time requiring those organizations to meet certain public policy goals. Although it is unclear precisely how this scheme would function, this approach would not require direct federal expenditures for credit enhancement or implicate the government's full faith and credit obligations.

- *Option 6: Provide credit enhancements for securitized pools of loans.*

Under this option, SBA would review packages of loans assembled by private parties and, based on its experience with the §7(a) program, assess the risk. SBA would then issue credit enhancement (effectively a partial guarantee) for the loan pools.

- *Option 7: Establish a government-sponsored enterprise (or authorize an existing GSE) to facilitate the secondary market in small business loans.*

Under this option, an entity would be established to (i) encourage standardization in loan documentation, (ii) purchase, pool, and provide credit enhancement for small business loans, and (iii) issue securities backed by those assets. Representative LaFalce has introduced a bill to establish such a GSE, named "Velda Sue."

Analysis. In general, a federal subsidy seems to be a necessary condition for the *prompt* formation of a sizable secondary market in small business loans. Thus, merely compiling and providing borrower and performance information (option 4) will not greatly accelerate the formation of that market. However, it is far from clear whether a federal subsidy is either a sufficient or an efficient condition for a secondary market. We can analyze the remaining options along a number of dimensions.

Feasibility--Some are skeptical of the practicability of the large-scale securitization of small business loans, contending that wide variations in loan conditions and collateral quality preclude the standardization necessary for securitization. Others believe that a GSE will encourage the necessary standardization.

Efficacy--Assuming that a secondary market is feasible, some contend that a GSE will fail because the preconditions for a large secondary market are not present. The secondary mortgage market was the product of a number of circumstances--including rising interest rates, which encouraged banks to move loans off of their books, and regional disparities in growth, which encouraged geographic diversification. These conditions, some argue, are not currently present: to the contrary, the banks are flush with capital and there is no supply-side pressure to securitize. Supporters of a GSE emphasize the longer run and believe that a GSE will effectively create its own market.

Many are also skeptical of the efficacy of the Kanjorski approach (option 5) and its reliance on unspecified regulatory subsidies. In part because of the novelty and uncertainty in that approach, it seems unlikely that this option will substantially affect either the secondary market or small business lending.

Efficiency--Assuming a secondary market is feasible and some federal subsidy is necessary, some contend that it would be more efficient to use federal resources to directly subsidize new lending (for example, by expanding the §7(a) program) rather than to indirectly subsidize lending by supporting the securitization of large loan pools. Moreover, a new GSE could also be an inefficient use of federal resources by "buying out the base"--i.e., using federal subsidies to support the sale of loans already made--rather than encouraging new lending. Others, however, emphasize that a GSE benefits from lower interest rates because the markets believe that the entity's securities are backed by the government (even if they are not). Thus, supporters argue, a GSE is able to combine its explicit, on-budget federal resources with implicit, off-budget federal resources.

Targeting--Assuming a secondary market fueled in part by federal subsidies, the standardization of lending practices increases the risk of "creaming" and the risk of exclusion of nonconforming borrowers. Both the Kanjorski approach (option 5) and the limited credit enhancement proposal (option 6) can easily be targeted toward certain groups of loans to minimize these unintended consequences. Targeting a GSE's efforts are slightly more difficult: regulations could be used to control the exclusionary effects of the secondary market, although experience with Fannie and Freddie indicates that such regulations require constant vigilance and enforcement.

Political concerns--Creation of a GSE would be a bold, if somewhat symbolic, measure and could be a significant institutional legacy of the Administration. However, it is also a step that will likely *not* have substantial effects in the next few years. Thus, a GSE may, in a political context, be criticized as a hollow effort. (The Kanjorski approach is vulnerable to a similar criticism.) In addition, Capitol Hill is generally skeptical of GSEs, reflecting both concern about large contingent liabilities and concern that GSEs tend to be difficult to regulate and oversee. However, the other options are modest and will likely not to be seen as dramatic proposals in support of new and growing businesses.

In sum, option 4 (data collection) and option 5 (the Kanjorski approach) seem unlikely to encourage the prompt formation of a secondary market. A GSE would likely be more successful and more visible, but would also be controversial, entail substantial resources, and involve some uncertainty (recognizing that new entities sometimes create distortions and diseconomies that offset the efficiencies gained). Limited federal credit enhancement (option 6) would be less controversial, but also less efficacious; it would also require additional SBA resources.

At this point, we need your guidance on which of these options to pursue further, with a goal of vetting the selected option with interested groups and developing legislative, regulatory, and budgetary specifications over the next several weeks.

___ *Option 4: Compile and disseminate borrower characteristic, default, and prepayment information.*

___ *Option 5: Recognize a class of entities authorized to engage in the securitization of small business loans.*

___ *Option 6: Provide credit enhancements for securitized pools.*

___ *Option 7: Establish a government-sponsored enterprise (or authorize an existing GSE) to facilitate the secondary market in small business loans.*

Other Options for Expanding Lending to New & Growing Businesses

Two additional causes of the current weakness in lending are best addressed through more modest interventions.

