

**HOLDING THE SBA ACCOUNTABLE: TESTIMONY
FROM SMALL BUSINESS ADMINISTRATOR GUZMAN**

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS

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SMALL BUSINESS ADMINISTRATOR GUZMAN

WEDNESDAY, SEPTEMBER 18, 2024

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:04 a.m., in Room 2360, Rayburn House Office Building, Hon. Roger Williams [chairman of the Committee] presiding.

Present: Representatives Williams, Stauber, Meuser, Van Duyne, Mann, Molinaro, Alford, Crane, Bean, Maloy, Velázquez, Phillips, McGarvey, Scholten, Thanedar, Chu, and Davids.

Chairman WILLIAMS. Good morning, and welcome to today's hearing which will focus on the oversight of the Small Business Administration.

This hearing could not come at a more important time as our Committee's list of questions for you, Administrator, grows day and day, and throughout the 118th Congress, our Committee has taken our oversight duties very seriously. They are the agency which is charged with distributing over \$1.2 trillion in COVID assistance and is supposed to be looking out for the best interest of America's job creators. So this is not a responsibility we can simply ignore.

Unfortunately, over the last 2 years, the SBA has stonewalled and delayed many of our investigations, slow-rolling document production, and failed to produce substantial responses to the Committee's requests. This lack of transparency has been extremely troubling, and Congress is charged with the power of the purse, and does not give us confidence that we can allocate taxpayer dollars to you if we cannot receive timely answers when we think they are being misused.

If we have the policy differences, that is fine. We should be able to look at all the information and come to a different conclusion. However, when information is being withheld from us, it gives a little confidence and diminishes the credibility of your entire agency. But we're going to continue fighting, and we will get the information we need to one way or the other.

So one of the Committee's largest concerns is the SBA's decision to enter a Memorandum of Understanding with the State of Michigan to help register voters ahead of the election. Not only is this far outside the scope of what the Small Business Administration should be engaged in, but federal agencies shouldn't be using taxpayer resources to insert themselves into our election process.

So since March, the Committee has been requesting documents from the SBA relating to the MOUs, and last night at 9 o'clock

p.m.—not a.m. but p.m.—the SBA gave us almost 2,000 documents relating to this request. My staff is going through them as we speak.

But this is the type of gamesmanship that is ridiculous. The last-minute document dump is what we have come to expect from your agency, and instead of putting forward a good-faith effort to adhere to congressional oversight, you wait until the last minute when everybody is in bed so we won't have time to go through what you produced so we can ask you meaningful questions.

So aside from playing partisan politics in Michigan, the SBA has many things to answer for about their decisions to alter many of their lending programs.

Early last year, your agency reduced the prudent lending standards within the SBA's flagship 7(a) loan program. While the SBA has touted that it has made more loans to America's small businesses, we have learned that data from the SBA lender portal indicates the early default rate has tripled since the prudent lending standards were stripped in the 2023 Biden-Harris SBA policy changes.

Now, while the SBA has been operating on the platform that more is better, we must ask, is more really better when we are stripping borrowers with unsustainable amounts of debt—or strapping them.

Administrator, your agency has proven they are unwilling and unable to produce documents responsive to the Committee's requests and has worked to undermine the Committee's investigations into various areas of the agency.

Now, so today, we look forward to receiving clarity on the delay and dismissal of your request and our request. And as I have said many times before, we want to work with you, not against you. We want to work with the SBA to help Main Street America.

So our nation's small businesses are facing brutal economic headwinds, and it is our job to ensure they have a fighting chance at success. That is the American Dream. Small businesses' optimism remains at lows not seen since the pandemic, inflation remains a top concern, and there has been little improvement as employers are looking to fill job openings.

Additionally, America's job creators have been straddled with more regulations than they can handle or ever thought they would have to handle.

Administrator Guzman, I want to thank you again for being here with us today, and I am looking forward to today's conversation. And I hope that today's hearing will provide a pathway for the SBA to get back on track.

And with that, I yield to our distinguished Ranking Member from New York, Ms. Velázquez.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

And thank you, Administrator Guzman, for testifying before the Committee today.

There have been more than 19 million new business applications filed under the Biden-Harris administration, and women and minorities are leading the way. But that is not all. The economy has created nearly 60 million jobs, unemployment remains at historic lows, and we are making progress on the fight against inflation.

Despite the good news, we must continue to do our jobs as legislators, to root out fraud and strengthen the SBA programs and services. I commend your work to combat fraud created by the previous administration's lack of control.

Unfortunately, rather than work together on reauthorizing core entrepreneurial development programs and streamlining the 504 program, we have spent the second session of this Congress discussing the SBA MOU with the Michigan Department of State.

The majority has fired off oversight letters, issued subpoenas, conducted transcribed interviews, and held multiple hearings. But what have we found? Nothing but unfounded allegations and wasted resources.

To be honest, I have served on this Committee for a long time, and I am particularly troubled by the partisanship we have experienced. The Committee has historically been a bipartisan committee that has worked together on behalf of small businesses. I am afraid that small businesses are getting the short end of the stick in this Congress.

Instead of sitting down to negotiate on programmatic policies that serve entrepreneurs as they start up, create jobs, and grow the local economies, we waste precious time on messaging.

My hope today is that we can learn more about the small business boom and what SBA is doing to help both these new firms and those already in existence.

As the 118th Congress comes to an end, we must work together to set our priorities so that we can hit the ground running to build on the success of SBA programs.

I would like to hear more about the implementation of the lending rules and steps that you have taken to modernize and safeguard the integrity of both the 7(a) and the 504 programs. And I hope to get an update on certifications for the women-owned small business program, as I continue to hear from women-owned firms and stakeholders that their resources and staffing levels remain insufficient to handle the number of applicants in a timely manner.

With that said, I appreciate that this administration continues to send a record amount of prime contracting dollars to small business government contractors. But more can be done to level the playing field for small businesses: recruit more small businesses into the federal marketplace and put more opportunities within their reach.

I look forward to your testimony.

Thank you. I yield back.

Chairman WILLIAMS. The lady yields back.

Before I start with introducing our witness, I want to take a quick second to congratulate the Ranking Member for her achievements on this Committee. We may not always get along—as you have already heard, we're not getting along this morning—about policy, but it has been a pleasure getting to know you—we have even talked baseball and some other stuff—and getting to know you and more thought throughout the years and working together to pass some actual meaningful bills in this Committee, which we do do that.

So yesterday she had a much deserved portrait unveiling ceremony. Unfortunately, I could not make it for a personal reason, but

I wanted to commend her again for that, and I want to commend her for the work she has done.

She has been the Chairwoman or Ranking Member since 1998—that is when I got out of high school—since 1998, and I know her portrait will add certainly not some class but class to the hearing room once it gets put on the wall.

So I know when that happens, you are going to continue to be looking over my shoulder. And so—less than more, I hope. But with that, I wanted to say thank you and congratulations for your leadership. And now—

[Applause.]

Ms. VELAZQUEZ. Thank you. Much appreciated.

Chairman WILLIAMS. No speeches. No, you can't—

Ms. VELAZQUEZ. Thank you. Thank you very much for your kind words, and it is a pleasure working with you. Definitely, you know, we disagree, but we respect each other, and we are driven by our desire to provide the tools for small businesses to do what they do best, and that is creating jobs in our economy.

I started out not too long ago, but I was very young—very young.

Chairman WILLIAMS. You were.

Ms. VELAZQUEZ. And still. Thank you.

Chairman WILLIAMS. Okay. Very good.

So now, Small Business Administrator Isabella Guzman has testified before us many times before, so I'll keep this brief.

Administrator Guzman was confirmed in March 2021 as the 27th Administrator of the Small Business Administration. Prior to becoming SBA's Administrator, Ms. Guzman served in multiple capacities in the agency for 9 years, including as deputy chief of staff and senior adviser at the SBA.

Ms. Guzman has also served as the small business advocate for the State of California.

Administrator Guzman, thank you for appearing before the Committee today, and I am looking forward to this important discussion, and of course we always claim you as being a Texan.

So I now recognize Ms. Guzman for her 5-minute opening remarks.

**STATEMENT OF THE HONORABLE ISABELLA CASILLAS
GUZMAN, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION**

Ms. GUZMAN. Thank you so much. Of course, by my father's mother and father, it is multigeneration Texan, so yes.

Well, Chairman Williams, Ranking Member Velázquez, and all the Members of the Committee, House Small Business Committee, thank you for the invitation to appear before the Committee today. I think there is a lot to talk about, so glad to be here.

America's small businesses are giants in our economy, powering our nation's economic growth and creating good paying jobs in our communities. As SBA Administrator, I have had the opportunity to meet these businesses in visits across the country, including to many of your districts, where I have seen firsthand how Americans are realizing their dream of small business ownership and entrepreneurship and managing challenges with their trademark grit.

We continue to see a record-breaking small business boom across the nation with American entrepreneurs filing more than 19.4 million new business applications over the last 3.5 years. That annual rate of new business filings is 60 percent higher than the historical average and represents a resurgence of business dynamism after years of decline.

As President Biden likes to say, starting a new business is an act of hope and confidence in the economy, and these filings speak to the grit and determination of America's entrepreneurs to take that first step on the path toward business ownership.

This small business boom is powered by women and people of color who are starting up at the highest rates. And in Arkansas, I recently visited a pizzeria whose owners received an SBA 7(a) loan from one of our new small business lending companies to open their first brick-and-mortar location.

In Dallas, a small business owner told me how an SBA loan allowed her to open a new 7,000-square-foot women's wellness center in 2023.

