As a former small business owner, I know firsthand how important credit availability is to a small business' ability to grow and to create jobs. After having talked with so many small business owners throughout the district, there is no question that their lack of access to credit has caused many of them to either lay off employees or to close their doors altogether.

Small businesses are a critical component of our economy. They are the engine that drives economic growth in the United States. Any economic recovery will be made in large part through increased hiring by our nation's small businesses. According to the National Federation of Independent Business, over the last 10 years small businesses have been responsible for creating substantially more new jobs than large publicly traded corporations. In fact, during the last decade, small businesses have generated 60 percent to 80 percent of net new jobs annually.

A crucial aspect of the ability of these businesses to hire new and retain existing employees is access to capital. Many healthy small businesses are currently unable to acquire new lines of credit, which has prolonged this economic downturn.

A Federal Reserve study conducted in July 2011 found that only 7.8 percent of loan officers from more than 70 banks surveyed said they had made it easier for small businesses to get commercial or industrial loans. In stark contrast, almost 22 percent of those same loan officers said their banks loosened lending standards for larger firms.

Community banks provide critical capital to our local communities and help sustain small businesses across our nation. Often, these financial institutions want to lend, but current regulatory pressures are forcing even healthy financial institutions to raise and hold onto additional capital. This reduces the amount they can invest in the community.

Action must be taken to reverse this trend, providing local banks with much needed regulatory relief that will result in increased lending to small businesses. This is why I am introducing the Small Business Lending For Jobs Act of 2012. The bill is targeted to community banks; it applies only to banks with under $10 billion in assets.

This legislation would provide bank regulators & the Consumer Financial Protection Bureau a mission of promoting credit availability so long as credit is provided in a safe and sound manner. Currently, examiners often take the most conservative approach with the biggest negative impact on the bank. This bill provides balance by requiring agencies to promote credit availability so long as banks provide credit in a safe and sound manner. This change will mean the examiner will now factor in the impact on customers, the community and the bank in assessing loans.

The bill will also promote credit availability for small businesses by helping preserve a bank's capital by allowing amortization of loan losses over time (up to seven years) on commercial real estate and other real estate owned. Without amortization the loan loss must be taken all at one time, often when the real estate is at its lowest value. Amortizing these losses over time preserves bank capital and lending ability, and allows real estate values to recover. Preserving bank capital through loan loss amortization means a bank is able to do more lending in a community, which produces jobs and hastens economic recovery.

Following the financial crisis beginning in late 2008, federal banking regulators overreacted to the problems caused by the big banks by placing very tough regulatory burdens on the smaller community banks — resulting in a tightening of credit availability to small businesses. My legislation is designed to strike the appropriate regulatory balance that will make credit available to small businesses while preserving the soundness and safety of community banks.

By Rep. Mike Coffman
The Aurora Sentinel
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