- *Option 8: Direct the bank regulators to scrutinize, through enhanced CRA enforcement, capital flows from local communities immediately after mergers or acquisitions.*

There is some concern that the ongoing consolidation in the banking industry has reduced small business lending by severing well-established ties between local bankers and "main street" businesses. Although we have found no data on the subject, many borrowers and small-business groups contend that out-of-state banks acquiring smaller, local banks tend to (i) replace local personnel with out-of-state personnel, (ii) rotate staff every several years, and (iii) focus on servicing the home office rather than serving the local community. The effect of these practices is a reduction in lending.

The consolidation of the banking industry is, overall, a positive trend, and restrictions on that restructuring should be limited. Nonetheless, the short-term effects of bank consolidation on lending could be substantially mitigated if bank regulators publicly noted and scrutinized changes in small business lending following mergers and acquisitions. While a maintenance-of-effort provision would unduly hinder bank consolidation, recent rigorous enforcement of CRA requirements provide an adequate regulatory foundation and precedent for such scrutiny. The draft CRA regulations provide a regulatory vehicle for such a effort.

- *Option 9: Reexamine the prohibition on the pledging of federal receivables.*

As suggested above, banks (and perhaps bank regulators as well) have not fully kept pace with the overall shift toward services and changing practices such as just-in-time supply:

lenders often require "hard" collateral--such as plant, equipment, or inventory--even from firms that do not usually hold such collateral. These practices have encouraged many small firms to seek financing from nonbank lenders, such as factors and finance companies.

In general, there are few sound policy options (beyond the credit crunch initiative) for encouraging banks to recognize "soft" collateral. However, in a small and symbolic step, the federal government itself could recognize the shifting nature of collateral by reexamining the prohibition on pledges of federal receivables. Currently, federal receivables--such as Medicaid and Medicare payments to providers--cannot be pledged as collateral. Especially for smaller firms heavily dependent on federal payments, this prohibition is a significant impediment to borrowing, and thus to growth. While this prohibition serves certain policy interests (such as reducing the risk of fraud), the changing nature of borrowers' practices justifies a reexamination of this prohibition.

___ *Option 8: Direct the bank regulators to scrutinize, through enhanced CRA enforcement, capital flows from local communities immediately after mergers or acquisitions.*

___ *Option 9: Reexamine the prohibition on the pledging of federal receivables.*

B. Equity Capital

Background

There are five basic sources of equity capital for small firms:

- *SBA-licensed Small Business Investment Companies (SBICs)*, have since 1935, provided more than $10 billion in financing to more than 70,000 small firms. Large and visible SBIC failures in recent years led to very significant program changes in 1992. The new SBIC program should begin in early 1994.

- *Venture capital firms'* investments in small companies peaked at $4 billion in 1987, but have declined sharply in recent years (1992 investments totalled $2.5 billion). Having fared poorly with start-ups in the 1980s, venture capitalists now tend to focus on later-stage investing.

- *Business angels* are most frequently wealthy retirees who provide an estimated $7-10 billion each year in seed money, most usually in high-risk, low-liquidity stakes.

- *Strategic corporate partnerships* are formed by larger corporations seeking to nurture enterprises whose products are useful or profitable for the larger firm: Apple, for example, has long invested in small firms producing Apple software, and USWest has similarly invested in job-creating ventures in order to encourage general economic growth in its regional markets.

- *Issuance of stock* by small firms reached a high of $21.1 billion in 1992, with 434 issues during the first ten months of the year. Of course, the number of firms able to raise funds through IPOs represents only a tiny fraction of the firms in need of equity financing.

For a number of reasons, there is currently a shortage of equity capital for smaller firms. In general, equity investments in smaller firms have involved certain diseconomies: research and monitoring costs, for example, are substantial and effectively set a minimum equity investment-- a threshold that excludes many smaller firms. Equally important, however, are other trends that reduce the supply of, and increase the demand for, equity capital. On the supply side, the amount of venture capital available for investment remains far below the record levels of the 1980s: pension funds and other institutional investors have substantially reduced their venture activities. A consolidation in the venture capital industry has favored larger venture firms, which tend to focus almost exclusively on deals of $5 million or more. At the same time, several factors that reduce lending increase the demand for equity investments. For example, risk-based capital requirements which make lending less attractive to banks, the shift toward services which means firms have less hard collateral to back loans, and the increasing role of women and minority entrepreneurs, who have fewer traditional contacts with lenders--all increase the demand for equity capital.

Options for Expanding Equity Capital for New and Growing Businesses

In assessing options to expand equity capital for smaller firms, it is useful to examine federal policy in other markets in which large players fail to meet the need of certain groups. For example, with regard to *lending* to traditionally underserved groups, federal policy has followed three approaches simultaneously:

(i) requiring mainstream institutions to serve underserved groups (through CRA requirements);
(ii) encouraging mainstream institutions to serve such groups (through SBA subsidies); and
(iii) creating new institutions (CDFIs) to serve these groups.

