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March 18, 2024

The Honorable Tim Scott
United States Senate
Washington, D.C. 20510

Dear Senator Scott:

On behalf of ICBA and the nearly 50,000 community bank locations we represent, I write to thank you for introducing the Protecting Access to Credit for Small Businesses Act, which would prohibit the Small Business Administration (SBA) from making direct loans under the 7(a) program. A provision to authorize such loans is included in the President's proposed budget for fiscal year 2025.

The SBA has a poor track record in direct lending. The last time the agency engaged in direct lending in the 1990s, subsidy rates were found to be "10 to 15 times" higher than for its loan guarantee program, according to a [recent Congressional Research Service report](#). The Economic Injury Disaster Loan (EIDL) program, an SBA direct loan program created during the Covid-19 pandemic, has been rife with fraud and poorly executed.

SBA direct lending is a poor and costly alternative to private sector lending and would reach fewer borrowers. Today, there is a strong network of community banks, Community Development Financial Institutions, and other lenders already in place to meet demand for small business borrowers.

Bank and other private-sector lender underwriting and expertise are what make the 7(a) program successful. Community banks have direct ties to their communities, knowledge of local economic conditions, and expertise honed over generations that cannot be duplicated by the SBA. Displacing these lenders would be a grievous error.

ICBA will continue working with policymakers to maximize the effectiveness of the 7(a) program for the small businesses they serve.

Thank you for your support.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO