

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2561 Rayburn House Office Building  
Washington, DC 20515-6515

February 20, 2025

The Honorable Kelly L. Loeffler  
Administrator  
U.S. Small Business Administration  
409 3<sup>rd</sup> Street SW  
Washington, DC 20416

Dear Administrator Loeffler:

The House Committee on Small Business (Committee) congratulates you on being confirmed as the Small Business Administration's (SBA) 28<sup>th</sup> Administrator. As Chairman of the Committee, I am confident that under your leadership, the SBA will become more efficient and return to its core mission of serving Main Street America. To that end, I would like to bring to your attention numerous issues identified at the SBA during the Biden-Harris Administration that threatened taxpayer dollars, harmed small businesses, and moved the SBA further away from its duty to assist America's small businesses.

***Electioneering***

In 2024, the SBA entered into a Memorandum of Understanding (MOU) with the Michigan Department of State which allowed the SBA to register voters at its events in Michigan and from the SBA's website.<sup>1</sup> Despite numerous requests and multiple subpoenas, former Administrator Guzman and the Biden-Harris SBA were persistently unable or unwilling to provide the Committee with the information requested.<sup>2</sup> While President Trump's rescission of Executive Order 14019 functionally ended this practice, the Committee is still deeply troubled by the lack of transparency from the Biden-Harris SBA and looks forward to working with you to determine what impact this may have had on the 2024 election.

***Guardrails removed from loan programs***

Equally as troubling, in April 2023, the SBA issued two Final Rules titled, "*Affiliation and Lending Criteria for the SBA Business Loan Programs*," and "*Small Business Lending Company (SBLC) Moratorium Recission and Removal of the Requirement for a Loan*

---

<sup>1</sup> Press Release, U.S. Small Bus. Admin., SBA Administrator Guzman Announces Agency's First-Ever Voter Registration Agreement with Michigan Department of State (Mar. 19, 2024).

<sup>2</sup> See Generally U.S. H. COMM. ON SMALL BUS., WEAPONIZING FEDERAL RESOURCES: INTERIM FINDINGS ON THE SBA'S MICHIGAN VOTER REGISTRATION SCHEME (Dec. 2024) (Staff Report).

*Authorization.*<sup>3</sup> The changes made in these rules present an immediate threat to the health of the SBA’s flagship 7(a) lending portfolio.

The Biden-Harris SBA removal of guardrails from the 7(a) program has already potentially put the 7(a) portfolio, backed by taxpayer dollars, at risk. The “*Affiliation and Lending Criteria for the SBA Business Loan Programs Rule*” removed the standardized underwriting procedures for 7(a) loans.<sup>4</sup> These prudent underwriting standards were guardrails that had ensured programmatic integrity for decades. Unsurprisingly, according to data provided by the Biden-Harris SBA, the Early Default Rate and 12-month Default Rate as of June 2024 were over two times higher than their respective rates just one year prior.<sup>5</sup> It appears that the Biden-Harris refusal to protect taxpayers from losses has compromised the integrity of the 7(a) program.

Further, the “*Small Business Lending Company (SBLC) Moratorium Recission and Removal of the Requirement for a Loan Authorization Rule*” removed the cap on the number of SBLCs that could participate in the flagship 7(a) lending program.<sup>6</sup> The cap that had been in place for 40 years reflected the SBA’s maximum oversight capacity of SBLCs. However, in 2024 the SBA increased the number of SBLCs by seven, with four new SBLC licenses being awarded less than a month before President Trump’s inauguration.<sup>7</sup> Alarming, one of the Biden-Harris SBLC awardees, Funding Circle, was granted a license despite the CEO’s announcement that their U.S. business was shutting down due to their net operating losses, calling into question how rigorous the SBA reviewed SBLC applications.<sup>8</sup>

The Committee remains concerned that these two rules together would lead to a significantly riskier 7(a) loan portfolio, leaving taxpayers to foot the bill in the form of a large subsidy. The Committee looks forward to assisting in your efforts to ensure that the SBA programs are financially sustainable and protect taxpayers from unnecessary risk.

### ***Unwilling and unable to recoup funds from COVID fraud***

During the 118<sup>th</sup> Congress, the Committee dedicated substantial resources to investigating waste, fraud, and abuse in the lending programs established in response to the

---

<sup>3</sup> Affiliation and Lending Criteria for the SBA Business Loan Programs, 13 C.F.R. §120 (2023) ; Small Business Lending Company Moratorium Recession and Removal of the Requirement for a Loan Authorization, 13 C.F.R. §120 (2023).

<sup>4</sup> Affiliation and Lending Criteria for the SBA Business Loan Programs, 13 C.F.R. §120 (2023).

<sup>5</sup> U.S. SMALL BUS. ADMIN., FY2024 7(A) PROGRAM RISK ANALYSIS - DATA AS OF 06/30/2024 (Dec. 2, 2024) (On file with the Committee).

<sup>6</sup> Small Business Lending Company Moratorium Recession and Removal of the Requirement for a Loan Authorization, 13 C.F.R. §120 (2023).

<sup>7</sup> Press Release, U.S. Small Bus. Admin., SBA Strengthens Lending Network with New Public-Private Partnerships (Dec. 23, 2024).