Setting aside requiring venture capitalists to invest in new and growing businesses--which would be both politically and economically undesirable--there remain two general paths: encouraging those firms to invest in new and growing businesses, and encouraging new entities to take equity positions.

- *Option 10: Establish tax incentives for equity investments in new and growing businesses.*

Under this option, venture capital firms, business angels, and others would receive tax benefits for equity investments in qualifying small and medium-sized firms. The primary difficulty with this option is one common to most tax incentives: it is very difficult to target these incentives on the margin, and very expensive not to.

- *Option 11: Authorize a limited class of banks to make limited equity interests in small and medium-sized firms.*

Under this option, banks would be authorized to take a direct equity interest in qualifying investments in small and medium-sized businesses. In order to minimize any impact on the deposit-insurance system, this power would be offered to a limited class of institutions. For example, equity powers could be limited to highly capitalized, federally insured commercial banks that either:

- have fully collateralized their insured deposit base with U.S. Treasury securities (thus insulating the deposit-insurance system from credit risk); or
- have maintained an average risk-weighted capital ratio over the past 3 years of at least 30 percent, a CAMEL rating of 1, and at least $50 million in assets.

Moreover, all equity investments would be counted in the 100 percent risk-weighted asset bracket. [In a preliminary conversation with Gene Ludwig, Chris Edley, and Frank Newman, the President expressed his support in principle for this option.]

Analysis. These options offer two paths to the same end: option 10 offers incentives for firms with a special competence to apply that competence to an underserved population (small firms); option 11 authorizes firms without a special competence in venture capital, but with a comparative advantage in monitoring the performance of smaller firms to produce a new product (equity investments).

If properly targeted, tax incentives would--in the short- to intermediate-term--have a greater effect on equity investments than expanded bank powers, for several reasons. First, relatively few banks have expertise in equity investments; indeed, the corporate culture of banking differs significantly from that of most equity investors. Second, it is unclear how many banks would take advantage of the equity powers; currently banks that are eager to do so can participate through bank-dominated SBICs (albeit less efficiently). Finally, it is unclear how many banks would meet the stringent capitalization or collateralization requirements necessary to minimize the impact on the deposit-insurance system. Thus, expanding bank powers would have an effect only at the margins, and then only after some start-up delay.

Nonetheless, authorizing banks to take equity positions has several advantages. From the firms' perspective, equity investments would enhance their relationship with their lenders, which could lead to improved information sharing and improved access to credit. Also, this option would provide borrowers with a wider selection of financing options that could be tailored to meet their cash-flow needs. From the banks' perspective, the power to make equity investments enables banks to better balance the risk-return trade-offs of small business loans while minimizing the problem of adverse selection in loan applicants. More broadly, this option would strengthen the competitive position of U.S. banks vis-a-vis nonbanks and foreign banks by allowing them to better exploit their comparative advantage in assessing and monitoring credit risk.

These two options could be combined to form a comprehensive strategy: time-limited, well-targeted tax incentives to stimulate a short-term increase in equity investments, matched by a limited expansion of bank powers to encourage a longer-term increase in such investments. At this point, we need your guidance as to which of these options to pursue, with a goal of vetting the option(s) with interested parties (including and especially the bank regulators) and identifying mandatory PAYGO offsets, if necessary.

___ *Option 10: Establish tax incentives for equity investments in new and growing businesses.*

___ *Option 11: Authorize a limited class of banks to take limited equity interests in small and medium-sized firms.*

III. THE REGULATORY ENVIRONMENT FOR NEW AND GROWING BUSINESSES

Options for Regulatory Reform

Nowhere is the focus on new and growing businesses more revealing than in the area of regulatory reform. While "regulatory relief" has been the constant refrain of small business, the emphasis on new and growing businesses focuses attention less on regulatory *burdens* and more on regulatory *obstacles*--impediments to new business formation. It is critical to understand that regulations that are appropriate for *existing* businesses are not necessarily appropriate for *new* businesses. Every regulation is a barrier to entry for a new firm. Thus encouraging the formation of new businesses (and the growth of existing businesses) is less a matter of eliminating regulations as it is a matter of providing deferrals and compliance assistance for new entrants. One of the best low-cost ways to create jobs is to reduce impediments to business starts: while studies show that there is a great deal of entrepreneurial energy in the economy--particular in a time of corporate re-engineering, there are also substantial obstacles to converting that energy into new firms.

- *Option 12: Establish a program of Intergovernmental New Business Incubators (INBIs).*

An INBI program would involve several components:

- agreements among federal, state, and local governments to defer for two years specified

regulatory requirements for new businesses in specified geographic areas;
- similar agreements to defer income and sales taxes for one year;
- substantial compliance training and assistance; and
- a restructuring and enhancement of technical assistance in the area, such as the consolidation of federal, state, and local resources, managed through a mentor-based system.

Analysis. An INBI program would address several problems facing new and growing businesses:

- *Cumulative regulatory requirements*: a majority of regulatory burdens are imposed not by federal regulations, but rather by state, county, and city requirements. The latter tend to be overlapping, variable across jurisdictions, and the most universal in application. The intergovernmental nature of the INBI program addresses this problem and extends our "reinventing government" agenda to a level that can make a real difference for business development.