A North Carolina business owner showed me a new childcare center that started with an SBA Community Advantage loan.

Entrepreneurs are leveraging investments in America and strong consumer spending, thanks to continued wage growth outpacing price growth, to expand their businesses and create jobs. American small businesses now employ nearly 11 million more workers than when this President took office.

Over the last 3.5 years, we have instituted transformative regulatory reforms, invested in technology, ensured our services are available to more people, and cut red tape to better address persistent market gaps, including reversing a decade-long decline in small dollar lending. As a result, SBA has expanded capital access for startups, rural businesses, and those owned by veterans, women, and minorities.

SBA expanded its lender network to increase competition, tackle those 1,600 rural banking deserts, and fill gaps for underserved entrepreneurs. To date, SBA has increased its nonprofit 7(a) lender network to 142 and opened its SBLC program to add two new rural-focused institutions to reach underserved communities.

We can do more to create more competition, fill market gaps, and incentivize private investment, so SBA has reopened the application window for any organizations interested in SBA lending to become national small business lending companies or nonprofit Community Advantage SBLCs, providing a vital source of capital in underserved communities.

SBA has also strengthened its government contracting and business development programs to ensure small businesses can do business with the largest buyer in the world: the federal government.

The Biden-Harris whole-of-government approach has helped lead to a record \$178.6 billion in federal contracting awards to small businesses, as well as 78.2—excuse me—\$76.2 billion in awards to small disadvantaged businesses in fiscal year 2023. And for the first time ever, we—in the first year ever as well, we hit the 5 percent service-disabled veteran-owned small business goal which had been raised from 3 percent.

As we near the fiscal year's end and remain on high alert at the peak of hurricane season, I am proud of the important work SBA has done across the whole agency to better support communities impacted by disaster. SBA's modernization efforts have streamlined average disaster loan processing times from over 100 days to less than 2 weeks on average from filling out the application.

This is a marked improvement that is giving disaster survivors peace of mind earlier in the rebuilding process.

We have modernized the SBA while continuing to manage the temporary pandemic lending and grant programs that saved millions of America's businesses. And while those pandemic programs are no longer disbursing new funding, millions of small business owners continue to rely upon SBA to service their loans.

I stand by my commitment not to turn my back on Americans who turned to SBA for help during the crisis, so SBA continues to prioritize counseling and servicing actions to support these hard-working business owners.

Our work at the SBA centers on ensuring we hold accountable all of those who violated the public trust in these programs as well. So in partnership with DOJ, our SBA OIG, and other law enforcement, we continue to work to recoup tax dollars largely lost in those early days of the pandemic.

I look forward to our discussion today and reviewing the great work that the SBA mission-focused employees do every single day.

Thank you so much.

Chairman WILLIAMS. Thank you very much.

And we'll now move to the Member questions under the 5-minute rule, and I'll now recognize myself for 5 minutes.

When I talk to small business owners, they are extremely concerned about the direction of the country and what it means for their operations. Inflation is high, qualified workers are hard to come by, and there is significant uncertainty surrounding expiring tax provisions in the coming years.

However, there is one issue that I want to bring up that is completely in the purview of this administration: regulations.

Both the President and the Vice President have claimed they want to cut red tape for American industries. However, when you look at the numbers, the administration has been historically bad.

The American Action Forum estimates that there has been around \$1.7 trillion in regulations and new regulatory costs during their time in office, and this is not the only organization sounding the alarm on these regulations.

The nonpartisan SBA Office of Advocacy has been commenting on a host of regulations coming out of that, have failed to adhere to the Regulatory Flexibility Act's requirements to take small business interest into account.

Our committee conducted a whole investigation on the matter, and last week we passed seven bills that would amplify small business voices throughout the rulemaking process.

Fifty-two organizations representing millions of small businesses endorse the legislation we passed as a result of our findings.

So question to you, Ms. Guzman, if you could have your answers short and precise, since you are supposed to be representing the interest of small businesses, have you warned the White House about

all the damage their regulations are doing to the struggling small businesses in America?

Ms. GUZMAN. Ensuring regulations are not burdensome is a priority for the SBA. We continue to work diligently through our Office of Advocacy, which is independent, of course, but as well our Office of the National Ombudsman, which I have relaunched—I reinstated our Regulatory Fairness Board to ensure that we are collecting those views from small businesses and making sure they are amplified across all agencies that the national ombudsman touches.

Chairman WILLIAMS. Reducing regulations is important to main street.

Now, last month the SBA took offline its contract certification systems to bring them under one single portal. When these systems are offline, small businesses are unable to clarify their business status, such as service-disabled veteran or women-owned, to compete for valuable government contracts. So when the SBA gave our Committee a briefing, it left us with more questions than answers.

Senator Ernst and I were forced to send a letter with our concerns over the SBA's ability to make such a massive change, and we are seeing we might have a right to be concerned.

What was sold as a 1-month pause with a promised delivery of September 9, now has stretched into the second month, causing confusion, further degrading the trust in the Biden and Harris SBA.

I have heard from constituents on how their previous certification applications were removed when the SBA took the systems offline. When they asked the SBA to help, you told them they simply had to wait until the next system was launched to fix the issue.

This is why the American people get so frustrated with government. You made an unnecessary change, ignored signs of potential problems, and have no updated information on when the system will be operational.

So, Administrator Guzman, this update has been an absolute disaster. Who is going to be held accountable for these inexcusable delays that are leaving small businesses unable to compete for valuable government contracts?

Ms. GUZMAN. Thank you so much for that question, because certifications is a number one challenge for our small businesses entering government contracts. These businesses are paying upwards of \$10,000-plus for certifications, and that is what we are trying to stop, by streamlining with our HUBZone rule, our certification process. This is regulation that is cutting red tape.

In addition, relaunching—investing in this new technology system is something the industry wants, and industry stands by our decision to shut down the system in order to relaunch this new system which we are currently testing.

Just as we had done with VetCert, which has been wildly successful, we had to shut it down during transition. VetCert was shut down for 10 weeks, if you might recall, the veteran certification, until we launched VetCert.

So the commitment in that briefing was not to reopen and relaunching it at large within 4 weeks. Our plans to test and ensure

that this system is strong for our certifications was our priority all along.

And we have been able, during this time, to clear this enormous backlog. By the end of the month, we will have cleared the backlog across all of the certifications, which is huge. That means thousands more small businesses have already been certified and are able and eligible to do business with the federal government.

Our systems are still working on the back end. We are certifying anyone who comes to us with a contract in hand, prime or sub-contract, so they can get certified manually. And so we are not impeding any of this important work of our contracting officers across the federal government.

Chairman WILLIAMS. Okay. Well, I have limited amount of time left, and I will now call on the Ranking Member for her 5 minutes.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

our committee marked up a slate of antiregulatory bills, part of the Project 2025 agenda, and that seems to be the playbook for the Republicans moving forward.

How would the Project 2025 initiatives harm the SBA?

Ms. GUZMAN. Admittedly, I have not read Project 2025, so I am not familiar with it. I only know what I have heard has been alarming in that—

Ms. VELÁZQUEZ. Everybody—

Ms. GUZMAN.—it would cut the disaster program, as an example. That is the one thing I have heard. And the disaster program, our governors across the country depend on this program. SBA steps in and declares disasters without the Presidential declarations in many occasions. I have more than 30 disaster declarations, half of them governor-declared.

And so to strip the disaster program for communities who need it just so that more businesses will get insured is not, in my perspective, a way to get communities recovered.

Ms. VELÁZQUEZ. Thank you. Let's sift through the partisan rhetoric we will hear today. Under the National Voter Registration Act, state governments may designate federal governmental offices as voter registration agencies, correct?

Ms. GUZMAN. Under the NVRA, yes, agencies may work with States.

Ms. VELÁZQUEZ. Okay. SBA signed an MOU with the Michigan Department of State to promote voter registration, and it complies with the NVRA, and all activities are nonpartisan, correct?

Ms. GUZMAN. That is correct.

Ms. VELÁZQUEZ. What will be the cost of these activities?

Ms. GUZMAN. This is minimal cost. We have not spent a lot of time on this because it is about posting on our website a link to the States with which we enter into an MOU. And so the time for my website designer to put a link is the time that we invest in this on an ongoing basis.

Ms. VELÁZQUEZ. Let's be clear. Despite the rhetoric you are hearing today, the Biden administration is not violating the law, and SBA is not misusing taxpayers' dollars, correct?

Ms. GUZMAN. Yes, this has been a minimal-resource commitment, and we are not registering voters directly. We are not actively doing anything on the ground. This is a website link.

Ms. VELAZQUEZ. Have you visited the districts of the Members on this committee, both Republicans and Democrats?

Ms. GUZMAN. I have visited both Republican and Democrats. I have offered to visit everyone. I have not been able—

Ms. VELAZQUEZ. Which Republican districts, for example?

Ms. GUZMAN. There has been a few. Of course, the Chairman, as well as Representative Van Duyn, Representative Bean, Representative Salazar. And, again, I have offered to the other Members my time, at any time, to come and visit with their small businesses and understand the challenges.

Ms. VELAZQUEZ. We have two Members on this Committee from Michigan. So it is fair to say that you were invited to Michigan twice to talk about small businesses, similarly to the two requests from Florida Members.

Ms. GUZMAN. Yes, I have visited Michigan and Florida.

Ms. VELAZQUEZ. Okay. Regarding the new contracting system the Chairman asked you about, will you commit to providing GAO the documentation they have requested and ensuring that the Committee is made aware of any issues in a timely manner as they arise during or after the rollout?

