

Bolster SBA Lending

Problem:

The U.S. Small Business Administration (SBA) has played a crucial role since its inception in helping small businesses start, run and grow. Through their flagship 7(a) loans, microloan programs and other niche lending offerings, SBA is often the lender of last resort for many deserving small businesses that may not fit a traditional bank's creditworthiness formula. Loans are offered at very low interest rates with minimal fees and there are a variety of tailored lending programs to fit a variety of small-business needs. Unfortunately, SBA has time and again found itself a political football with lawmakers failing to promptly reauthorize funding levels and give the agency the flexibility needed to ensure all small businesses have access to financing.

- Despite far more incidences of fraud than should have happened, SBA provided lifeline financing in the form of the Paycheck Protection Program (PPP), loans to help businesses stay in business and keep their workforce employed during the COVID-19 crisis. They also provided Economic Injury Disaster Loans (EIDL), disaster loans to provide economic relief to businesses that experienced a significant loss of revenue due to COVID-19.
- In FY 2022, SBA guaranteed nearly 47,700 7(a) loans worth \$25.7 billion to small businesses, in addition to continuing to manage billions in COVID-specific lending. Sixty-eight percent of the loan volume were small loans of \$350,000 or less. Its microloan program provided \$82.6 million to 5,055 small businesses, with 76 percent of loans going to underserved communities.
- The SBA's 504 program delivered (through Certified Development Companies) 9,254 fixed-rate loans for equipment and real estate worth more than \$9.2 billion to small businesses, the highest lending level in the program's history.

Solution:

While small businesses continue to struggle due to the ongoing effects of the pandemic, they need access to capital to continue their operations and keep their employees on payroll. Policymakers must ensure that lending programs, and a variety of lending options remain available to in-need small-business owners.

- SBA must be given appropriate leeway to leverage appropriated dollars to match stakeholder need and avoid inadvertent program shut-downs. Keeping fees low for borrowers and lenders is critical in ensuring ample lender participation: if lenders don't want to participate in a program, it will not benefit small businesses.
- The pool of available lenders should be responsibly expanded to include alternative lenders if properly vetted and approved.
- SBA should seek opportunities to streamline and simplify the application process in order to benefit all small businesses, specifically more rural small businesses which are served more often by smaller lenders without the teams of staff available at larger banks to navigate what can be a complex lending process under the SBA.