- *Special needs for new firms*: three-quarters of all new firms fail within the first three years. The INBI program not only reduces barriers to entry, it also increases, and improves the delivery of, assistance to young firms, increasing the probability of survival.

- *Improved connections among new firms:* recent research indicates that new businesses developed in conjunction with other new businesses are four times more likely to succeed. By establishing communities of new firms, INBIs take advantage of into this constructive synergy.

The INBI proposal differs from the Empowerment Zone program in two ways. First, Empowerment Zones may involve waivers from federal grant-making and lending requirements; INBIs would involve waivers from *substantive* regulatory requirements. Second, while the Empowerment Zone strategy is primarily a job-location, rather than job-creation, strategy, the aim of the INBI proposal is to increase the number of jobs *by increasing the rate at which entrepreneurial energy is converted into new businesses.*

An INBI program also has significant political advantages. First, it redirects the "regulatory relief" agenda into a more constructive and politically viable project. Moreover, it provides the Administration with a useful communications concept--"business starts." By establishing a system of 100 INBIs, each nurturing 500 new firms, the Administration can, with the expenditure of minimal resources, claim credit for creating 50,000 new businesses.

At this point, we need your guidance on whether or not to pursue this option with a goal of developing legislative specifications in the coming weeks.

___ *Option 12: Establish a program of Intergovernmental New Business Incubators (INBIs).*

Options for Improving Corporate Governance and Investment Regulation

Many observers have criticized American corporate governance as myopic, and as characterized by a short-term focus on returns (usually attributed to pressures created by institutional investors), combined with a lack of active management by directors or investors. The result is the pendulum of American corporate governance: firms plod along until they become so inefficient that the market disciplines management through a takeover or a merger. Some have suggested that this tendency is encouraged by dysfunctional investment regulations and point to the German and Japanese systems which permit major banks (and in the case of *keiretsu*, other firms) to sit on corporate boards, as more constructive models of corporate monitoring and investment.

- *Option 13: Amend the Investment Company Act of 1940 to permit Managerial Strategic Investment Companies.*

MSICs, an idea imported from Sweden, are closed-end investment firms that take friendly and significant (5-35%) but minority, positions in existing firms. MSICs take active roles in corporate governance. MSICs often specialize, either by sector or by management expertise.

Analysis. If private MSICs are formed, they could serve several useful functions, including providing informal networking among firms (which is increasingly important in the emerging global economy) and offering a new source of patient capital. It is far from clear, however, that MSICs will be formed: especially after mergers and LBOs of the 1980s (and their consequence--the reengineering of the 1990s), it is unclear how much additional efficiency can be squeezed out of American firms through better management. Nonetheless, the downside of authorizing the formation of MSICs seems minimal.

At this point, we need your guidance on whether to actively pursue this option with the regulators and to vet this option with interested parties.

___ *Option 13: Amend the Investment Company Act of 1940 to permit Managerial Strategic Investment Companies.*

IV. CONCLUSION

Many of these options require further development, including a budgetary analysis and an identification of the offsets where necessary. However, taken together, these options could comprise a multi-part strategy aimed at encouraging the development of new and growing businesses by increasing access to debt financing, expanding capital investment, and improving the regulatory environment for new and growing firms.

As a political and communications matter, the articulation of such a strategy could prove particularly helpful in the Administration's management of the White House Conference on Small Business, which is to hold the first of 65 meetings this Spring. An articulated Administration strategy would both help structure a portion of the agenda for the Conference and demonstrate that the Administration's "small business agenda" reached far beyond health care reform and employer mandates.

MEMORANDUM FOR NEC INTERAGENCY WORKING GROUP ON NEW AND GROWING BUSINESSES

FROM: OMB/Treasury/CEA staff

SUBJECT: Options paper on pending legislation for business loan securitization

As discussed at last Tuesday's (May 11) meeting, OMB, Treasury and CEA staff have developed the following options paper. We would like to discuss the paper at the next meeting of the working group.

5/6/93

NEC Interagency Working Group on New and Growing Businesses

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Richard Breeden	SEC	272-2000	272-3912
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Linda C. Quinn	SEC	272-2800	472-2677
John Donahue	DOL	219-6045	219-7971
Fred Eggers	HUD	708-3080	619-8000

NOTE: Except where indicated, the area code for all numbers is 202.

Business Loan Securitization -- Legislative Options

The purpose of this note is to facilitate the development of an Administration position on pending legislation related to the development of a secondary market in privately-held business loans. This note lays out the pros and cons of each legislative initiative and offers several options for how the Administration could respond to them.

The length of the current recession has led to a real or perceived credit crunch in which banks have diminished their lending to small businesses.[1] Many economists attribute the credit crunch to overzealous regulation. In response, the Administration has moved to relieve the burden with a 19-point program. Noticing the success of active secondary markets for other types of credits, other policymakers have proposed creating or facilitating such a secondary market for business loans.