Ms. GUZMAN. My understanding is that my team has already been working and collaborating with GAO and sharing information. So I will follow up and find out what remains, and definitely commit to continuing to work with you as we roll out this very important and cost-saving measure.

Ms. VELAZQUEZ. SBA is soliciting comments on potential changes to the Mentor-Protégé program, but the request for information was included in an unrelated Federal Register notice, which has led to confusion.

I understand that SBA has agreed to formalize this request and cast a wider net, set clearer deadlines, and allow for feedback. Have you done this?

Ms. GUZMAN. That was always the intent in terms of regulatory process. We are not writing regs on the Mentor-Protégé or joint venture. We were doing pre, pre, pre-regulatory discussions, talking to people, for example, at our Office of National Ombudsman annual meeting. We asked—we had a hearing specifically on joint ventures and MPPs, based on information I was hearing from the veteran community in particular, to ensure that as we are seeing this huge increase in joint ventures, that we are tracking what is happening.

So we are talking to multiple communities, and that is our commitment. Always has been.

Ms. VELAZQUEZ. Thank you. I yield back.

Chairman WILLIAMS. The lady yields back.

I now recognize Representative Stauber from the great State of Minnesota for 5 minutes.

Mr. STAUBER. Thank you very much, Mr. Chair and Ranking Member Velázquez, for holding this hearing today.

And thank you once again to Administrator Guzman for your attendance.

With my time, I want to briefly walk through a concerning timeline.

On March 7 of this year, the CEO of Funding Circle said that they were not going to retain the SBLC license and were not interested in 7(a) lending. They also revealed that they had not received a final license from the SBA, only an initial award.

Less than 3 weeks later, on March 20, you testified before the Committee and contradicted the statements of Funding Circle's CEO, announcing that Funding Circle would begin lending soon.

On April 1, Senate Small Business Chairwoman Shaheen sent you a letter saying that she was troubled to learn that the SBA was still considering approval of the SBLC license in light of the CEO's statements and cautioned the SBA to not issue the license.

What else happened on April 1? Despite Funding Circle's own statements that they were never going to keep or use the license, and despite the concerns of Congress, the SBA finalized that license.

Lo and behold, the company that said they weren't going to participate in 7(a) lending was telling the truth about their intentions, sold their U.S. operations in the summer, and surrendered the SBLC license back to the SBA in June.

And here is the kicker. They never made one 7(a) loan.

Instead of awarding one of the new SBLC licenses to a company that was willing and able to make loans, what Funding Circle did was hold the license captive for 8 months, never helping one single borrower.

And, Administrator Guzman, you aided that. That is the real story here, not Funding Circle, but SBA's mismanagement of the process. The company said they would not retain or invest in the license, and you gave it to them anyway.

The final piece of this timeline is that on August 9, the SBA announced that beginning September 2, SBA's Office of Capital Access will accept more applications for licenses, for both regular and Community Advantage SBLCs. Despite this most recent debacle, SBA is doing it again.

You testified about a private company's intent, contradicting their own public statements. You doubled and even tripled down to Congress. Either you perjured yourself or you were really duped.

This is a black eye on the agency and its decisionmaking ability, which has been scrutinized by Members of this Committee and the small business community since you became the administrator.

Administrator Guzman, do you know the last time that the set-aside for oversight activities at the Office of Credit Risk Management was increased?

Ms. GUZMAN. That the set-aside? Excuse me. Can you clarify that question, please.

Mr. STAUBER. Do you know the last time that the set-aside for oversight activities at the Office of Credit Risk Management was increased?

Ms. GUZMAN. We have been increasing their resources. SNE, since the last time we met, has gone up to 45—

Mr. STAUBER. It was the last—

Ms. GUZMAN.—with two vacancies.

Mr. STAUBER. 2014 was the last time it was increased.

Ms. GUZMAN. We have increased their resources and have more people.

Mr. STAUBER. How understaffed is the Office of Credit Risk Management since the SBLC expansion started last year?

Ms. GUZMAN. Since we last spoke, we have increased from 35 to 45, so we have shored up because we need to increase competition to fill those gaps.

Mr. STAUBER. In the last SBA—excuse me—in the last SBA OIG report, it says the Office of Credit Risk Management is understaffed by 38 percent.

Ms. GUZMAN. The entirety of SBA—

Mr. STAUBER. For over—excuse me.

Ms. GUZMAN. Oh, sorry, I thought you were asking a question.

Mr. STAUBER. For over a decade, the SBA has underinvested and underprioritized human capital at the Office of Credit Risk Management, all while it has doubled the 7(a) loan program, putting American taxpayer dollars at risk.

This recent expansion of SBLC licensing represents yet another example of three-letter agencies in Washington creating rules made by unelected bureaucrats with significant consequences for taxpayers and American small businesses.

So instead of—so instead of helping small businesses, your agency is busy creating opportunities for waste. This isn't just bad policy. It is irresponsible policy for hardworking Americans who will be the ones paying for your mismanagement.

Representative [sic] Guzman, I appreciate you coming here, and I have said this before, I think you are a really nice person. I don't know how far or how long you would last in the private sector.

And I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Representative Phillips from the great State of Minnesota for 5 minutes.

Mr. PHILLIPS. Thank you, Mr. Chairman.

I think you would do just fine in the private sector.

Ms. GUZMAN. I have. Thank you.

Mr. PHILLIPS. I happen to be someone who has served in it. I am not sure how many of my colleagues on this Committee have. And I was really heartened by the collegiality with which this meeting started—a prayer, celebration of Ranking Member Velázquez, and references to how we have to address regulations to help small businesses. I think that is actually a bipartisan agreement.

I just wish we would actually take the damn time and assess those challenges, work together, and come up with some solutions. And maybe if this damn institution wasn't spending 10,000 hours per week raising money and wasting its time doing that, we could actually get to work, because I know we are in agreement.

You know, I have had you to Minnesota a couple times, Ms. Guzman, and we visited small businesses. They have expressed their gratitude. I have seen how this economy has recovered better than any OECD country in the entire world, and I just want to celebrate not just you but everybody that works at the SBA—Democrats, Republicans, and otherwise.

But since one of the topics of today's meeting is actually investigating a voter registration initiative, you know, I really feel compelled to share some opinions, because this is a democracy, and I can't imagine what our adversaries are thinking right now when we are holding a hearing investigating the notion of getting people registered to vote.

I mean, come on. Registering to vote. We have a crisis of participation in this country in no small part because of the way we act in this institution. And I think it is a responsibility of administrations—Democratic and Republican—to encourage people to participate.

And of course it shouldn't be partisan. We should be registering everybody. And I would opine that we should be talking about things that would do so.

Why are we the greatest democracy in the world and do not automatically register people to vote in the United States of America? Why do we not make it easier? Why are we trying to make it harder? And why in the world would we be condemning a democratically elected administration in the United States of America for trying to encourage people to participate?

Those are my opinions. I had hoped that we could agree on doing what we can to get people to care, to get out and vote, and by the way, that means Democrats and Republicans, and I am just as passionate about the former as I am the latter, and, gosh, I hope we can get to it. So thank you for listening to my perspective.

Administrator Guzman, do we have your commitment that any voter registration activity undertaken by the SBA has and will continue to be nonpartisan and in compliance with the NVRA, the Hatch Act, and all other applicable legal and ethical requirements?

Ms. GUZMAN. Yes, that is what we have aimed to do.

Mr. PHILLIPS. Thank you. I think it is really darned important, so thank you for agreeing to that.

I was also heartened to see that the White House convened a recent summit on worker ownership. You know it is very important to me. I think we need to inspire an ownership economy, support small businesses which are the lifeblood of this country.

So how has the SBA transformed its opinion on worker-ownership structures?

Ms. GUZMAN. Yes. I participated in that conference as it is very important for me as well. We know there is a silver tsunami coming, and as it hits, we need to make sure that those businesses can survive. Not all will be passed down second generation and beyond, nor sold successfully.

And so we have created, with our regulatory reforms, a partial buyout solution so that an owner can start to transition to an employee group. As an example, we have now offered delegated authority on our ESOP lending within the SBA, which was a blocker for some time, and we continue to lean in to working with the key organizations to ensure that our programs are more utilized, including on the SBIC side as well where we see strong activity and employee ownership in ESOPs and leadership from the private markets as well in this area.

Mr. PHILLIPS. Can you be a little more specific about capital access? Because that is something I hear from small businesses, even more than regulation—

Ms. GUZMAN. Right.

Mr. PHILLIPS.—just accessing capital to get their businesses off the ground.

Ms. GUZMAN. There still remain huge gaps, and that is the agency's mission, is to try to fill those capital gaps, especially in underserved markets, which include startups as well. But we have—our regulatory reform hit that problem directly by trying to increase competition, attract more lenders who are focused, whether that is on ESOPs or critical technologies for the Department of Defense or infrastructure.

So we have really, you know, focused on our rule reforms to simplify these rules for lenders so that we can see more lending at the SBA. And it has worked. We have doubled the number of small dollar loans, which had been on the downturn for over a decade.

Mr. PHILLIPS. Doubled the number—

Ms. GUZMAN. Doubled.

Mr. PHILLIPS.—of small dollar loans. I think that is—I think that is something we should be celebrating.

My time is expiring, so I just want to remind everybody on this Committee and maybe the 10 people watching that we have not been presented with a single shred of evidence to substantiate the notion that the SBA is engaging in any sort of nefarious electioneering. And once again, we should be trying to encourage red and blue voters to vote.

Thank you.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Representative Meuser from Pennsylvania, the great State of Pennsylvania, for 5 minutes.

