



November 30th, 2021

The Honorable Blaine Luetkemeyer
Ranking Member
House Small Business Committee
2069 Rayburn House Office Building
Washington, D.C., 20515

Dear Ranking Member Luetkemeyer,

The Bank Policy Institute is sending this letter in support of HR 6037, a bill to prohibit the Small Business Administration from making loans directly under the 7(a) loan program. This legislation recognizes and helps preserve the important relationships between small businesses and their banks.

Banks have demonstrated success in reaching small businesses through both the existing SBA 7(a) program and the pandemic relief Paycheck Protection Program created by Congress. SBA guarantees and subsidies through the 7(a) program enable many small companies, from local bookstores to small barber shops, to access affordable credit.

The PPP also illustrates the important partnership that our nation's banks, particularly BPI member companies, have maintained with the SBA to serve small business customers during the pandemic. BPI research showed that our member companies were "active in providing PPP loans to smaller-sized businesses and to firms located in predominantly minority neighborhoods, which typically have more difficulty accessing credit. Further, large banks were critical to the PPP program meeting its original objectives."¹

Further, BPI research also found "that the program effectively channeled loans to counties most affected by the COVID-19 pandemic. The nation's largest banks—categorized as those with more than \$50 billion in total assets—were particularly active in the areas hardest hit by the pandemic."²

In contrast, direct government loans, such as under the Economic Injury Disaster Loans program, have faced significant setbacks. Last year, the Small Business Committee itself held a hearing highlighting the myriad of challenges that small businesses experienced in accessing these loans made directly by the SBA.³

In summary, the SBA partnership with banks has been strong, effective, and successful. A program that substitutes private sector expertise, technology investments and customer service capabilities with government inefficiency would result in a worse experience for small business customers and greater costs for taxpayers.

¹ Calem, Paul and Lindgren, Robert, Bank Policy Institute, "Underserved Small Businesses Turned to Large Banks for PPP Loans During 2020," March 1, 2021, available here: <https://bpi.com/wp-content/uploads/2021/03/Underserved-Small-Businesses-Turned-to-Large-Banks-for-PPP-Loans-During-2020.pdf>.

² Calem, Paul, Covas, Francisco and Freedman, Adam, Bank Policy Institute, "Using Loan-Level Data to Assess the PPP's Effectiveness," Sept. 30, 2020, available here: <https://bpi.com/using-loan-level-data-to-assess-the-ppps-effectiveness/>.

³ <https://smallbusiness.house.gov/calendar/eventsingle.aspx?EventID=3296>

Thank you for your introduction of this important legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Hill". The signature is fluid and cursive, with the first letter of the first name being a large, stylized capital 'E'.

Edward J. Hill
SVP and Head of Government Relations
Bank Policy Institute