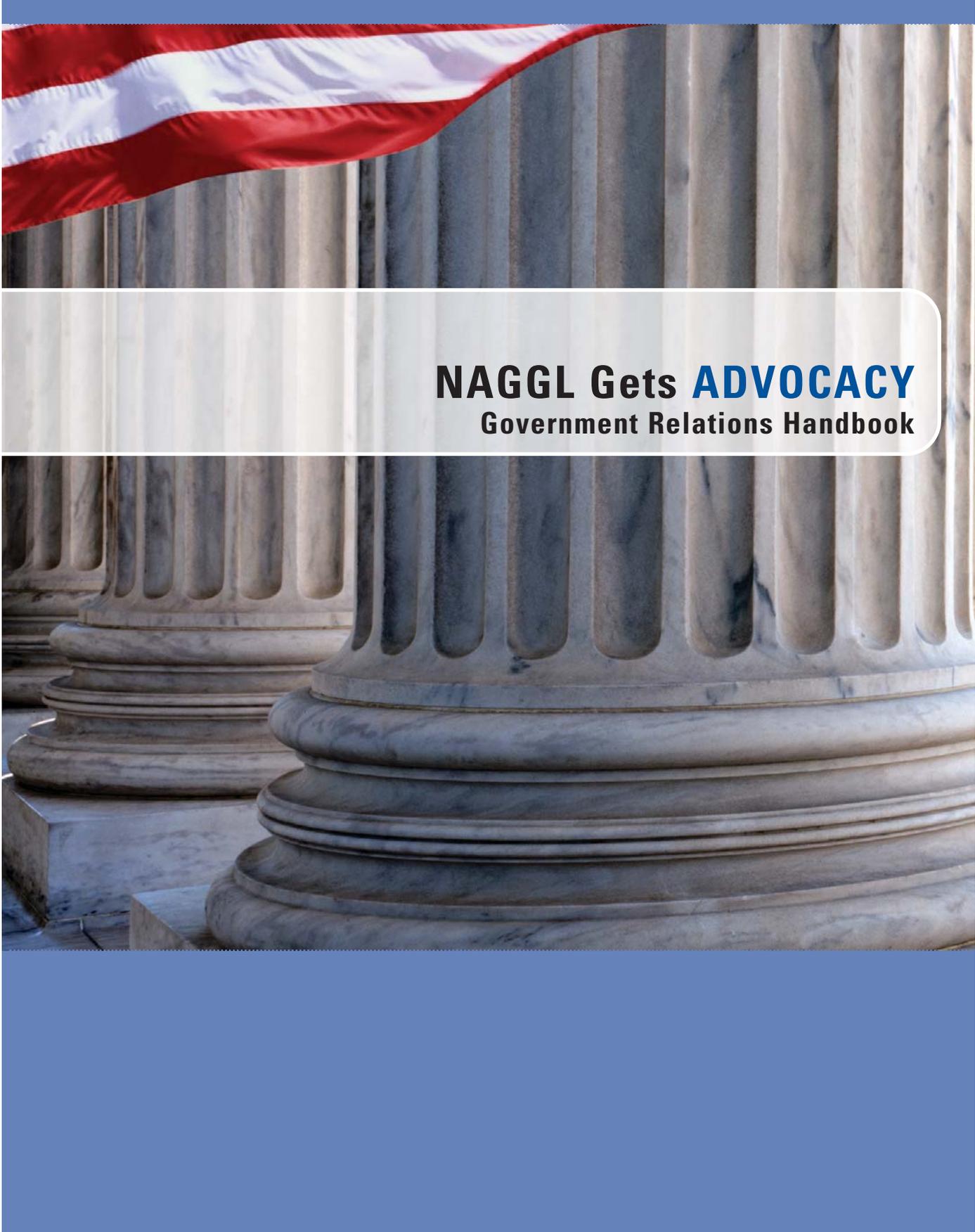




NATIONAL ASSOCIATION
OF GOVERNMENT GUARANTEED LENDERS



NAGGL Gets **ADVOCACY**
Government Relations Handbook

NAGGL Gets **ADVOCACY**

The National Association of Government Guaranteed Lenders was founded in 1984 on the heels of a legislative crisis, and since then has consistently had a presence in Washington, D.C., lobbying for the betterment of the U.S. Small Business Administration's flagship 7(a) loan program. The association has partnered with the House and Senate Small Business Committees, made strategic alliances with other trade associations, and enjoyed internal cooperation with the SBA to improve the 7(a) program. It has helped clarify and interpret the language of policy notices and Standard Operating Procedures manuals, and fought to save the program from annihilation. NAGGL Gets Advocacy. The important question, though, is why should you?

