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United States Senate
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510–6350

March 27, 2003

BY FACSIMILE
ORIGINAL BY U.S. MAIL

The Honorable Hector V. Barreto
Administrator
U.S. Small Business Administration
409 Third Street, S.W.
Washington, DC 20416

Dear Hector:

As the Chair and Ranking Member of the Senate Committee on Small Business & Entrepreneurship, we are concerned about reports that the Small Business Administration (SBA) is not applying the new econometric model for the 7(a) loan program as anticipated. Specifically, we understand that the agency is not applying the new model, as required by Public Law Number 108-8, to those loans made under the SBA's Supplemental Terrorist Activity Relief (STAR) Loan Program, or to those pre-existing loans re-classified as STAR loans. By enacting this law, we in Congress intended that the new econometric model apply to *all* loans issued under the 7(a) loan program, including STAR loans.

Given the importance of the STAR loans and the impact that a failure to apply the new econometric model could have on the overall 7(a) loan program, we would appreciate your providing us with a detailed written explanation regarding the manner in which you are applying the new econometric model, and, specifically its application to the STAR loans. Please include with your explanation copies of any relevant documents, including, but not limited to, legal opinions, memoranda, or statements supporting your explanation, correspondence sent by the SBA to the Office of Management and Budget (OMB), or received by the SBA from the OMB.

Thank you for your cooperation. I would appreciate your supplying the aforementioned information by noon on Tuesday, April 1, 2003. If you have any questions, please have your staff contact Mark Warren, Majority Staff Director, or Patricia Forbes, Democratic Staff Director, at (202) 224-5175.

Sincerely,

Olympia J. Snowe
Chair

John F. Kerry
Ranking Member