Mr. MEUSER. Thank you, Chairman. Thank you, Administrator.

So at your direction, lending standards—prudent lending standards within the SBA 7(a) loan program were removed. And since that occurred, the SBA's own data indicates that early default rate has more than doubled. Early default rate has more than doubled since the prudent lending standards were stripped in 2023 Biden-Harris SBA policy changes.

See, I believe joy comes from results, not from, you know—not from rainbows and unicorns.

So can you explain why, since these were removed, that early default rate rose by 102 percent in the last 12 months? \$27 billion in loans were made over a 1-year period. The default rate prior was 0.5 percent, and it has gone to 1.07 percent, costing the American taxpayers about \$135 million in bad loans that were made.

So when my colleague, Mr. Stauber, said something about the private sector, you know, it is a shame to say, I mean, I don't think any bank CEO would consider that a good year. So maybe you can explain to us—

Ms. GUZMAN. Yes.

Mr. MEUSER.—why you think that was a good year.

Ms. GUZMAN. I am happy to. And if you had done a full chart, you would have seen that this is almost—

Mr. MEUSER. I have the full chart.

Ms. GUZMAN.—like a circle.

Mr. MEUSER. I have 3-year chart.

Ms. GUZMAN. So we had—no, but even before then. So during the pandemic, obviously we had forgivable loans. We had COVID EIDL. We were also paying for payments and interest for anyone who had an SBA loan, at the direction of Congress.

And so you saw a huge dip in the default rate, and now it has begun to rise again, normalize, a little bit high, but it is still within normal standards. And as you see in the banking sector—

Mr. MEUSER. Prove that you removed the standard operating procedure—

Ms. GUZMAN.—with high interest rates, banks are seeing the same types of activity.

Mr. MEUSER. Reclaiming my time. Is it true—I am just looking at results. I am looking at—

Ms. GUZMAN. So am I.

Mr. MEUSER.—what happened. And you are going back to, I don't know where to. I don't even understand what you were just saying.

Is it true you removed the startup businesses \$5 million—for \$5 million loans without requiring any minimum equity injection or down payment from the borrower? That is a simple yes or no. Was that removed?

Ms. GUZMAN. We have simplified our rules, but, no. I mean, we continue to have performance. This is a zero-subsidy program.

Mr. MEUSER. So you simplified the rules by removing collateral requirements, and therefore it cost the American taxpayer in bad loans, \$135 million. How do you get around that? That happened by—when you—collateral requirements.

So in order to pay for this, right, currently, fees are zero on loans of \$1 million and less, meaning the SBA isn't earning fee income on over 85 percent of the units, while losses are doubling—increasing—escalating increases. This is not sustainable. So you are going to be coming to us either looking for more money or increasing the fee waivers—or the fee waivers will not be—will be reduced or eliminated to generate revenue for rising program costs.

I mean, you think that is a well-managed situation?

Ms. GUZMAN. I will repeat that this—the taxpayers do not pay for this program. It is a zero-subsidy program. Not since the last administration, when 2 years, had the agency requested a subsidy. We have not requested any type of subsidy supplement.

So, no, this program performs within its entire portfolio to create, you know, zero cost to the taxpayer in terms of subsidy.

Mr. MEUSER. You don't think loan requirements have been minimized and it has cost the—it has cost the federal government—you don't want to pretend that it is not the taxpayers' money, but it is, okay? Are you disputing my numbers? Are you saying these numbers are not right?

Ms. GUZMAN. The subsidy—I know my subsidy, and the subsidy is a zero impact right now.

Mr. MEUSER. Oh, the subsidy.

Ms. GUZMAN. Uh-huh.

Mr. MEUSER. Oh, okay. So what is in escrow. And where does that subsidy come from?

Ms. GUZMAN. Fortunately, we have a diversity of loans—

Mr. MEUSER. It comes from—

Ms. GUZMAN.—within our portfolio.

Mr. MEUSER. It comes from small businesses.

Ms. GUZMAN. The full portfolio performs—

Mr. MEUSER. Okay. That is great. That is—that is a lot of—a lot of dancing taking place, and that is where it comes from.

You know, I do want to ask a question about this registration issue because you had all your staff lawyer up. Your chief of staff, I think he had four or five lawyers when all we wanted was the information. Okay. You hired a woman by the name of Jennifer Kim for I believe it was \$185,000 a year. Okay. Her entire background has been to work with Democrat—no problem, okay, that is her choice—Democratic campaigns, okay, only, okay, in Michigan. You hire her—she is a community organizer and such—as—what was her title—okay, as associate administrator of the Office of Field Operations, okay. No experience with small businesses whatsoever, just community involvement.

And you, by the way, visited 48 to 9 Democrat to Republican districts.

Are you saying for \$185,000 a year, plus expenses, she has not registered anyone? She has not registered a voter?

Chairman WILLIAMS. The gentleman's time is expired.

Ms. GUZMAN. What is—I am not sure what that question is about.

Mr. MEUSER. Thank you, Mr. Chairman. I yield back.

Chairman WILLIAMS. I now recognize Representative Chu from the great State of California for 5 minutes.

Ms. CHU. Well, thank you.

First, I want to thank you, Administrator Guzman, for responding to us so quickly when we had the Monterey Park, California, shooting where 11 people died and 9 people were wounded. It was an incredibly traumatizing time for our community, but you immediately came out. And together, we visited the small businesses that were nearby. And that is when you said that it would be good to declare a disaster for the local area.

That disaster declaration was made, and you even got a support center to help the community with the loan process. It was through the—these loans were extremely low-interest loans, the EIDL loans, and was such a generous payback provision.

And I was just told that there were 75 such loans made, which is really incredible. So thank you, thank you, Administrator Guzman, for that incredible, generous act that you made and such a responsive act.

And also, you know, I thank you for supporting small businesses nationwide. And right now what I would like to do is to provide you with the opportunity to respond to any questions you weren't able to previously from colleagues.

Ms. GUZMAN. Well, just, you know, one thing I would like to clarify again is that the strength of SBA's loan guarantee programs across the board are that they are zero subsidy on an ongoing basis, which means they don't cost the taxpayer. Small businesses are not taking loans off the backs of Americans.

This is a really strong public-private partnership. And my team, I have full confidence in them, they are able to manage this incredible loan portfolio.

We have been able to grow because we have invested heavily in technology. We are following the rules and best practices that we saw with great success on the SBA Express Program, and translated that to larger loans, up to \$500,000, so that we could simplify the process for our lenders.

Cutting red tape for our lenders means ultimately cutting red tape for our borrowers, and so that is why you have seen the results that you have had.

In addition, I would say that, you know, 1982 was when we last had small business lending companies open. We were still using pen and paper. We are not in the same era. My 14 SBLCs are strong performing.

Overall, my SBLC program, including both Community Advantage, over indexes to startups, they fill gaps in underserved communities. And clearly with so many small businesses relying on their personal wealth, if they have it, as well as credit cards, there is still a lot of work to do to fill market capital gaps.

And so I just dispute the fact that the SBA teams are not equipped to be able to manage this larger portfolio. They do an excellent job, and we have instituted strong controls for those lenders that are new to our program, and in particular but of course, all of our supervised lenders within the program.

So, you know, I think that if time to have a further discussion or if any Members in particular would like a further briefing to understand the dynamics of this SBA portfolio, we would be happy to engage.

Ms. CHU. In fact, the SBIC program is very successful, and that is a loan guarantee program.

Ms. GUZMAN. The SBIC program, it is our small business investment company. We have over 300 licenses. It is a debenture program in which we are able to provide low cost of capital to fill gaps in the private markets, and in particular, we focus on growth industries as well as—growth firms, as well as where we see gaps in the need for patient capital.

And that is—you know, that is why we have partnered with the Department of Defense on our small business investment company, Critical Technologies. It is a vital program. Puts out \$4 billion a year, matched with \$4 billion in private capital, and crowded lending from banks around it is another \$10 billion. So this is really the American, you know, programs powering the private market.

Ms. CHU. From a—changing topics. On the Community Advantage SBLC programs, each fiscal year SBA has published data on its lending programs that includes demographics—a demographic breakdown. However, there is no demographic data by segment for Community Advantage SBLC loans for this year. So can you tell me when we might expect to see these metrics for the Community Advantage SBLC program?

Ms. GUZMAN. We continue to attract the full performance of our 7(a). We are happy to follow up with you and provide a briefing to ensure that you continue to track the Community Advantage performance.

They do over-index to startups. Sixty percent of their loans are to startups. It is an incredible program, and we have seen a doubling of the number of loans that our Community Advantage SBLCs have done as a result of the permanence that we were able to afford them with the regulatory change.

Ms. CHU. And there will be training, I hope, for all the new—I mean, you have signed on 140 lenders for that.

Ms. GUZMAN. There is 140 total. Thirty-some are new, but we have been offering extensive trainings to support them as they are now operating on this new portfolio.

Ms. CHU. Thank you. I yield back.

Chairman WILLIAMS. The lady yields back.

I now recognize Representative Crane from the great State of Arizona for 5 minutes.

Mr. CRANE. Thank you, Mr. Chairman.

Thank you, Secretary Guzman, for showing up today.

My colleague, Mr. Phillips, had a tough time with us holding an investigation about registering people to vote. I want to confirm to Mr. Phillips and everybody else in attendance, and to you, Secretary Guzman, that we have no problem registering people to vote. What we have a problem with is this administration, and you in particular, ma'am, using the full weight of your agency, and the federal government, and tax dollars, to focus these registration efforts to acquire more Democrat votes.

