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*President and CEO*

March 13, 2018

The Honorable James E. Risch  
Chairman  
Committee on Small Business  
and Entrepreneurship  
United States Senate  
Washington, D.C. 20510

The Honorable Ben Cardin  
Ranking Member  
Committee on Small Business  
and Entrepreneurship  
United States Senate  
Washington, D.C. 20510

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 Risch, Ranking Member Cardin, Chairman Chabot, and Ranking Member Velazquez:

On behalf of the nearly 5,700 community banks represented by the Independent Community Bankers of America (ICBA), I write to thank you for scheduling a markup of the Small Business 7(a) Lending Oversight Reform Act of 2018 (S. 2283 and H.R. 4743, the “Act”). ICBA supports this bill 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. We appreciate bipartisan and bicameral action on the Act.

Section 3 of the Act 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 the Act strengthen the integrity of all SBA guaranteed lending programs.

Section 4 of the Act 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 the Act 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 the Act 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 marking up S. 2283 and H.R. 4743. We look forward to working with you as these important bills advance.

Sincerely,

/s/

Camden R. Fine  
President & CEO

*The Nation's Voice for Community Banks.*<sup>®</sup>

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1615 L Street NW, Suite 900, Washington, DC 20036-5623 | 800-422-8439 | FAX: 202-659-1413 | Email: [info@icba.org](mailto:info@icba.org) | Website: [www.icba.org](http://www.icba.org)