Whether securitization will result in a substantial increase in business loans depends on why banks are not making more loans now. In general, creating a more liquid market via securitization will attract more investors to the market. Banks, which are the primary originators of business loans, may be able to make more loans if they can sell them into a larger secondary market rather than funding them on balance sheet. However, given the fact that banks currently hold a large portion of their portfolio in highly liquid fixed income securities that could be replaced with business loans, it is unlikely that a shortage of loanable funds is the primary constraint on business lending.

Securitization can attract a wide range of investors by transforming a collection of risky business loans into a relatively safe security. Key to this transformation is that a third party absorbs the risk inherent in the business loans. This is accomplished through a guarantee or some other form of credit enhancement (i.e., a letter of credit, a subordinated claim, or over-collateralization). For example, a recent deal by Fremont General involved a 19% overcollateralization.

These factors point to the importance of credit enhancement for a successful secondary market. This credit enhancement can be provided privately by institutions such as commercial and investment banks, or by the government. Whether and how quickly the market will develop in the absence of strong government support is an open question. While the success of the secondary market for residential mortgages can be largely attributed to the government's support, other secondary markets, such as those for credit card receivables and auto loans, have grown rapidly without government intervention. While a government guarantee is clearly the most effective way to speed the growth of the secondary market for business loans, it would represent a very real and potentially large liability to the government. Even with a government guarantee, there are a number of market-based

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[1] There has been some debate about whether or not a credit crunch actually exists. Some credit market observers have indicated there is instead a lack of demand from credit-worthy borrowers.

obstacles to the development of this market, which are delineated in Appendix 1.

Pending Legislation

Congress has proposed several bills to jumpstart the securitization of business loans. These bills can be characterized by the varying degrees in which they provide a Government enhancement to facilitate the securitization of business loans.

No Credit Enhancement

H.R. 2065 -- introduced by Rep. Hoagland would create a specialized statutory framework for asset-backed securities that would offer issuers greater flexibility and regulatory certainty in structuring the cash flows and tax treatment of asset-backed securities. Such changes are intended to lower the cost of structuring these securities. The Hoagland bill would create a new non-taxable financial pooling vehicle called the Financial Asset Securitization Investment Trust (FASIT). Overall, this bill would knock down existing regulatory impediments faced by issuers and underwriters who may securitize a variety of credits, including business loans. This bill would not offer any Government credit enhancement.

Pros:
- Removes some tax impediments to securitization.
- Advances private market efforts to securitize business loans.

Cons:
- Unlikely to result in a large new secondary market for business loans.
- Benefits underwriters and banks with large losses on books that can offset taxable income.
- Could reduce tax revenues.

S. 479 -- The Small Business Incentive Act of 1993 introduced by Senator Dodd would streamline the regulation of venture capital pools that would otherwise be subject to full regulation under the Investment Company Act. Among other things, the bill would enable business development companies to invest in small business securities, enable the SEC to exempt higher dollar volumes of registration offerings from the registration provisions, and eliminate constraints on corporate investments on private venture capital funds.

Pros:
- Facilitates investments in small business loans at no cost to government.

Cons:
- Unlikely to result in a large new secondary market for business loans.

Indirect Government Credit Enhancement

S. 384 -- The Small Business Loan Securitization and Secondary Market Enhancement Act of 1993 co-sponsored by Senators D'Amato (R-NY) and Dodd (D-CT) (D'Amato Bill) would also tear down existing legal impediments to the securitization of business loans. Like the Hoagland bill, this bill would eliminate tax-related barriers. The bill would accomplish this by: 1) defining a new type of security -- the small business related security (SBRS) and a new pooling vehicle -- the small business loan investment conduit (SBLIC); 2) enabling financial institutions and public pension funds to invest in these new securities; and 3) adjusting existing laws pertaining to mortgage-backed securities and REMICs to apply to SBRS and SBLIC.

This bill would offer some credit enhancement by reducing capital requirements for losses associated with recourse arrangements. (See Attachment.)

Pros:
- Establishes legal mechanism for structuring a small business secondary market and facilitates its development.

Cons:
- Unlikely to result in a large new secondary market for business loans.
- Section 6 (which enables depository institutions to invest in SBRS') would likely be ineffectual due to the recent mark-to-market FASB ruling. Business loan-backed securities would present too much volatility.
- Section 8 would be in possible violation of Basle accords, which provides that capital should be maintained against all of an institution's credit risks on and off the balance sheet. Shifts credit risk to Federal deposit insurance system.

not a strong con

Rep. Kanjorski (D-PA) plans to introduce a bill on or around June 1 that would tear down the same legal impediments and offer the same tax advantages as S. 384, but it would do so for securitizations of all C&I loans -- not just small business loans. This bill would thus provide a slightly larger credit enhancement than the D'Amato bill. The Kanjorski bill would also give Treasury the authority to create a secondary market participation license based on capital standards. It would also allow Fannie Mae and Freddie Mac to become licensed secondary market participants. To the extent these GSEs lose enough money to trigger a government bailout, the Federal government would be providing a credit enhancement as well.

