

July 19, 2022

The Honorable Ben Cardin
Chairman
Committee on Small Business & Entrepreneurship
United States Senate
Washington, D.C. 20515

The Honorable Joni Ernst
Ranking Member
Committee on Small Business & Entrepreneurship
United States Senate
Washington, D.C. 20515

Dear Chairman Cardin and Ranking Member Ernst:

As the leading organizations representing virtually all of the thousands of lenders participating in the U.S. Small Business Administration's (SBA) 7(a) loan program, we write to express our appreciation for your leadership in responding to issues arising from recent policy changes made to the 7(a) program by SBA.

We support the mission of the 7(a) program to encourage lenders to provide loans to underserved small businesses. We remain concerned that SBA's decision to lift the moratorium on the number of non-Federally regulated lenders in the 7(a) program while simultaneously loosening underwriting standards may negatively impact the performance of 7(a) loans, threaten the integrity of the program, and lead to increased borrower and lender fees.¹

As an industry, we have well documented these concerns and urged Congress to take swift action to prevent serious risk to the program and to small business borrowers across the country. Our organizations have called for legislative action, dating back to a joint letter sent to both the Senate and House Small Business Committees on December 1, 2022, shortly after the sweeping rule changes were first proposed. We appreciate that the Senate Small Business Committee under your leadership is moving forward with a legislative response to SBA's actions by considering the *Community Advantage Loan Program Act of 2023*.

We especially appreciate that the legislation being considered:

- provides permanency to the Community Advantage program, which has operated as a pilot program;
- caps the number of Small Business Lending Companies (SBLCs));
- provides additional guardrails and authority for the Office of Credit Risk Management (OCRM) at SBA to enhance oversight of non-Federally regulated 7(a) lenders for which SBA serves as the primary regulator;
- reinstates the SBA Franchise Directory; and
- reinstates the Loan Authorization.

Collectively, we support the efforts of the Committee to bring the legislation to this point, as well as support moving the process forward in the Committee so that we may continue the dialogue on these important issues. Our trade associations look forward to working with Congress through the legislative process, and we will continue to give voice to the lending industry's concerns regarding how best to maintain 7(a) loan program integrity. Supporting small businesses, especially those businesses that rely upon SBA-guaranteed financing, is of utmost importance to our national economy and our organizations stand ready to assist in

¹ See SBA's recent issuance of Final Rules on *Affiliation and Lending Criteria for the SBA Business Loan Programs* [88 FR 21074] and *Small Business Lending Company (SBLC) Moratorium Rescission and Removal of Requirement for a Loan Authorization* [88 FR 21890], as well as two revised and one newly created Standard Operating Procedures manuals (SOPs) and other program guidance.

ensuring that access to capital is protected. Once again, thank you for working in a bipartisan fashion to take this important first step in addressing concerns over the recent 7(a) rulemakings.

Sincerely,

American Bankers Association (ABA)

Consumer Bankers Association (CBA)

Credit Union National Association (CUNA)

Independent Community Bankers of America (ICBA)

National Association of Federally-Insured Credit Unions (NAFCU)

National Association of Government Guaranteed Lenders (NAGGL)

Cc: The Honorable Roger Williams
The Honorable Nydia Velázquez