This manual is not designed to glorify NAGGL's governmental influence or to draw attention to the association's past success on Capitol Hill. Instead, it's a blueprint designed to help industry participants know, when they receive a call to action in the legislative process, exactly what to do to respond effectively, and how to be prepared for that call well before it comes. This manual is all about the person holding it, and how with that person's help, the 7(a) industry will continue to become a stronger and more vital resource for America's entrepreneurs. ♦

The How and the **WHY**

Strength in Numbers

It can be easy for individuals to misunderstand their responsibility to the whole and their own importance to the outcome of larger events. It happens regularly in American politics—*How could one vote of 100 million make any difference?* This attitude when translated to a small niche industry like SBA lending can have truly destructive impact.

If an issue arises that is key to the future of the 7(a) industry and elected officials see apathy from program participants, the issue immediately becomes unimportant to them as well. In fact, if program participants don't voice their opinions, many elected officials never even become aware that an important issue ever existed. Unlike many well-heeled lobbies, the 7(a) program's ongoing success lives and dies with the grassroots engagement of the people that

it keeps employed—both borrowers and lenders.

What's at Stake?

Unlike most Presidential elections, what is at stake for each program participant is their livelihood. As in few other industries, the stroke of a pen could at any time put thousands of people out of work. This fact should provide enough motivation to keep program participants from ever passing on an opportunity to share with their legislators how important the 7(a) program is to them, the legislator's constituents, and the U.S. economy as a whole.

No Off-Season

Though the times of uncertainty in a government program are intermingled with times of relative stability and peace, participants must avoid the temptation to hibernate during the good times. When prosperous

times are not used as great opportunities to continue building relationships with legislators and sharing the message of the program's value, the bad times tend to follow the good in more rapid succession. The political think tanks that regularly propose the demolition of the Small Business Administration never take sabbaticals. Neither should 7(a) program participants.

It is indeed difficult during prosperous times in the industry not to want to spend every free moment generating business "while the sun shines." That is why it is of ultimate importance that all 7(a) lenders implement a plan to make grassroots work a part of their everyday business routines even in those good times. That is exactly the kind of plan that this manual will attempt to help you lay out—regardless of institution size or the resources at your disposal. ♦

Getting **STARTED**

Making an Action Plan

In every successful SBA department, a holistic, strategic plan undergirds every activity and decision. If the department manager doesn't know how the bank's product is positioned, who the bank's target market is and how to go about reaching them, or where the key centers of influence are and how to penetrate them, the department will have a very difficult

time meeting its goals. The legislative process is no different. The elements of a lender's government relations plan will be different depending on what it wishes to accomplish in the legislative process and what resources it has available to devote to the effort. But no lender can know if it has been successful if it never formalizes a plan by which it can gauge success.

"When prosperous times are not used as **great opportunities to continue building relationships with legislators**...the bad times tend to follow them in closer succession."

Elements of a Successful Plan

- **Total Management Commitment:** In some cases, the Bank President is also the head of the SBA Department, but not often. Commitment to be engaged legislatively must come from the top of the food chain. If that doesn't describe you, find a way to convince management of the importance of advocacy, and then follow up consistently to keep their buy-in strong—make it a priority at the highest level of your institution.
- **Accountability:** Whether you create feedback forms for your employees' phone calls to their representatives

or make it an agenda item on your staff meeting, your employees must know that they have to answer for the things you've instructed them to do—the GR process keeps them in their jobs, so it should be a part of their job descriptions. And when good things happen, share the positive feedback with your team to keep morale high.