Additional Pros (beyond the D'Amato bill):
- Treasury would be able to establish a more orderly market through its licensing.
- Under-served areas could be targeted.
- Broader market could enhance liquidity.

Additional Cons:
- Potential government exposure through Fannie Mae or Freddie Mac.
- It is unclear how restricting the level of activity by any market participant would increase efficiency or facilitate securitization activities.

Direct Government Credit Enhancement

It is unclear that taking any or all of the above steps would result in the development of a strong secondary market for business loans given the inherent market-based problems involved with doing so. Numerous lawmakers have called for the immediate establishment of a secondary market for business loans. Specifically, lawmakers wishing to instantly create this market have called for the creation of a new GSE to encourage the formation of a secondary market for small business loans. Presumably, like Fannie Mae, a GSE would provide its small business loan-backed securities with an implicit Federal government guarantee. Rep. LaFalce has proposed H.R. 660, the Small Business Credit Availability Act of 1993, that would establish the Venture Enhancement and Loan Development Administration for Smaller Undercapitalized Enterprises (Velda Sue). Velda Sue would create a secondary market in qualified small business loans either by securitizing small business loans or guaranteeing securities issued by private loan poolers.

Pros:
- Would provide a strong incentive to the growth of the secondary market.
- Velda Sue may be able to improve the secondary market for small business loans by establishing underwriting standards, as mentioned above, across the industry.

Cons:
- The existence of a government sponsored enterprise does not ensure the formation of a secondary market. Farmer Mac has been up and running since 1988 but has only completed three securitizations to date.
- May result in large scale losses to Federal government should banks sell their non-performing assets to Velda Sue.
- The Federal Government could be subject to large scale losses should Velda Sue guarantee junk debt.
- The development of underwriting standards could harm those businesses that cannot meet those standards.
- Like Fannie Mae, Velda Sue could become the dominant market player - stunting competition and innovation.

Relative to the Velda Sue proposal, an expansion of the SBA 7(a) loan program would appear to be a more efficient way of fostering the securitization of business loans. Instead of the Government creating a new GSE that would purchase and securitize business loans with an implicit government guarantee, an existing bureaucracy could simply guarantee more business loans which are easily securitized already. Approximately half (dollar volume) of all SBA-backed portions of section 7(a) loans are already resold into an active secondary market. The Clinton budget proposes to expand the size of the section 7(a) program to meet an upward surge in demand that has occurred over the past two years.

Pros:
- Provides credit to small business unable to get bank credit on similar terms.

- It is the option to expand small business lending most strongly advocated by the banking industry
- Program is more accountable to the Government than a GSE and has an existing bureaucracy in place to administer the program.

Cons:
- Requires Government funding of roughly five cents for every dollar loaned.

OPTIONS

Option 1: Support nothing beyond the Administration's recently announced Credit Availability Program. Wait for small business lending to pick up as the economy improves.

more target-directed

Option 2: Immediately provide small business loans by increasing funding for the SBA's Section 7(a) program.

(regulations)

Option 3: Support legislation that removes impediments to the creation of a secondary market, such as the Dodd bill.

Option 4: Support legislation that creates a secondary market with direct or indirect enhancements, such as the D'Amato Bill or Velda Sue.

Appendix
Market-Based Hurdles to Business Loan Securitization

- Assessing the value and credit worthiness of business loans is very expensive compared to other types of credit (e.g. home mortgages). Business loans are typically based on non-empirical data such as business plans, cash-flow projections, and a borrower's background, experience, and credit history.

- The lack of uniformity (size, term, industry, type, collateral, etc.) among business credits makes standardization technically complex.

- The collateral associated with business loans is more difficult to make liquid in the event of foreclosure. Compared to a piece of residential real estate, the plant and equipment of a failed business would typically be more difficult to sell and be of lower value. Note, however, that there are examples of securitized receivables with illiquid collateral, e.g. commercial mortgages and RTC pools.

- The advantages gained from diversification in the mortgage and credit card-backed securities market may be less available in the business loan market. These securities are typically backed by large and geographically diverse numbers of borrowers. The diversification associated with these pools lessens the credit risk of the securities. A private issuer of business-loan backed securities might have difficulty acquiring a large enough, or geographically/industry diverse enough, pool of credits to statistically improve the credit-worthiness of the associated securities.

- Unlike credit card receivables, the revenues from business loans may not be high enough to cover the costs associated with pooling them. Credit card loans are typically 7- 10 percentage points higher than small business loans.

Attachment

Capital Treatment of Loans Sold with Recourse

The following analysis focuses on the D'Amato bill (S. 384). It is the only pending legislation that has specific language on the capital treatment of loans sold with recourse. However, the analysis should apply to any similar treatment of this issue.

S. 384 states explicitly that "the amount of capital required to be maintained by an insured depository institution under applicable capital standards and other capital measures with respect to the sale of a small business loan with recourse shall not exceed an amount sufficient to meet the institution's reasonable estimated liability under the recourse arrangement."

