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January 16, 2018

The Honorable Steve Chabot
Chairman
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nydia Velazquez
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Chabot and Ranking Member Velazquez:

On behalf of the more than 5,700 community banks represented by the Independent Community Bankers of America (ICBA), I write to offer our support for the Small Business 7(a) Lending Oversight Reform Act of 2018 (H.R. 4743) as an important step toward ensuring the integrity and continued safety and soundness of the 7(a) program for the benefit of small business borrowers.

Section 3 of H.R. 4743 would codify critical SBA lender oversight. The SBA Office of Credit Risk Management and the Lender Oversight Committee play a critical role in supervising and overseeing all SBA lenders. Codification of the Office would guarantee its existence from administration to administration. In addition, Section 3 would ensure the Office Director is qualified for the post, provide guidelines for lender reviews, codify lender appeals rights, and create greater transparency in the Office's budget. Section 3 would also codify the Lender Oversight Committee which reviews formal enforcement recommendations from the Office of Credit Risk Management. These provisions of H.R. 4743 strengthen the integrity of all SBA guaranteed lending programs.

Section 4 of H.R. 4743 would codify the SBA's "credit elsewhere test." The 7(a) program is only available to small business credit applicants who would not otherwise qualify for a conventional loan. To safeguard the program from abuse, the SBA's "Credit Elsewhere Test" requires lenders to fully substantiate and document the reasons a given applicant cannot be served with conventional credit. ICBA supports codification of this test as an appropriate measure to ensure responsible use of the 7(a) program.

Section 5 of H.R. 4743 would help ensure stable funding in the 7(a) program, which is critical to the thousands of borrowers that rely on it. While the 7(a) program is fully funded by user fees and no taxpayer dollars are appropriated, a program authorization level must be approved by Congress each year, and once that level is reached, no more loans can be approved. Section 5 of H.R. 4743 would give the Administrator authority to raise the cap by up to 15 percent one time

each fiscal year with the approval of this committee, the Senate Small Business Committee, and the House and Senate appropriations committees.

Thank you again for introducing H.R. 4743. We look forward to working with you to craft the final legislation.

Sincerely,

/s/

Camden R. Fine
President & CEO

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