- **Ongoing Education:** Why is the SBA program important to the economy? What difference does a subsidy rate make? If your employees don't know why the issue they're calling about is important to them, to your borrowers, to the industry, to the American economy, they can't be expected to be effective grassroots

lobbyists, and they will not be enthusiastic about becoming a part of the process. Education generates passion, and when focused passion produces results.

- **A Road Map:** When a legislative crisis arises, it is too late to decide the best way logistically to deal with it. That preparation should be made long before the "how-to" is necessary information. Map a plan. Create a flow chart. Do whatever you need to do so that when crisis hits it is clear who the point person is, and how the information is to trickle down to the different parts of the team. ♦

Tools of The TRADE

These most common methods of communicating with legislators are easy ways to begin making a difference in the legislative process:

- **Letters:** Many think the time to send letters is when there is an immediate crisis. While that is certainly an appropriate time for this medium, it is even more important that letters go out to legislators on an ongoing basis so that a crisis is not the only time that they hear about the 7(a) program, or hear from you.

At every loan closing, letters from the borrower and lender to all appropriate Senators and House Representatives should be a part of the documentation everyone signs. All the address information is readily accessible from NAGGL at <http://capwiz.com/naggl/home/>, where form letters are also available (those letters can also be downloaded in Word format at www.naggl.org/sampleletters). Have a stamped, addressed envelope ready for both letters, and get them in the mail the day of the closing. The long-term impact of including this in your process will be tremendous. After Congressional assistance, thank you letters should always be sent as well.

- **E-Mails:** E-mails can be very valuable in crunch time to mount fast campaigns of multiple contacts. But e-mails should always be fol-

lowed up with a phone call, as they tend to be the last priority as far as response is concerned. Automated e-mail messages to your Congressional representatives and e-mail message templates are also available at <http://capwiz.com/naggl/home/>.

- **Phone Calls:** Aside from face-to-face visits, phone calls are the most effective communication tool, because the accountability to respond to you increases tremendously when you make a live, personal connection with someone in a Congressional office. Try to get the person on the phone who handles small business or banking issues. When making Congressional calls in relation to specific requests: push for a commitment to support your request, give the aide action points, and set a time for follow-up communication. Keep calling until the issue has been resolved favorably or otherwise.

Phone calls require you to be more familiar with the issues, which necessitates more commitment, but their value cannot be overstated. It is important to remember that you are far more knowledgeable about the program than the person on the other end of the phone will be, and that you don't have to answer every question immediately. If you have to find the information and get back with the staffer, it simply opens the door for follow-up communication and accountability. The best govern-

“You are far more knowledgeable about the program than the person on the other end of the phone will be, and you don't have to answer every question immediately. If you have to find the information and get back with the staffer, **it simply opens the door for follow-up communication** and accountability.”

ment relations teams have efficient calling mechanisms at the core.

- **Faxes:** Make a point of sending letters via fax as well as in the mail, as the Congressional mail delivery system is forever slowed after 9-11.

As you get your feet wet in the grassroots process, the following are “next level” techniques that can have tremendous impact with lawmakers, especially after you've established familiarity with a particular Congressional office:

- **Office Visits:** Most lenders won't have regular opportunities to visit their Congressmen in the nation's Capitol (though we do recommend it if possible). But every lender can set aside time to make visits to their Senators' and Representative's district offices when they're home on Congressional recess. Talk about the program—and show them the economic impact it has by recruiting star borrowers to go with you and tell their stories. When 7(a) program success stories put on flesh and bone, supporting the program starts to make sense to your elected officials.

- **Site Visits:** Look for the special borrowers that have tremendous

impact on their communities, and work with the business owner to invite their elected official to their place of business for a tour, a ribbon cutting ceremony, or a press conference. Give the borrower a chance to tell its story, and the elected official a chance to be on record in support of the 7(a) program. Invite the press and take full advantage of the opportunity.

- **News Media:** Teach your business development officers and loan officers to always be on the lookout for the media darling small business stories.