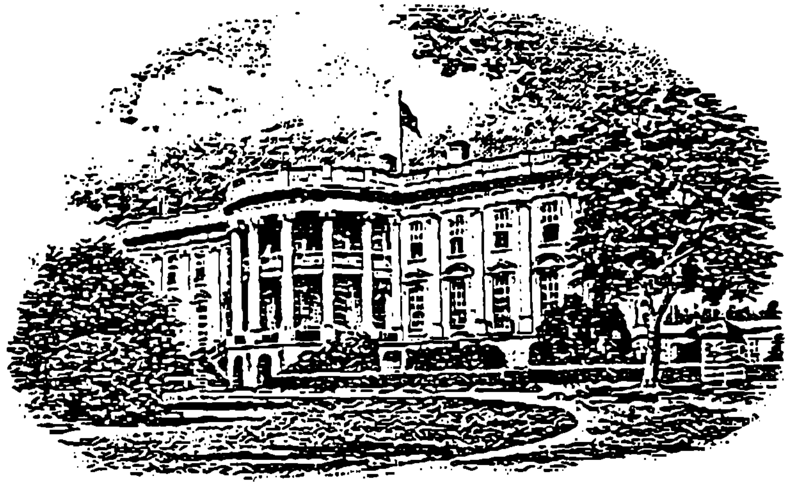
GAAP accounting permits loans sold to be removed from an institution's books whether or not the sale is subject to recourse. In a recourse sale the institution must establish a loan loss reserve to cover expected losses under the recourse arrangement.

The regulators require loans on an institution's books prior to sale to have a reserve equal to expected losses and to have capital representing 8% of the unreserved balance to cover unexpected losses. When loans are sold subject to recourse, the regulators insist that the 8% capital requirement continue to reflect the institution's amount at risk -- subject to recourse.

Under the D'Amato bill an institution could sell loans with substantial or full risk retained under recourse, but have capital representing only expected losses. It would not have to maintain any capital against unexpected losses. This D'Amato approach is in conflict with longstanding regulatory reporting and capital requirements. It is inconsistent with the Basle Accord as well, which provides that capital should be maintained against all of an institution's credit risks on and off the balance sheet.

The Federal Reserve staff has examined the loss experience of SBA's small business loans and has discussed exposure levels required for securitization with investment bankers. The SBA experience indicates that actual losses range from 4 - 25%. Investment bankers indicate that to get a satisfactory credit rating for small business loans, several levels of credit enhancement would be necessary. Primary enhancement alone must be three or four times the expected losses on the loans. One investment banker advised the Federal Reserve staff that "to market one small business loan securitization, the originator had to retain a subordinated interest equal to 35% of the underlying pool of loans."

The essence of the small business loan securitization issue is who bears the credit risk for "unexpected losses". In the D'Amato bill, banks, and indirectly the federal deposit insurance system, will bear most of the risks, since there will be recourse back to them for losses or other problems with loans they provided for securitization. This will be true however accurately the banks account for their exposure. Alternatively, investors would bear more of the risk if recourse back to the loan originator were limited.



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5/6/93

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THE WHITE HOUSE

WASHINGTON

May 12, 1993

MEMORANDUM FOR INTERAGENCY WORKING GROUP
ON NEW AND GROWING BUSINESSES

FROM: Peter Yu
National Economic Council

SUBJECT: Meeting on Definitional and Empirical Issues

We will meet **Thursday, May 13, from 10AM to noon in Room 9104 NEOB** to discuss definitional and empirical issues concerning new and growing businesses. Although it may not sound glamorous, these issues will both provide a foundation for and inform the Administration's job-creation strategy. Only by understanding existing small businesses, as well as existing small business regulations and markets can we begin to develop a meaningful strategy for encouraging--or at least not discouraging--job-creating enterprises and growth. An illustrative list of questions that will inform Thursday's agenda is attached.

On Friday, OMB and Treasury will circulate a draft options paper concerning the Administration's position on pending securitization and secondary-market legislation. Please review that document. We will meet to discuss the draft on **Tuesday, May 18 from 4 to 6 PM in Room 248 OEOB.**

Thank you.

PROPOSED OUTLINE OF ISSUES CONCERNING NEW AND GROWING BUSINESSES

I. EMPIRICAL PREREQUISITES: DIMENSIONS OF NEW AND GROWING BUSINESSES

A. *Firm Basics*

0. Current definitions
1. Number
2. Trends in number
3. Revenues, assets, other measures
4. By SIC code
5. By legal form
6. By geography (both region and type of community)