Mr. Phillips said that we haven't been provided with a shred of evidence that this administration has engaged in electioneering operations. I find that interesting since we have been asking for information and data on these programs since March and have still not gotten them.

Secretary Guzman, last night, after we had been asking for information, data, documents since March, your administration chose to drop documents to this Committee in the evening when everybody was in bed, right, the night before you were supposed to testify before this Committee.

What do you think—what kind of optics do you think that delivers? What do you think the message that that sends to this Committee and to the American people who are watching this Committee?

Ms. GUZMAN. You know, the agency has scaled up—I have actually expanded the staff to comply with all of the requests for letters and information—

Mr. CRANE. So was that just a coincidence, ma'am, that we have been asking for 6 months, and all of a sudden last night before you were supposed to testify here today, you chose to send us 2,000 pages of documents?

Ms. GUZMAN. On this particular issue, we had already sent over 1,200 pages of official calendar entries. We had already sent 3,000 pages in response to eight different production response. Last night was more calendar items for additional months.

Mr. CRANE. Secretary Guzman, do you believe it is an appropriate use of your time and resources to be going out and trying to register Democrat votes?

Ms. GUZMAN. I do not. I do not go out and register. Again, it is a link on our website. I go out and meet with small business owners.

Mr. CRANE. Oh, so you don't go out and hold—you guys don't go out and hold events—

Ms. GUZMAN. No.

Mr. CRANE.—across the country and then bring in the State to register voters?

Ms. GUZMAN. No, we do not.

Mr. CRANE. You are not doing that?

Ms. GUZMAN. No, we do not.

Mr. CRANE. So you are defying the executive order that President Biden laid out to you guys?

Ms. GUZMAN. We are complying as best as we can as a small agency by putting on a website link for small businesses who are seeking information to be able to go directly to the government—

Mr. CRANE. Okay.

Ms. GUZMAN.—nonpartisan government source.

Mr. CRANE. So you are trying to convince us that your efforts are bipartisan. Is that correct?

Ms. GUZMAN. They are nonpartisan.

Mr. CRANE. So they are bipartisan? You are trying to register Republicans and Democrats? Is that what you are trying to do? Is that what you are saying?

Ms. GUZMAN. I am not trying to register anybody. I am trying to provide information to small businesses who are interested in registering to vote.

Mr. CRANE. No. That is exactly what you are trying to do per the executive order.

Ms. Guzman, since that is your position, I am guessing that you brought data to support that.

How many Democrats has your administration registered with these events?

Ms. GUZMAN. We launched the link on our website about 6 weeks ago—

Mr. CRANE. That is not what I am asking. I am not asking about the link.

Ms. GUZMAN. We have registered zero.

Mr. CRANE. I am asking—

Ms. GUZMAN. We have registered zero.

Mr. CRANE.—how many Republicans versus how many Democrats have you guys registered, to prove that this isn't partisan?

Ms. GUZMAN. There have been zero registrations as a result of the links that we have put on our website. And we don't register voters. We don't have registration events at the SBA. We meet with small businesses about access to capital and contracting and networks—

Mr. CRANE. So you have no data to take back to your boss?

Ms. GUZMAN. I do have data. It is zero. Unfortunately, this has—

Mr. CRANE. So zero?

Ms. GUZMAN.—not been effective, and there have been zero registrations as a result. So this has not been an effective program. I am also not—

Mr. CRANE. So it has not been an effective program? So you are going out there—

Ms. GUZMAN. Well, I will say that, yes.

Mr. CRANE.—wasting your time—

Ms. GUZMAN. I am not wasting—

Mr. CRANE.—and resources on an ineffective program. It sounds like you are being about as effective—

Ms. GUZMAN. I have spent more time—

Mr. CRANE.—for the small business community as you are in registering voters. Is that what you are saying?

Ms. GUZMAN. I am very effective for the SBA programs which I am happy to talk about. That is why I am here, to talk about the SBA's programs. This was a website link. This was not a priority that I spent my time personally on, as I have shared with you.

And so in terms of, you know, putting the website link up 6 weeks ago, you are asking how many people have registered as a result. It is zero.

Mr. CRANE. Okay. So businesses right now, small businesses, because we hear from them all the time—we have conducted multiple hearings—are getting crushed right now with regulation, inflation, and struggling to hire qualified employees. And this is the type of stuff you are spending your time on.

Ms. GUZMAN. Well, I will spend more time talking about voting and our NVRA requirements—

Mr. CRANE. One last question, Mr. Chairman.

Ms. GUZMAN.—in this Committee than in the entire time at the—

Mr. CRANE. How do you square—how do you square spending your time with going on 48 trips for Democrats and only 9 for Republicans?

Chairman WILLIAMS. The gentleman's time has expired.

Mr. CRANE. Can she answer the question, Mr. Chairman?

Chairman WILLIAMS. Quickly.

Mr. CRANE. How do you square that?

Ms. VELAZQUEZ. Time has expired. Time has expired.

Ms. GUZMAN. I go out and meet with small businesses, because small businesses are not in the Halls of Congress. They are on main streets. They are in innovations—

Chairman WILLIAMS. Time is up.

Mr. CRANE. 48 to 9.

Chairman WILLIAMS. Time is up.

I now recognize Representative Scholten from Michigan for—the great State of Michigan for 5 minutes.

Ms. SCHOLTEN. Thank you so much, Mr. Chairman.

Thank you, Administrator Guzman, for being here today, though I do apologize for the content. We have some very serious things that we need to be talking about, but we have been abysmally wasting our taxpayers' time and resources on this witch hunt which clearly is going nowhere.

I want to address some pretty serious implications that the Committee has made in the past about you and your agency not being fully accountable to some of these questions regarding voter registration in particular.

Do you know how many times you have been asked to testify before this Committee, ma'am?

Ms. GUZMAN. Oh, I don't have a count. It is multiple times. But not just me, my senior leaders have testified multiple times, and we have had multiple briefings. And I have also invited the Republican Members to my office for an additional briefing.

Ms. SCHOLTEN. Thank you. Have you or any Member of your staff ever declined to come here when you have been invited or refused to appear?

Ms. GUZMAN. For me to testify?

Ms. SCHOLTEN. For you to testify.

Ms. GUZMAN. No, I have not declined. One time it didn't work with the schedule.

Ms. SCHOLTEN. Have you ever refused to testify or offer an alternative date? You have always—

Ms. GUZMAN. I have always offered alternative dates.

Ms. SCHOLTEN. An alternative date.

Recalling the first time that we discussed this very topic, there was no one from either you or your administration that was invited to come here and provide information. So we are glad that the Committee finally did have you here.

Has the SBA altered its core mission in recent months to now be fully committed to registering individuals to vote?

Ms. GUZMAN. No. I mean, we are focused on helping businesses start grow and be resilient and disaster communities recover.

Ms. SCHOLTEN. So the core mission of what you do has not changed in recent months to electioneering?

Ms. GUZMAN. No.

Ms. SCHOLTEN. I didn't think so.

You know, I really have to echo here what my colleague from Minnesota said in his comments about the critical importance of helping and encouraging participation across the country.

Like my colleagues across the aisle, I share their concerns about the increasing role of unelected officials, bureaucrats they might say, playing an increasing role in deciding politics. That is why I think it is so important that individuals have the right—whether they are going to vote red, they are going to vote blue—they have the right to register to vote and to cast their vote when they are eligible to do so, so that they can have a voice in this process.

You know, more than just an opinion, the attorneys among us especially know, this is actually required by law. And I thought that Mr. Crane was doing what I was going to do, which was to question, you know, why, in fact, it had taken so many months to get just a simple website link up and why individuals weren't being offered more. They don't really seem to know what the purpose in their questioning is.

The reality is now the SBA is doing what the VRA requires, which is offering that opportunity but not altering its core mission.

I want to thank you for your service to small businesses across America, to this country. And I would like to offer the remainder of the time for you to provide any remarks that you may like about questions you didn't have an opportunity to answer or what the SBA is actually doing to help small businesses across this country.

Ms. GUZMAN. Well, I am just incredibly grateful for that, thank you very much, as there is a lot to talk about about what the SBA has done. And our employees at the SBA have been committed, on a whirlwind, since COVID hit, going above and beyond to try to support small businesses. And they continue to do so.

We have had key learnings as a result of the COVID pandemic and the scale that SBA achieved—investments in technology, investments in the right outreach to reach the small businesses where they are.

And it is truly—you know, I just want to applaud all of my SBA employees for the work that they continue to do to get out there in community. They are out there in the communities helping small businesses connect to capital, connect to contracts, and that is why we have seen these historic increases in our underserved markets.

And, you know, in addition, I would just say that, you know, my time is really focused on making sure that SBA's programs can be improved. That is why we are rolling out this—certifications, MySBA certifications, a MySBA platform, that can meet small businesses online and have them do multiple activities with the SBA, whether that is the capital programs or the certification programs.

And this will just strengthen and build on this 19.4 million new business applications filed and the business dynamism that we are seeing. As we see businesses cycle through the economy, we want them to be aware of SBA. We want them to know that the SBA has modernized and is here to serve them and meet the market demands.

Ms. SCHOLTEN. I yield back.

Chairman WILLIAMS. The lady yields back.

I now recognize Representative Van Duyne from the great State of Texas for 5 minutes.

Ms. VAN DUYNE. Thank you very much, Mr. Chairman.

Administrator Guzman, I am the only Member, I believe—Republican Member—sitting on both the Small Business and the Ways and Means Committees. And as a Member of those committees, I serve on the Main Street Tax Team, which is looking at renewing the 2017 Tax Cuts and Jobs Act.

