



November 17th, 2021

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

The Honorable Mitch McConnell  
Minority Leader  
Washington, D.C. 20510

Dear Majority Leader Schumer and Minority Leader McConnell

The undersigned associations representing banks and credit unions of all sizes write to express our opposition to the proposed U.S. Small Business Administration (SBA) direct lending program as currently included in the Build Back Better (BBB) legislation. We have concerns that this new government operated program will undermine existing successful public-private partnership SBA loan programs while potentially limiting access to capital for those smallest of the small businesses due to increased complexity.

Like SBA, we agree that the smallest of the small businesses need increased access to capital. However, a government run program is not the solution to this problem. Instead, SBA should be given the necessary funds and resources to bolster the successful 7(a) program. By expanding the existing pool of SBA lenders, providing greater education to small business owners, and committing more resources to reduce application waits, Congress can take proactive steps to ensure more access to capital without undermining existing relationships between financial institutions and their customers.

Under the proposed BBB legislation, SBA would be able to offer loans of \$150,000 or less directly to small businesses or through partnerships with third parties. BBB provides approximately \$2 billion over a 10-year window to run this program, with a mere 90 days to promulgate rules. The complexity of standing up a lending program in such a short timeframe will lead to numerous issues that may ultimately drive potential applicants away from any type of SBA lending.

Previously, when SBA has chosen to engage in direct lending, it has been met with high rates of fraud and defaults. Additionally, the subsidy rate of direct lending was drastically higher than the subsidy rate for loan guarantee programs. The regulatory safeguards that exist for financial institutions have proven to be a much better shield to fraud and defaults as compared to SBA-run programs.

For these reasons, we urge you to remove the direct lending program provision from BBB when the Senate considers this legislation later this month.

Sincerely,

American Bankers Association  
Bank Policy Institute  
Consumer Bankers Association  
Credit Union National Association  
Independent Community Bankers of America  
National Association of Federally Insured Credit Unions

CC: Chairman Ben Cardin  
Ranking Member Rand Paul  
Chairwoman Nydia Velazquez  
Ranking Member Luetkemeyer