B. *Employment Basics*

1. Number of employees
2. Trends
3. Occupations
4. Skills and education
5. Job creation/destruction

C. *Dynamics*

0. Origins
1. Mean lifespan
2. Failure rates
3. Life cycles?
4. Innovation?
5. Maturation?

D. *Financing*

1. Sources of financing: start-up, equity, debt
2. Access to financing

E. *Quality of Jobs*

1. Wages
2. Benefits
3. Security
4. Organization

F. *Women-owned and minority-owned businesses*

1. Numbers
2. Trends
3. Comparisons

G. *New and growing businesses*

1. Common features
2. Common needs
3. Common problems

II. EXISTING POLICIES DIRECTED AT NEW AND GROWING BUSINESSES

A. *SBA (for each: costs, trends, subsidy rate, efficacy)*

1. 7(a)
2. 504 CDC
3. SBIC, MESBIC
4. Technical assistance
5. Procurement assistance
6. Disaster relief
7. Secondary markets
8. Microloans
9. Business Development
10. Women's Business
11. Procurement

B. *Procurement policy*

C. *Export-Import Bank*

D. *SEC*

E. *Tax expenditures*

F. *State and local policies*

G. *Private efforts*

H. *Technology transfer*

III. EXISTING POLICIES AFFECTING NEW AND GROWING BUSINESSES

A. *Employee benefits*

1. Health care
2. Pensions
3. Family leave
4. Related social-service functions
5. Flextime

B. *Additional workplace regulations*

1. OSHA
2. Worker training and education
3. Child labor
4. Americans with Disabilities Act

C. *Financing*

1. Credit crunch
2. Other lending
3. Interest rates

D. *Environmental regulations*

E. *Tax expenditures*

F. *Industry specific regulations*

G. *Bankruptcy laws*

H. *Defense downsizing*

I. *Product liability*

IV. Principles and Objectives for a National New and Growing Business Strategy

A. Reconsidering definitions

1. Why new and growing businesses?
2. What do these businesses have in common?

B. Needs of and problems facing new businesses

C. Principles and objectives

1. New and growing business as a point of access to the economy
2. New and growing business as a source of innovation
3. New and growing business as a source of job growth
4. New and growing business as an efficient provider
5. New and growing business as a source of exports
6. New and growing business in community development
7. Correcting market failures affecting new and growing businesses
8. Other values

V. Possible Agenda Items for a National New and Growing Business Strategy

A. Regulatory relief

B. Access to financing

C. Encouraging innovation

D. Job creation

E. Business creation and growth in distressed communities

F. Technical support and assistance

G. Manufacturing and support networks

H. Focused export promotion

I. Technology transfer

J. Research and development

New & Growing Businesses Mtg - 5-13-93

AMEX

- Disinction bet Growing businesses (bus who want to become the "IBM of 2020")
and lifestyle businesses (family-owned, mom & pops)

Growing - want to grow
lifestyle - don't necessarily want to grow

- Who are we trying to help? who should we try to help?

- Can we come to a definition? Should we?

1980 Regulation Flexibility Act

Size Issue: 500 employees? why this #? Doesn't make sense.

Job Creation Central Issue

Venture Capital Business -- Reinvigorate, reform
(allow firms to write off losses $)

Cognetics Study - David Birch

Interagency Working Group on New & Growing Bus. 5-18-93

OMB Options Paper on Pending legislation on Business Loan Securitization

D'Amato Bill on Accounting Aspects of Securitization
-- ~~OMB~~ Treasury Comptroller would like time to negotiate w/ Sen D'Amato Bill

a govt Get-out-of-the-way mechanism

- Need to Lower Cost of Doing deals keeping govt out of the way.

- SBA Administrator's Testimony does not formally include securitization issue

Large Banks want Assurance on:

Price Volitility
Market Access

means they are sticking with vanilla products, out of mortgages & others

Banks What they're good at is origination, servicing -- theory is they will continue to originate & service these loans.

SBA - Pooling of 7(a)s -- Lessons Learned?

- Question - Should Banks be allowed to sell their own paper (securitized assets)?
This question oft-debated -- not addressed by D'Amato bill.

- including underwriting provision in D'Amato Bill would get banks interested in this.

Options

possible loss of revenue in outer years?

- Semi-agreement that Bill should focus on eliminating regulatory impediments

"not so much on creating market

- some experience with mortgage-backed securities

Option 1 & 3 - will not guarantee an ↑ in loans to small businesses

SBA concern over a Velda Sue-Type program affecting existing SBA programs -- would eliminate need!

- Big question -- what happens if Velda-Sue fails?

- off balance sheet vs. on balance sheet loans?

- If market collapses under Velda Sue, not responsibility of Fed Govt to bail out

- catalyzation of market
- minimal Govt exposure

3 worthy Goals

Option

- SBA favors 3 over 4

- with 4 -- not ready to make that choice yet

#3 -- easy to agree with -- Govt gets out of way

- Reforming Statistical Collection measures
- Tightening of CAMEL Restrictions/Ratings

- BLS Data

- BLS - lots of data -- mostly ~~enterprise~~ establishment; not enterprise
EIA - Enviro companies, reg flex
Treasury - Tons of Data -- IRS data best on enterprise
\ confidentiality issue?

\ credit
- Access to Capital - Financing Issues
- Regulatory Issues - compliance/cost - permitting - overlapping state/federal
- Job Creation & Job Destruction
- Export/Import
- Tax code

- How can your agency add to creation of Def
-

- Guest Speakers -- don't reinvent wheel