Most importantly, we are looking at the Small Business Tax Deduction which provides important clarity against larger corporations.

Last week, Senator Wyden held a hearing regarding the 2025 tax debate and where he stated, quote, Congress needs to address the passthrough loophole that Trump created in 2017. He claimed it was all about small businesses, but it was another bait-and-switch.

Do you agree with the Senator that this is a loophole?

Ms. GUZMAN. Look, as I have shared with this Committee before, you know, the—I am not here to talk about tax policy. That is not in my policy bandwidth—

Ms. VAN DUYNE. But do you think—

Ms. GUZMAN.—for small businesses.

Ms. VAN DUYNE.—that small businesses are getting benefit from the Tax Cuts and Jobs Act of 2017?

Ms. GUZMAN. What I will say is that the tax cuts—

Ms. VAN DUYNE. It is just—it is a yes or no question. Are small businesses—

Ms. GUZMAN. That leans towards supporting the large with permanent tax cuts for large corporations and temporary tax cuts for small businesses, so that Tax Cuts and Jobs Act is not good for small businesses.

Ms. VAN DUYNE. So according to the Congressional Research Service, 80 percent of the individuals who filed for this make \$200,000 or less. So would you then consider those to be high earners who are abusing this loophole?

Ms. GUZMAN. Again, I think that small businesses overall will tell you, three-quarters of them, that they want a fair and balanced tax system.

Ms. VAN DUYNE. So that you have sat down with small businesses and they have told that you they are not supportive of the Tax Cuts and Jobs Act?

Ms. GUZMAN. No, not at all, not supportive of the temporary nature for small and the permanent nature for large.

Ms. VAN DUYNE. So what have small businesses told you about the Tax Cuts and Jobs Act? Have they told you that they are all for the research and development and depreciation and expense?

Ms. GUZMAN. Again, those were temporary, and the R&D has already expired, unfortunately, so it would be nice to have those—those—

Ms. VAN DUYNE. It would be great.

Ms. GUZMAN.—components—

Ms. VAN DUYNE. Yeah, we actually sent it over—

Ms. GUZMAN.—for small businesses.

Ms. VAN DUYNE.—to the Democrat-run Senate, and they are sitting on that bill.

Ms. GUZMAN. And the reason why it is—

Ms. VAN DUYNE. But, yes, we did send that over.

Ms. GUZMAN.—the reason why it is difficult for me to come in and advise about tax policy because there has to be, you know, a complete set of policies. And so for you to say whether or not one thing is good or not—

Ms. VAN DUYNE. Well, we did have a complete set.

Ms. GUZMAN.—in an incomplete set—

Ms. VAN DUYNE. But surely you should be able to talk to these small businesses and they would tell you, because they have told us, they have told us very clearly this is what is working for us. This why we were able to bring back jobs that were overseas, because of the Tax Cuts and Jobs Act. This is why we are being able to invest more in our businesses, more in our employees, more in our future, and be able to grow our business because of these tax cuts, and now they are leaving us. They are going to be over at the end of next year, and we need to have them permanent—

Ms. GUZMAN. I hundred percent agree with you that it is unfortunate that those were temporary tax cuts for small businesses—

Ms. VAN DUYNE. But these are small businesses who are benefiting.

Ms. GUZMAN.—and permanent—

Ms. VAN DUYNE. These are small businesses who are benefiting.

Ms. GUZMAN. Those are benefits to small businesses completely, yes.

Ms. VAN DUYNE. And it just seems as if this administration can't reconcile the commitment to raising taxes on families making less than 400,000 when we look at—

Ms. GUZMAN. This administration—

Ms. VAN DUYNE.—80 percent of those people who are benefiting made less than 200,000 from that, quote, "loophole" from Senator Wyden.

Ms. GUZMAN. This administration has been committed to making sure that anyone making 400,000 and under is not experiencing raised taxes.

Ms. VAN DUYNE. So attacking the tax policies that were benefiting those who are making less than \$200,000, you don't consider that an attack on those folks?

Ms. GUZMAN. The Biden-Harris administration has been clear that they are not interested in seeing taxes go up for anyone under \$400,000.

Ms. VAN DUYNE. I know that—

Ms. GUZMAN. And those are set to expire.

Ms. VAN DUYNE. There is what they say, but there is what they say and there is what they do. And if you look at just alone inflation that they have caused from their policies, everybody making less than \$400,000 is paying almost 20 percent. Everybody making over \$400,000 is paying over 20 percent.

Ms. GUZMAN. Inflation—

Ms. VAN DUYNE. So I would argue that, yes, when we say that we are not going to be taxing, when you look at the actual expenses, that that is a lie.

But I do want to ask you about providing information to this Committee because we have gotten, as was mentioned, at the very last minute we have gotten these.

So we had requested a draft of the strategic plan that is related to the MOU, the executive order for the MOU. Why hasn't the SBA produced this document to us when all interim and final strategic plans were specifically named in our subpoena? And will you commit to giving us this document by the end of the week?

Ms. GUZMAN. I will follow up with my team on that specific document.

Ms. VAN DUYNE. We hear that, but do you have any idea why we were not provided a copy of the strategic plan?

Ms. GUZMAN. I don't have specifics on the strategic plan. I know we have been provided—we have provided you with an MOU—

Ms. VAN DUYNE. You said you gave us 1,600 pages.

Ms. GUZMAN. We have provided—

Ms. VAN DUYNE. Then you gave us an additional 2,000 pages last night.

Are we going to get the strategic plan? And if we haven't gotten it in the 2,000 pages, which it doesn't look like we have, will we be able to get it by the end of the week?

Ms. GUZMAN. I am not familiar with that specific request. So I will have to follow up with my team.

Ms. VAN DUYNE. Okay. Can you get us a response by the end of the week—

Ms. GUZMAN. Oh, yes. We can respond whether or not—

Ms. VAN DUYNE.—of an exact date when we can expect to get that?

Ms. GUZMAN. Uh-huh.

Ms. VAN DUYNE. We also have yet to receive any of the requested Microsoft Teams messages or emails for nearly 20 months of the request. Could you explain why we haven't gotten these documents either?

Ms. GUZMAN. I know that this is a very long process to go through, to clear documents, to then send them over to you.

Ms. VAN DUYNE. How many months—

Ms. GUZMAN. But we have sent in total tens of thousands of pages of documents across all the requests.

Ms. VAN DUYNE. And yet they have been nonresponsive is the problem.

So thank you very much.

I yield back.

Ms. GUZMAN. Well, we can agree to disagree on that.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Representative Davids from the great State of Kansas for 5 minutes.

Ms. DAVIDS. Thank you, Chairman, and to our Ranking Member, for holding this hearing.

And thank you to Administrator Guzman for being here to testify on items related to the SBA.

I am disappointed that I missed your recent visit to the Kansas City metro area.

So I will dive right into my questions here.

Earlier this year, I hosted a roundtable for small businesses in my district, and several folks mentioned that they received help from SBA's SCORE program.

And I also got the chance recently to sit down with our SCORE Kansas City chapter and heard about some of the work that they are doing. Just in fiscal year 2023, they had 85 volunteers mentor nearly 900 clients through almost 2,000 sessions in the Kansas City metro area. And in Kansas alone, there were more than 200 new businesses that were able to get assistance from SCORE.

And I wanted to see how you would assess SCORE's program, what the nationwide impact looks like, and whether your support—whether the SBA is supportive of Senate proposals to turn that program into a competitive grant.

Ms. GUZMAN. Well, the SCORE program is great because mentorship is often one of the most successful tools for training our small businesses, mentorship and cohort models. And so SCORE has really been successful in leveraging great expertise. You have mentors in there who have launched and sold multiple firms, who were the top level marketing execs at large Fortune Thousands. And so it is a very successful model.

And what I would say in terms of our support, we continue to support SCORE in its ability to carry out its mission and expand its mentorship in underserved communities in particular.

I know that the organization is volunteer based. It is very efficient and cost-effective from that perspective to the taxpayer. And I am happy to explore and provide technical assistance on any specific proposals about the types of grants in particular.

Ms. DAVIDS. Okay. Thank you.

And then I know the SBA is not necessarily in the grant-making space. So I definitely would love to keep that conversation going on any of the proposals that are coming from our colleagues on the Senate side.

I do want to switch gears and touch base on Native entrepreneurship. I have appreciated the SBA, and your office specifically, attentiveness to boosting small business ownership within Indian Country.

And I know you, your office, recently told my office that the SBA is working to address some of the concerns from Native-owned businesses, Native-owned entities about the certified platform.

And just curious, as you prepare to launch the new streamlined certified platform, if it will include a certification pathway specific to these entity-owned small businesses?

Ms. GUZMAN. Yes. The entity-owned certification process will be forthcoming as well. And, again, if there are any entities who have been building awareness about that who have a contract on the line for a new entity that they need to get certified, we will work with them manually to do that while the system is being transitioned to the new MySBA Certifications.

Ms. DAVIDS. Okay.

And then is that—and I am not familiar with how far along in that process you guys are. Is there a specific portion of the certified platform that is going to be dedicated to these entity-owned?

Ms. GUZMAN. There will be additional components to ensure that entities can be processed in the system.

Ms. DAVIDS. Okay.

Ms. GUZMAN. They have a different certification process, yes.

Ms. DAVIDS. Okay. Okay.

And then we may or may not get to this, but I will bring it up.

The SBA has once again extended the moratorium on the 8(a) program's bona fide place of business requirement, and the moratorium certainly provided much-needed flexibility for small businesses during the COVID-19 pandemic and boosts Native contracting opportunities, allowing entrepreneurs to focus on their services and not necessarily capital-intensive real estate.

