

June 25, 2015

The Honorable Thad Cochran
Chairman
Committee on Appropriations
U.S. Senate
Washington, DC 20515

Dear Mr. Chairman:

I'm writing to ask for your help in avoiding a temporary shutdown of the U.S. Small Business Administration's flagship 7(a) Loan Guaranty Program (Program), which is on track to hit its program authorization ceiling of \$18.75 billion well before the end of FY 2015.¹ Indeed, there is a strong chance we will hit this ceiling by late August. I therefore hope Congress can quickly pass a law raising the authorized level for 7(a) lending, as established in the appropriations act, to \$22.5 billion for Fiscal Year 2015.

This action will accommodate the higher-than-anticipated demand for this Program, and will ensure that no small business is turned away due to the statutory cap on 7(a) lending. Thanks to this Committee's efforts last year, we were able to avoid a 7(a) shutdown in fiscal year 2014. That potential shutdown was also caused by unexpectedly high demand for this vital lending program, and I'm hopeful you will again come to the aid of America's small businesses at a time of record demand. We now seek immediate higher authority to meet the unprecedented financing needs of American small businesses in 2015.

As you will recall from last year, this is a zero-subsidy request. The 7(a) Program is currently operating without appropriated subsidy funds and would continue to do so at the requested program level.

SBA data show we have gross approvals of over \$15.1 billion in 7(a) loan guarantees as of June 20, 2015. Net approvals through the same date are over \$14.1 billion. That means we have reached 75 percent of our annual program authority prior to even beginning the 4th quarter of the fiscal year— normally the busiest time of year for this program. When the 7(a) Program reaches its statutory program level of \$18.75 billion, SBA will be forced to suspend 7(a) small business lending until the beginning of the new

¹ Currently, the Consolidated and Further Continuing Appropriations Act, 2015, Pub. L. 113-235, Div. E, title V, Small Business Administration, Business Loans Program Account, provides "that during fiscal year 2015 commitments for general business loans authorized under section 7(a) of the Small Business Act shall not exceed \$18,750,000,000 for a combination of amortizing term loans and the aggregated maximum line of credit provided by revolving loans."

fiscal year. By our calculations, a shutdown could put several billion dollars of lending volume on hold throughout late August and September.

SBA's lending partners and the national trade association representing 7(a) lenders have expressed to us mounting concern about the uncertainty of having sufficient 7(a) Program authority available to serve small business owners.

In some ways, this is a good problem to have. The reason we are likely to hit our program level is because of the success of the 7(a) Program, and because of the strong small business growth taking hold in our economy. But any lapse in the 7(a) Program will have a negative impact on the delicate small business financial ecosystem supporting the nation's small business community. This program is providing critical access to capital for companies still recovering from the Great Recession.

We appreciate your continued support of SBA's efforts to serve the nation's small business community. If you have any questions, please do not hesitate to contact me directly, or have your staff contact Thaddeus Inge, SBA Associate Administrator for Congressional and Legislative affairs, at (202) 205-6634. A similar response is being sent to Chairman Boozman, Chairman Chabot, Chairman Crenshaw, Chairman Rogers, Chairman Vitter, Vice Chairwoman Mikulski, Senator Coons, Senator Shaheen, Representative Lowey, Representative Serrano, and Representative Velázquez.

Warmest regards,

Maria Contreras-Sweet