Has the borrower weathered tremendous hardship on the way to success? Tell the story of how

the 7(a) program helped make the difference. Does the business have a particular economic significance in a depressed area? Weave the tale of jobs saved and created. Is the business in a political-buzz-word industry like manufacturing or anti-terrorism technology? Show the 7(a) program at work saving American jobs or American lives. Think about what's important in the lives of Americans—and never miss a headline! Find your local media contact—you guessed it—at <http://capwiz.com/naggl/home/>. If you'd like assistance placing a story, get in touch with NAGGL and we'll help make it happen. ♦

RESOURCES

NAGGL makes multiple resources available to industry participants to assist them in their government relations efforts. Among these are:

Capwiz: NAGGL makes the world's most robust web-based lobbying system available to industry's participants at <http://capwiz.com/naggl/home/>. Key features of the system include:

- Full contact information for your elected officials via zip code, name, or location search.
- Information on your elected officials' key staff, their committee affiliation, their background, and more.

- Key vote tracking so you can determine whether your elected officials are voting in support of the program.
- Information on your local media outlets.
- Template e-mails and letters for key initiatives and regular correspondence (loan closing letters are available here, and can be pre-addressed to elected officials by entering the borrower's and lender's zip codes).

Staff Assistance: Whether you're trying to put together a form letter for the closing process or scheduling a trip to D.C. to testify before a Congressional hearing, NAGGL

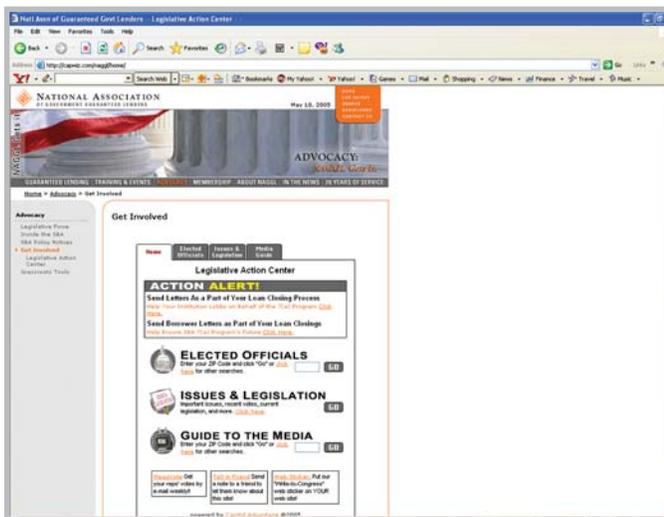
wants to help. Get in touch with us and let us put our years of experience to work assisting you.

Liaison Activity: If NAGGL doesn't have the answer, we know the people who do. Our close relationships with the Small Business Committees and other key trade associations give us leverage in scheduling meetings, placing news stories, and strategic planning.

Samples: NAGGL makes templates of several typical communications pieces available at its website. Download samples at www.naggl.org/sampleletters.

Loan Lists: In meetings with elected officials and their staff, nothing makes an impact like loan lists from the Senator or Representative's home district. When they see names on the list that they recognize from driving around town while on Congressional recess, they tend to make the connection between the 7(a) program and economic vitality back home.

Talking Points: When NAGGL is working to resolve key issues, we ask our members to get involved en masse. In such situations, we provide very specific talking points for industry participants to study and use in their communications with elected officials. We can also help you devise talking points for general meetings when no crisis exists. ♦



The landing page of NAGGL's Legislative Action Center, powered by Capwiz

GR Best PRACTICES

In recent years as legislative crises have been more commonplace, an increasing number of NAGGL members have become more proactive in their lobbying efforts, realizing that their stake in the industry's success by necessity has drawn them into the fight for its advocacy. Their entrepreneurial spirit has given birth to numerous innovations. Following are several best practices from what we've learned from this group of dedicated industry professionals:

- **Team Training:** Several members have set aside valuable work time for their entire staff to be re-familiarized with the legislative process on a regular basis. In this environment, every team player comes to know what is expected of them, and how they are to go about accomplishing it when a legislative alert goes out.