And I would love to follow up and get some feedback about, given the multiple extensions of the moratorium, where SBA would be at on looking at legislation to permanently rescind this rule and what that might look like. But we will follow up with your office about that.

Ms. GUZMAN. Thank you.

Ms. DAVIDS. I yield back.

Ms. GUZMAN. Thank you.

Chairman WILLIAMS. The lady yields back.

Now I recognize Representative Alford from the great State of Missouri for 5 minutes.

Mr. ALFORD. Thank you, Mr. Chair.

Thank you, Ranking Member.

I will remind you, Administrator, that you are under oath. You signed a paper as to that effect with the Committee.

I do want to take a few seconds and say the only rhetoric coming from this Committee is the rhetoric on Project 2025. This Committee and its Republican Members are only concerned with Project Main Street. But thank you for your testimony today.

You were recently in Kansas City?

Ms. GUZMAN. That is correct, yes.

Mr. ALFORD. When was that?

Ms. GUZMAN. Last week, I believe.

Mr. ALFORD. Really?

Ms. GUZMAN. Women's business centers.

Mr. ALFORD. Did Representative Sharice Davids get a personal invite to that?

Ms. GUZMAN. She was not in town. I am sure my team reached out to all Members.

Mr. ALFORD. I am sure she did.

Did they reach out to—we got no notice. I just checked with my district director and our scheduler and director of operations here in D.C. We have no record of any mention that you were going to be in Kansas City.

I have been a small business owner in Kansas City. I know small business owners. Our district abuts Kansas City. It would have been great to have you there to talk about how you are going to solve problems instead of registering voters.

Ms. GUZMAN. It might have been an oversight since we were on the Kansas side. I know that we had Senator Marshall's staff with us as well.

Mr. ALFORD. Well, that would be great.

Ms. GUZMAN. I am happy to go back.

Mr. ALFORD. I mean, our district abuts Kansas. Next time you are there, please let us know.

Ms. GUZMAN. I know we—

Mr. ALFORD. I will give you my cell phone number if I have to. Okay?

Ms. GUZMAN. Sure. I will be happy to do that.

Mr. ALFORD. I am deeply concerned with your actions around registering voters through this SBA. I know you say you are not doing that. You are providing this link on your website.

Is it your testimony here today that you—that no Member, staff of the Small Business Administration has been in person to any district in the United States of America for any reason and has not helped facilitate the registration of voters?

Ms. GUZMAN. My team is not supposed to be registering voters.

Mr. ALFORD. Not supposed to. Have they?

Ms. GUZMAN. No. No. We are not aware of anything because there is no direction for that. There is no time for that. We work directly in building activities for small business.

Mr. ALFORD. So at these seminars, helping businesses start or maintain their businesses, providing capital and counseling, there are no cards given out for voter registration?

Ms. GUZMAN. No, as we would have no means to collect that. That is on the State agencies for them to be able to facilitate that.

Mr. ALFORD. And it is your testimony that with this link on your website—how long has it been on your website?

Ms. GUZMAN. Six weeks.

Mr. ALFORD. Six weeks. And zero persons have registered?

Ms. GUZMAN. As a result of the link, correct. Zero have registered.

Mr. ALFORD. How do you know that?

Ms. GUZMAN. I received a report from my team.

Mr. ALFORD. And how many States do you have this memorandum of understanding with to do this?

Ms. GUZMAN. To date, we have only entered into one MOU. We have current plans to expand to others.

Mr. ALFORD. For how many?

Ms. GUZMAN. We have been reaching out to dozens of States to try to ensure that they are part of this.

Mr. ALFORD. Well, why would they do it if it is not registering any voters?

Ms. GUZMAN. Well, I mean, clearly, there is still an interest in making sure that small businesses—it has only been up 6 weeks, but I am sure there is still an interest in making sure small businesses have the information if that is their preference.

Mr. ALFORD. Why do you need a memorandum of understanding if it is simply a link on your website? Why go to all that trouble and expense?

Ms. GUZMAN. With NVRA, it is our effort to work in collaboration with States. That is the guidance, that we work in collaboration with States.

Mr. ALFORD. Okay.

Associate Administrator Jennifer Kim was here in July. Were you aware that she had no prior business experience when you hired her to conduct outreach for the SBA?

Ms. GUZMAN. She was a community organizer and so—

Mr. ALFORD. Okay, but that is not a business.

What small business qualification does she have to be hired by the taxpayers of the United States of America to be the outreach czar?

Ms. GUZMAN. We look for skills at the SBA that fit the offices, and the field operation is about building awareness about our programs, going out and doing community outreach.

Mr. ALFORD. Was she hired specifically to complete negotiations with Michigan and others for the memorandum of understanding for these?

Ms. GUZMAN. She was—Jennifer Kim was hired to lead the Office of Field Operations and do outreach and engagement to communities around the country for SBA's programs.

Mr. ALFORD. Did you know she has an extensive background working to elect Democrats?

Ms. GUZMAN. I know that she has campaign experience. Beyond that—

Mr. ALFORD. Ma'am, did you know at the time that you hired her and possibly—I hope to God you interviewed her—that she had experience extensively electing Democrats, not Republicans, but Democrats? She is a Democrat operative burrowed into the SBA.

Ms. GUZMAN. She is—just to clarify—she is a political appointee that serves under the Biden-Harris administration. She is not burrowed in. As a career employee at the agency, she is hired as part of my political appointee team.

Mr. ALFORD. Do you have any Republicans helping you out?

Ms. GUZMAN. There are plenty of Republicans who work at the SBA.

Mr. ALFORD. Helping in outreach?

Ms. GUZMAN. In our field offices around the country, yes, I am sure that there are both parties.

Mr. ALFORD. But anyone at her level on the administration—

Ms. GUZMAN. However, that is not discussed.

Mr. ALFORD.—administrative level? Do you have parity?

Ms. GUZMAN. We don't hire based on party affiliation.

Mr. ALFORD. All right.

That is my time. Thank you so much. God bless you.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Representative McGarvey from the great State of Kentucky for 15 minutes.

Mr. MCGARVEY. Thank you, Mr. Chairman. I will take 5, though. That is nice of you.

Thank you, Administrator Guzman, for being here today. I have got several things I want to clear up, so let's jump into it.

We have heard a lot about default rates today. Can you take a minute to explain the current pre-pandemic defaults, current and pre-pandemic defaults with 7(a)?

Ms. GUZMAN. What I was trying to explain with that chart is that it needed to have some previous years.

We saw a huge dip in our default rates during the pandemic. Remember that SBA was actually paying for the loan payments, including interest and principal, on behalf of businesses that had an SBA loan during the pandemic.

They were also getting forgivable loans. There was cash flowing out there. And so we saw a huge dip in our default rates. And then it has climbed back up.

Of course, like all banks right now with high interest rates, a majority of our 7(a) loans are variable rates. We are seeing challenges in our portfolio. But they are still within a reasonable rate.

Again, this is still a zero-subsidy program, and the agency has not requested subsidy since the previous administration.

Mr. MCGARVEY. So putting this in pretty simple terms, you were here pre-pandemic. In the pandemic, you go down because of everything that was happening during the pandemic. Now you are trying to get back to where you were in pre-pandemic levels.

Ms. GUZMAN. Well, I mean, we would love to see continued very low, low defaults, but these are within reason. The current rates that were shown are within reason.

Perhaps—we are, obviously, at a point where we are monitoring very closely. But hopeful—I don't know what has happened at this hour—but hopeful to see those interest rates come down a little bit so that there is relief for all those variable rate holders in our portfolio.

Mr. MCGARVEY. And I appreciate you being attuned to the interests of small business and small business owners.

I also appreciate your willingness to go to all these districts. I know you have offered to every Member, Democrat and Republican.

I also know that it is been a sincere offer. When we took you up on it, you came to Louisville, Kentucky, and met with our small business owners and truly listened to what they had to say, which I think not only is instructive for you all, but can't tell you what it meant to our small business owners to know that you all are listening and pushing to do the right thing. So thank you for doing that.

A couple other questions. I want to give you a chance to answer a few of them.

But number one, the federal government is not registering voters. Is that correct?

Ms. GUZMAN. That is correct.

Mr. MCGARVEY. That is correct.

And so I think all eligible voters, all of our citizens who are eligible to vote, should be registered and should vote and should have the resources to know how to do that.

All you all were doing was putting a link on a website that would allow people to take them to the State where they live and register to vote if they are not already registered, correct?

Ms. GUZMAN. That is correct.

Mr. MCGARVEY. And nobody used it?

Ms. GUZMAN. There have been people who have visited but not—no registrations, is what I was saying, zero registrations to date.

Mr. MCGARVEY. So even though I think everybody on this Committee shares the goal of eligible people being registered to vote, and it is a good idea in theory, it hasn't worked out all that well.

And, again, we shouldn't—on this Committee and in this place, we should be figuring out how to register eligible voters and encourage participation, not discourage participation, regardless of party affiliation.

I have got a little bit of time left. I want to switch gears on you a little bit.

We are working on some stuff right now. Things like drafting a resume, identifying sources of capital, connecting with local resources are all hurdles that people who were formerly incarcerated face when trying to start a business.

Are SBA programs like SCORE positioned to provide entrepreneurship training to these individuals?

Ms. GUZMAN. All of our resource partners can provide training to that population, and especially as SBA implemented reforms to ban the box to ensure that the one in three Americans that have criminal records will have a more streamlined access to our capital programs.

