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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

TELEPHONE: (202) 224-5175 FAX: (202) 224-5619

August 9, 2024

The Honorable Isabel Guzman
Administrator
U.S. Small Business Administration
409 3rd Street, SW
Washington, D.C. 20416

Dear Administrator Guzman,

We are deeply concerned the U.S. Small Business Administration (SBA) is inappropriately changing its lending programs to fit the Biden-Harris administration's woke climate agenda.¹

Following SBA's "Green Lending Initiative" announced on July 22, 2024, today SBA released a new application for up to three Small Business Licensing Companies (SBLCs) and an unlimited number of Community Advantage Small Business Companies (CA SBLCs) that will evaluate applicants on their ability to "support small businesses' efforts to reduce climate change."² This comes on the heels of major lending changes the SBA issued in 2023, which loosened the underwriting and affiliation standards and removed a 40-year moratorium on non-federally regulated lenders entering SBA lending programs.³ You announced these regulatory changes alongside Vice President Kamala Harris, and they are already threatening to undermine the SBA loan portfolio.⁴

Further, SBA's new coordination with the Environmental Protection Agency's Greenhouse Reduction Fund, whose awardees were recently announced by Vice President Kamala Harris, puts a radical climate agenda ahead of the interests of taxpayers.⁵ It is suspicious the SBA would announce new program expansions aligned with two of Vice President Kamala Harris' key policy priorities right after she became the presumptive Democratic presidential nominee.

¹ ["Executive Order on Tackling the Climate Crisis At Home and Abroad," White House, January 27, 2021](#); ["Biden-Harris Administration Announces New Development and Improvements on Loan Program Modernization to Expand Access to Capital for Small Businesses," SBA, May 11, 2023.](#)

² 89 FR 65174.

³ 88 FR 21074.

⁴ ["Biden-Harris Administration Expands SBA Pilot Program Targeting Access to Capital for Underserved Entrepreneurs," SBA, March 20, 2022](#); Ruth Simon and Peter Rudegeair, ["Small-Business Lending is About to Change, With Simpler Requirements," *Wall. St. J.*, July 31, 2023.](#)

⁵ ["Biden-Harris Administration Opens SBA Loan Programs to New Green Lenders to Help Small Businesses Meet Climate Goals," SBA, July 22, 2024](#); ["Biden-Harris Administration Announces Historic \\$20 Billion in Awards to Expand Access to Clean Energy and Climate Solutions and Lower Energy Costs for Communities Across the Nation," White House, April 4, 2024.](#)

The original Community Advantage (CA) pilot was intended to provide small dollar loans to small businesses.⁶ This new administrative Green Lending Initiative undermines this policy goal by transforming CA into a large loan climate slush fund. When American small businesses are struggling with the high cost of inflation, the SBA's relentless focus on clean energy initiatives is out of touch with the practical challenges small businesses face and is merely a carveout for select favored industries.⁷ Given this program already lacks statutory authorization, these unprecedented expansions to CA, such as creating loan limits up to \$2 million to further the "clean energy transition," only serve to exacerbate risks to taxpayers.⁸ Additionally, the SBA's actions stand in direct contravention of bipartisan congressional efforts to maintain the CA program for small dollar loans with a loan limit of \$350,000.⁹

In addition to the CA program, the Green Lender Initiative also institutes drastic changes to the flagship 504 and 7(a) loan programs. The SBA Green Lending Initiative recklessly permits a limitless number of 504 loans for "clean energy projects," lowering the availability of capital to other small businesses such as manufacturers.¹⁰ The Green Lending Initiative also commits to expanding the number of SBLCs to lenders that can "fill market gaps in clean energy financing."¹¹ This announcement is jarring when, as recently as November 2022, the SBA admitted its oversight capacity at the Office of Credit Risk Management (OCRM) only has the ability to "license and supervise three new additional SBLCs."¹² This ill-advised expansion is just another example of SBA's continued abuse of SBLC authorities. We have been concerned since day one of this SBLC expansion, especially SBA's nefarious attempts to award licenses to unqualified SBLCs.¹³ We urge you to not repeat your mistakes. It would be a reckless decision to dole out "green" SBLCs that are anything like Funding Circle, which sold its United States' operations and retracted its participation from the program due to its weak financial position.¹⁴

In light of these dramatic changes over the past few years, we are concerned about the financial stability of the 7(a) and 504 loan programs, which are intended to provide American small businesses with access to capital. Unfortunately, the data on loan program performance that SBA makes publicly available is insufficient to gain an accurate understanding of the performance within the 7(a) and 504 loan programs.

⁶ [76 FR 9626](#).

⁷ [Hearing on "Prices on the Rise: Examining the Effects of Inflation on Small Businesses," Before the House Committee on Small Business, June 7, 2023](#).

⁸ ["Biden-Harris Administration Opens SBA Loan Programs to New Green Lenders to Help Small Businesses Meet Climate Goals," SBA, July 22, 2024](#).

⁹ [S.2482, the Community Advantage Loan Program Act of 2023](#).

¹⁰ ["Biden-Harris Administration Announces New Actions and Resources to Advance Clean Energy Economy," SBA, May 30, 2024](#).

¹¹ *Id.*

¹² [87 FR 66963](#).

¹³ ["Ernst, Williams Rip Biden Administration SBA Over Handling of Funding Circle SBLC License," Office of Senator Joni Ernst, June 25, 2024](#).

¹⁴ [John Reosti, "SBA Critics Pounce on Setback for Fintech Participation in 7\(a\)," American Banker, March 21, 2024](#).

The Honorable Isabella Casillas Guzman

August 9, 2024

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Given this, we respectfully request the following information be provided no later than 5 p.m. ET on August 23, 2024:

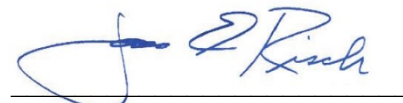
1. What analysis has the SBA done to ensure oversight capacity at OCRM is sufficient to oversee these additional lenders? Please provide justification of the analysis.
2. Provide the quantity of loans made for each fiscal year and the total loan value of 7(a) and 504 loans issued in each of the past ten fiscal years.
 - a. For each fiscal year, please note the quantity, proportion, or percentage of all 7(a), Community Advantage, and 504 loans in that fiscal year, and the total loan value of all loans that are 30 days late, 60 days late, 90 days late, in default, purchased by the SBA, and charged off by the SBA.
3. For each SBLC, provide the quantity and total dollar value in each of the past ten fiscal years for all loans that are 30 days late, 60 days late, 90 days late, in default, purchased by the SBA, and charged off by the SBA.
4. Provide a breakdown of the quantity and total dollar value in each of the past ten fiscal years of loans by the top 20 lenders in the 7(a), Community Advantage, and 504 programs that are 30 days late, 60 days late, 90 days late, in default, purchased by SBA, and charged off by SBA.

Please provide answers to #2-4 in electronic spreadsheet format. Thank you for your prompt attention to this important matter.


Sincerely,



Joni K. Ernst
Ranking Member



James E. Risch
United States Senator



Marco Rubio
United States Senator