The most successful teams provide annual or semi-annual training as well as regular updates in tandem with staff meetings to keep them tuned in and engaged in the process—and they continually remind their employees that their job security is directly tied to the industry's stability.

“In recent years as legislative crises have been more commonplace, an increasing number of **NAGGL members have become more proactive in their lobbying efforts**, realizing that their stake in the industry's success by necessity has drawn them into the fight for its advocacy.”

- **Congressional Relationship Building:** The most successful grassroots lobbyists don't wait until a crisis to call their Congressmen. They have worked consistently to attend town hall meetings, meet with staff, donate to and volunteer for campaigns, and take numerous other measures to ensure that when their call goes in on behalf of the 7(a) program, it is taken and given top priority.

If you're not on a first-name basis with your Congressman, especially as the leader of a program, you're limiting your opportunity for success.

- **Assigning a Point Person:** Even in a small shop, one person can rarely accomplish everything in the process. But if one person is not assigned to take the lead, no government relations initiative will succeed. Give leadership to someone internally, and then put the resources behind them to make their efforts successful.

- **Keep It Clear, Keep It Simple:** Making calls to congressional staff probably will take many of your employees out of their normal comfort zone. Therefore, employees need clear and simplistic instructions on who to call, what precisely to say in what order, what to ask for as a response from the staffer, and even some rebuttal points to use from anticipated staff responses.

Success breeds enthusiasm and investment in the process, but failure breeds tentativeness and withdrawal from the process. Put your employees in an environment where it is easy for them to succeed.

- **Involving Your Borrowers:** Like it or not, because lenders make money on 7(a) transactions, some Congressmen and/or staff will always see them as “greedy bankers” who are lobbying only

out of selfish motives. The most successful lenders jump this hurdle holding their borrowers' hands.

Have your borrowers write letters, introduce them to the press, or bring them with you for visits to Congressional district offices. When the program becomes human—especially with one of their constituents who employs additional constituents—Congressional ears tend to perk up. The 7(a) program should always be primarily portrayed as a borrower benefits program, never as a lender benefits program, because the program at its core was intended to benefit borrowers first—and does. Remember, your borrowers are also voters who have taken advantage of a governmental program that your Congressman has a responsibility for overseeing. ♦

Putting It Into PRACTICE

Combine several best practices, add a little elbow grease and a lot of time on the phone, and you have one of the more impressive success stories in NAGGL's history, all because four members were prepared to answer a call to action.

In late December, 2003, the SBA enforced a \$750,000 loan cap without Congressionally-mandated notice. Multiple borrowers around the country who had submitted larger loan applications in good faith within the timeframe given by the SBA were told they were no longer eligible for financing through the 7(a) program.

A time window of two weeks was available to find these affected borrowers, ascertain their stories, schedule their flights to Washington, D.C., and have them testify before Congress in efforts to reinstate the \$2,000,000 loan max for the 7(a) program.

NAGGL asked its members to gather stories and send them in, which is exactly what many lenders went about doing. More than 100 stories were submitted by NAGGL members, and nearly half of them turned into media stories. Four of the harmed borrowers headed to Washington to tell their stories.

Ted R. Sanders Moving & Warehouse, Inc., a 109-year-old, family-owned moving business in Nashville, was going to improve monthly cash flow by \$7,000 with a \$1.5 mm refinance of its existing commercial mortgage via a 7(a) loan with U.S. Bank.

David Pilcher, a senior financial officer at the company, told the House Small Business Committee—and press row—that instead of adding another employee and improving facilities, the company was left to wait through the leanest time of year for a loan that was approved and waiting to close.

While in Washington, Mr. Pilcher met with his Representative, Jim Cooper (D-TN-5), who also attended the

hearing and spoke eloquently and sharply to the need to reinstate the 7(a) program's lending maximum and take care of the borrowers who were harmed by the SBA loan cap.