<sup>8</sup> Funding Circle Full Year Results, Audio Webcast Transcript (Mar. 7, 2024). [https://fch-12917-s3.s3.eu-west-2.amazonaws.com/live/4717/0982/2261/Funding\\_Circle\\_-\\_Transcript\\_20240307.pdf](https://fch-12917-s3.s3.eu-west-2.amazonaws.com/live/4717/0982/2261/Funding_Circle_-_Transcript_20240307.pdf)

COVID-19 Pandemic.<sup>9</sup> Unfortunately, the Biden-Harris SBA delayed and stonewalled nearly all of the Committee's requests for information.<sup>10</sup> It is estimated that across the SBA's COVID-19 Lending programs, approximately \$200 billion went to potentially fraudulent recipients.<sup>11</sup> As the Department of Government Efficiency (DOGE) bolsters the Trump Administration's efforts to root out waste and fraud, the Committee looks forward to working with you and DOGE to hold fraudsters accountable. That is why one of my first actions this Congress was to introduce H.R. 825, the Assisting Small Businesses Not Fraudsters Act, which would permanently BAN FRAUDSTERS from SBA assistance.

Further, in 2022 the SBA unilaterally decided to suspend collection activities on delinquent COVID-19 Economic Injury Disaster Loans and Paycheck Protection Program valued at \$100,000 or less.<sup>12</sup> The Committee repeatedly informed the SBA that this decision would undermine the ability of the SBA to reclaim pandemic funds and pursue fraud within these programs.<sup>13</sup> Despite consistent pressure from the Committee and other stakeholders, it took the Biden-Harris SBA over 18 months to reverse this decision.<sup>14</sup> The Committee is interested in determining the Biden-Harris SBA's rationale for this decision and seeks to understand the impact this had on the ability of law enforcement to track and prosecute fraud.

### ***Misguided Contracting Goals***

Finally, the Biden-Harris Administration advanced contracting goals that unfairly favored some businesses over others and contradicted the goals created by Congress.<sup>15</sup> Fortunately, this policy was revoked by President Trump on his first day in office.<sup>16</sup> The Committee appreciates the opportunity to work with you to ensure that the SBA's goals fit with Congress's intent, and create a strong, merit-based system of competition in Federal small business contracting.

The Committee looks forward to working with you to resolve these issues and build a more efficient SBA. Increasing the efficiency of the SBA will help ensure that small businesses, which make up 99.9 percent of all businesses in the United States, are brought into the golden age of America.

---

<sup>9</sup> U.S. H. COMM. ON SMALL BUS., A MISCALCULATED RISK: FRAUD WITHIN THE SBA'S COVID LENDING PROGRAMS (Nov. 2024) (Staff Report).

<sup>10</sup> Subpoena from H. Comm. On Small Bus., to Isabella C. Guzman, Adm'r, U.S. Small Bus. Admin. (Jun. 5, 2024).

<sup>11</sup> U.S. H. COMM. ON SMALL BUS., A MISCALCULATED RISK: FRAUD WITHIN THE SBA'S COVID LENDING PROGRAMS (Nov. 2024) (Staff Report).

<sup>12</sup> Memorandum, from Jihoon Kim, Director, Office of Fin. Program Operations, U.S. Small Bus. Admin., to Isabella Casillas Guzman, Adm'r, U.S. Small Bus. Admin. (Apr. 5, 2022) (on file with Committee).

<sup>13</sup> U.S. H. COMM. ON SMALL BUS., BUREAUCRATIC MISMANAGEMENT: INSIDE THE SBA'S DECISIONS TO END COLLECTIONS ON NEARLY A QUARTER OF ITS COVID-19 LENDING PORTFOLIO (Oct. 2024) (Staff Report).

<sup>14</sup> Letter from Isabella Guzman, Adm'r, U.S. Small Bus. Admin., to Roger Williams, Chairman, H. Comm. on Small Bus. (Dec. 28, 2023).

<sup>15</sup> Press Release, The White House, Fact Sheet: Biden-Harris Administration Announces Reforms to Increase Equity and Level the Playing Field For Underserved Small Business Owners, (Dec. 2, 2021); 15 U.S.C. § 644.

<sup>16</sup> Exec. Order No. 14148, 90 Fed. Reg. 8237 (Jan. 20, 2025).

In God We Trust,



Roger Williams  
Chairman  
Committee on Small Business



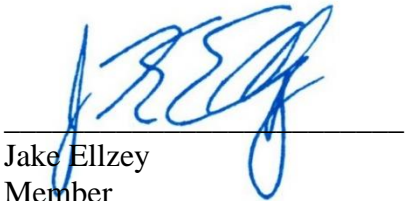
Pete Stauber  
Member  
Committee on Small Business



Dan Meuser  
Member  
Committee on Small Business



Beth Van Duyne  
Member  
Committee on Small Business



Jake Ellzey  
Member  
Committee on Small Business



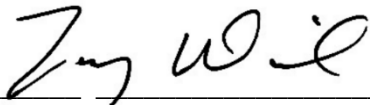
Mark Alford  
Member  
Committee on Small Business



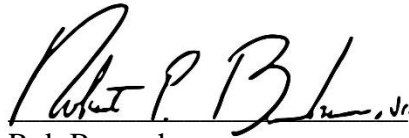
Nick LaLota  
Member  
Committee on Small Business



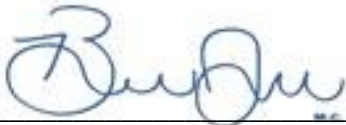
Brad Finstad  
Member  
Committee on Small Business



Tony Wied  
Member  
Committee on Small Business



Rob Bresnahan  
Member  
Committee on Small Business



Brian Jack  
Member  
Committee on Small Business



Troy Downing  
Member  
Committee on Small Business



Kimberlyn King-Hinds  
Member  
Committee on Small Business



Derek Schmidt  
Member  
Committee on Small Business

cc: The Honorable Nydia M. Velázquez, Ranking Member  
Committee on Small Business