



## United States Senate

WASHINGTON, DC 20510-0905

October 06, 2021

The Honorable Charles Schumer  
Majority Leader  
Washington, D.C. 20510

The Honorable Nancy Pelosi  
Speaker of the House  
Washington, D.C. 20515

The Honorable Ben Cardin, Chair  
U.S. Senate Committee on Small Business  
Washington, D.C. 20515

The Honorable Nydia Velasquez, Chair  
U.S. House Committee on Small Business  
Washington, D.C. 20515

Dear Leader Schumer, Speaker Pelosi, and Chairs Cardin and Velázquez:

We write today regarding a deeply concerning provision contained within the House Small Business section (SEC. 100502. Funding For Credit Enhancement and Small Dollar Loan Funding) of the Budget Reconciliation Bill, that would authorize nearly \$4.5 billion over 10 years for the Small Business Administration (SBA) to issue direct 7(a) loans. We believe this would be an inefficient, costly, and unequitable position to put both lenders and borrowers.

Over the course of the last year the American people have witnessed financial institutions step up and provide relief to businesses of all sizes. In Fiscal Year 2020, the SBA approved 42,302 7(a) loans worth \$22.6 billion through 1,673 lending partners. Furthermore, during the COVID-19 pandemic we saw financial institutions work to standup the \$349 billion Paycheck Protection Program (PPP) in an unprecedented period of time to start the small business recovery. The final tally shows that 5,467 lenders worked to service nearly 12 million loans worth \$800 billion. Even more impressive is that the overall loan size in 2021 was just \$42,000. While the PPP was massively successful in getting money out of the door and to borrowers that desperately needed relief, the Economic Injury Disaster Loan (EIDL) has seen rampant mismanagement, fraud, and waste. According to a recent analysis by the SBA Office of Inspector General, there have been \$79 billion in potentially fraudulent EIDL loans processed and advanced. Compare this to the PPP, where only \$4.6 billion in potential fraud was identified. Out of \$800 billion for the full program, that is only .6% of the total. One of the main differences between these programs is the PPP relied heavily on banks, credit unions, fintech, and other private sector lenders. The EIDL program was entirely government run.

Aiming to get more 7(a) loans in the hands of the smallest of small businesses by providing the SBA \$4.5 billion to run its own lending program is misplaced. We encourage you to take lessons from the past year and see that the way to increase availability of these products to those that do not have access is not by simply having government play a larger role, but instead to empower financial institutions in doing what they do best. As mentioned above, there were nearly 5,500 PPP lenders. By expanding the lender pool in the 7(a) program to more lenders, borrowers will start to see more options. Giving the SBA the reins to run its own lending program will make it more difficult for existing lenders to continue to participate and potential lenders to even want to join the program. A 10-year authorization of \$4.5 billion for this

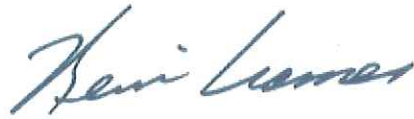
program with little to no oversight will also increase the level of concern over how the money is being used. Without proper parameters, the direct lending program can fall into a great deal of fraud and abuse.

As the United States emerges from the COVID-19 pandemic, the growth of small businesses and entrepreneurship must be a top priority. Unfortunately, under the reconciliation legislation currently under consideration, among other provisions, allowing the SBA to establish and run a lending program that they themselves regulate will harm job creators and hurt the United States economy as a whole.

Sincerely,



Tim Scott  
United States Senator



Kevin Cramer  
United States Senator



Bill Cassidy  
United States Senator



Roger Marshall, M.D.  
United States Senator



Thom Tillis  
United States Senator



John Barrasso, M.D.  
United States Senator



James Lankford  
United States Senator



Todd Young  
United States Senator



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Steve Daines  
United States Senator



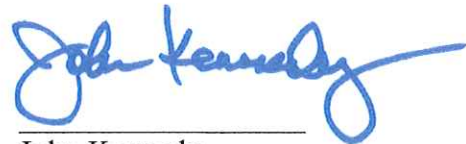
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James E. Risch  
United States Senator



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Mike Crapo  
United States Senator



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John Kennedy  
United States Senator



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James M. Inhofe  
United States Senator



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Joni K. Ernst  
United States Senator



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Jerry Moran  
United States Senator