4D Solutions, Inc. had won awards and been a poster child for the success that the SBA's 7(a) program can breathe into a small business. This 15-employee company had beat out moguls like Lockheed Martin to win a contract providing computer-based training to the Royal Saudi Air Force, but their ability to handle the long gaps between payment from the Saudis was contingent on a \$1 mm line of credit that M&T Bank renewed each year with a guarantee via 7(a) loan program. Without the company's loan renewal, Pegg told Congress that 4D Solutions was on the brink of shutting its doors.

Bank One borrower Elliot Moses was denied a \$1.3 mm loan he and his wife were counting on to purchase DaCo Enterprises, a high-tech machining company in Sandy, UT

“These four NAGGL members took extra initiative, assigned someone to gather the information, reached out to their borrowers, and **saw the stories of those four companies make it into newspapers and business journals throughout the country**—a significant step in the removal the following month of the loan cap that had hindered both borrowers and lenders.”

that provided 25 high-tech manufacturing jobs to that economy.

Representatives of Business Loan Express borrower Everglades Adventures and the mayor of Pahokee, FL testified about a \$1.7 mm loan they couldn't close to turn the eastern shore of Lake Okeechobee into a tourist destination, a project the struggling city counted on to revitalize one of the most economically depressed areas in the state.

These four NAGGL members took extra initiative, assigned someone to gather the information, reached out to their borrowers, and saw the stories of those four companies make it into newspapers and business journals throughout the country—a significant step in the removal the following month of the loan cap that had hindered both borrowers and lenders. ♦

Dos and DON'TS

Because it's always best to learn from someone else's mistakes—and we've made plenty over the years—here are a few pointers on getting engaged in the legislative process that should help you avoid some bumps in the road we've seen and experienced before.

Making Phone Calls

DO...

- Look for commitment and make clear that you'll follow up to track the issue
- Talk to the person handling small business issues
- Follow up, follow up, follow up!
- Offer to provide whatever data the office needs—then call NAGGL to get it if you don't have it.
- Follow through on any commitments you make—it has to be a priority for you before it becomes one for them.
- Call both the district office personnel and the personnel in Washington, D.C.
- Involve your borrowers in any way possible.

DON'T...

- Settle for leaving your message with an intern or junior staff assistant
- Let anyone tell you your call doesn't count because you don't live in the district. If you make loans in the district, your call is relevant.
- Make the only call to an office as a non-constituent—have your locals call in as well.

Setting Appointments

DO...

- Find out who you know, work with, or employ who might have an "in" with the office (one lender's daughter roomed with the daughter of an important Representative's scheduler)
- Bring colleagues and borrowers
- Rehearse
- Leave them with something to remind them of the main points of the conversation (loan lists work great, as do talking points)

DON'T...

- Cancel. Show your rep that you understand the value of his/her time.
- Be long-winded—give the rep the opportunity to ask questions and add his/her own input.

Letter Writing

DO...

- State your concern and request in the first line of the letter.

- Complement and thank your rep for past support if applicable
- Fax before you mail

DON'T...

- Be threatening or polemic
- Write more than one page unless you have a very, very good reason.
- Send your letter without first handing it to your office's best proofreader for review

Seeking Media Coverage

DO...

- Find out who you know, work with, or employ who might have an "in" with the media outlet (one lender had a processor who was dating a local TV personality)
- Look for an angle that would make the pitch newsworthy
- Pitch your story on government holidays where possible—any story can go national when no other news is happening.
- Work to become a "go-to" resource of at least one key local news outlet
- Clip the story, tape the broadcast, etc. and forward it to your Representative's office.

DON'T...

- Pitch your story on a busy news day
- Become a "nuisance" to the news editor. Become a resource!
- Send your pitch without first handing it to your office's best proofreader for review
- Use cliches

Miscellaneous

DO...

- Quantify the benefits to the borrower and U.S. economy when speaking with your legislators—focus on the tax base, job growth, etc. Don't let it become a "lender" or "banking" issue in their mind.
- Provide feedback to NAGGL. Carbon copy us on your letters, let us know when a legislator attends an event or makes a commitment for support. In crunch time, provide information on your contacts to key players—the more NAGGL knows about your efforts, the more we can focus our own. ❖

ADVOCACY::

NAGGL Gets It.