The SCORE in particular has great mentors, and I don't know that they have a specific program that is targeted or formed for formerly incarcerated, but I am sure that they would be great partners in doing that outreach.

Mr. MCGARVEY. And do you think this is an opportunity to reduce recidivism, help people who have served their time and then able to contribute to their communities?

Ms. GUZMAN. Yes. I mean, nearly a third have difficulty finding jobs, and so oftentimes entrepreneurship is that pathway.

Mr. MCGARVEY. Awesome. Thank you very much.

Mr. Chairman, I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Representative Bean from the great State of Florida for 5 minutes.

Mr. BEAN. Thank you very much, Mr. Chairman. Good morning to you. And good morning, Small Business Committee.

And, Administrator Guzman, it is great to see you again. You did come to my district. We had a great little roundtable with Members of the Fernandina Beach, Amelia Island, Nassau Chamber of Commerce. You heard directly from businesses of their challenges, including hiring regulation.

That is a common theme. Regulation. A lot of regulation. A lot of people at the same table you are sitting at have told us they have never seen as much regulation right now as a business supply chain.

Inflation is something that is hitting everybody hard, whether you are a business or just trying to survive wherever you are.

And thank you for doing that.

I recently, over the August break period, had another roundtable with the Clay County Chamber of Commerce. And if they are watching, Clay County Chamber, thank you for bringing Members. And we had another table.

We heard the same common theme, Administrator Guzman: hiring regulation, inflation, big supply chain. What is growing right now is the dark clouds that threaten every small business of this giant tax increase because of the expiration of the TGJA—TCJA—that is coming next year.

I try to read everything across my desk or try to pay attention. What is the plan for SBA or the current administration? What are we doing to make sure that we don't just stick it to small business? Are you on board on trying to renew these tax cuts?

Ms. GUZMAN. We are happy to provide consult to Congress as they determine what the tax policy will be for the United States. This is not—the U.S. Treasury is the one who would consult, of course, primarily.

But, of course, we hear from small businesses. Anything that hits their bottom line is an impact, as we heard during our roundtable.

Mr. BEAN. Okay. So you are worried about it, too.

Ms. GUZMAN. We are worried because—

Mr. BEAN. You are worried about these tax cuts threatening, the storm clouds coming in and just battering these small businesses?

Ms. GUZMAN. What I am worried about is that three-quarters of small businesses have said that the current system is unfair to them and preferences large businesses. And so a continuous shift towards prioritizing small businesses is, obviously, something that we support.

Mr. BEAN. So welcome to the team of trying to protect these small businesses, of shielding from these tax increases. And I will be watching for that link on your website: Join here or click here to save small businesses from being ravaged by these big tax increases.

If we don't do anything—this is just a side point, anybody watching at home—if we don't do anything, our highest marginal rate will be higher than China. How about that? That is just—that is wild stuff.

So you don't think it is in the best interest?

Ms. GUZMAN. I look forward to see what Congress is able to put forward.

Mr. BEAN. 10-4. So we want you on the team.

So here is something. I was a banker, 13 years made loans. And I discovered it has to be fair to the bank because we don't want to lose money. We don't want to loan anybody any money that we are not going to get paid. That is number one for the bank.

But also, we want to make sure that that borrower has the ability and means to pay it back. We don't want to saddle them with anything they can't pay back, so it is fair. We want to make it right there in the middle.

But I always had a plan B of getting collateral or getting something that in the event the business went south, we were going to get paid back so we could continue to make loans.

You have made updated terms to the—based on the SOP 50-10-7-1 of the lender development program, that you are going to allow startups, business acquisitions without any equity injection and without collateral.

What is our plan B? We are not going to be in business if we are not having a plan B of getting paid back. What is the plan?

Ms. GUZMAN. Our regulatory reform was geared toward simplifying loans, especially the 500,000 and under, deferring to lenders' best practices versus having a complicated SBA system.

Mr. BEAN. Yeah. We are not going to be in business long, though, if there is not a way, the plan B, to look at that.

The default rates, I know we talked a little bit, but they are going up. They are going up. And I know there are a lot of factors. I was listening when you said that.

But our job is to preserve the capital for the taxpayers to support the program, and when we get away from that, again, only in the crazy town can we loan money where we don't expect or at least don't have that plan B to come back.

Ms. GUZMAN. One thing to assure you is that we require personal guarantee. We also require collateral over \$50,000. It is an industry best practice and standard.

Mr. BEAN. Secretary Guzman, please take that link off, it is just—it is a distraction, of registering voters. And I know you probably didn't even know it was there. I don't know if you know it was there. But it is a red flag for everybody. We have got so much work to do protecting main street.

Thank you for coming. It is good to see you.

Ms. GUZMAN. Thank you. You, too.

Mr. BEAN. Have a great day.

I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Representative Molinaro from the great State of New York for 5 minutes.

Mr. MOLINARO. Administrator Guzman, thanks very much for being here.

I want to return for a moment to the 7(a) loan default rate. I, obviously, acknowledge—and, in fact, by the way, as county executive in Dutchess, New York, we were actually one of the first counties to qualify in New York State for SBA assistance during COVID.

But it is convenient to use COVID as sort of the launching point for your dataset, subsidized, of course, the underlining economy. We come out of COVID. Yeah, sure, default rates will increase. That kind of makes sense.

What would you think the default rate was prior to COVID?

Ms. GUZMAN. Single digits.

Mr. MOLINARO. Yeah, 1 percent.

And so we go into COVID having experienced a 1 percent default rate. Of the current defaults, we are now at about 3 percent, 2.7-plus percent default rate of that, of those. So the current defaults, what percentage do you think of those were issued, let's say, in the last 12 months?

Ms. GUZMAN. Of defaults but still—

Mr. MOLINARO. No, I didn't ask you that.

Ms. GUZMAN.—the potential for collection.

Mr. MOLINARO. What percentage—

Ms. GUZMAN. And I am sure that those—

Mr. MOLINARO. I am sorry. I am a cool, calm, quiet kind of guy, simple, from upstate New York.

What percentage of the defaults currently would have occurred, let's say, from loans issued within the last 12 months? Could you guess?

Ms. GUZMAN. I am sure a significant amount—

Mr. MOLINARO. A majority.

Ms. GUZMAN.—as the interest rates have gone up.

Mr. MOLINARO. A majority.

And so what percentage then would you think are defaults related to loans issued in the last 18 months? Would you say it is minority or majority of those defaults?

Ms. GUZMAN. I would say it is the majority.

Mr. MOLINARO. Overwhelmingly.

Ms. GUZMAN. Uh-huh.

Mr. MOLINARO. So we can easily go back to the April 2023 loosening of loan integrity to point to the reason for default. It is convenient for some of my colleagues.

And I respect using COVID as the answer to most of our problems. Having lived through it, I can tell you it was certainly a real challenge to small businesses.

But that is not a baseline for the current default rate. That is actually not even fuzzy math. It is actually incorrect math.

We are seeing a skyrocketing increase in defaults in loans that have been issued well past COVID but subsequent to the change in rulemaking—the rulemaking change by your administration undermining loan integrity. There is no other way to look at it.

The absence of appropriate oversight and the ability to loan without standard protections is real. And acknowledging that and perhaps attempting to fix it would put my small businesses and, as a Member of Congress, me, in a much better mindset when it re-

lates to the work you are supposed to be doing on behalf of protecting both small businesses and taxpayers.

I came here with a few questions as related to rural small businesses, and I do appreciate trying to get to some of the more serious issues.

I also laugh when some of my colleagues say, “Well, we shouldn’t spend any time talking about voter registration,” and then, of course, spend all of their question time asking questions about voter registration.

When I got here, the Ranking Member asked you about Project 2025. I feel like that every time I come to this Committee meeting, I am in some sort of deranged version of “The Wizard of Oz.” Pay no attention to the skyrocketing inflationary cost. Pay no attention to default rates. Pay no attention to the 31st month of small business having a pessimistic outlook as to the economy. Look over there, Project 2025.

Have you read Project 2025?

Ms. GUZMAN. As I stated, no, I have not read it fully.

Mr. MOLINARO. Okay.

How many Members of Congress do you think you have asked or talked to who have read Project 2025?

Ms. GUZMAN. I have no idea.

Mr. MOLINARO. Do you think any Member here has read Project 2025?

Ms. GUZMAN. I have no idea.

Mr. MOLINARO. Okay.

So I have not read Project 2025. I don’t have time nor do I care.

Are there left-leaning think tanks in America?

Ms. GUZMAN. There are, yes. On both sides, there are multiple think tanks.

Mr. MOLINARO. Do you think that they, too, have presented lunacy in the form of policymaking?

Ms. GUZMAN. I do not—I am not going to comment on those.

Mr. MOLINARO. But it is really possible that they have project something or other on the left as well, right?

Ms. GUZMAN. I think what was unique about Project 2025 is—

Mr. MOLINARO. That you didn’t read.

Ms. GUZMAN.—there were a lot of former administration—

Mr. MOLINARO. That you didn’t read.

Ms. GUZMAN. There were a lot of former administration involved.

Mr. MOLINARO. Yet, you had a fulsome answer about one question as it related to it.

Ms. GUZMAN. I have heard one thing that was alarming, yes. Of course, someone called to my attention that it was—

Mr. MOLINARO. Is it policy?

Ms. GUZMAN.—a State disaster program.

Mr. MOLINARO. Is it policy?

Ms. GUZMAN. Is what policy?

Mr. MOLINARO. Project 2025. Is it established policy?

Ms. GUZMAN. No, I have not read it.

Mr. MOLINARO. Is it legislation?

Ms. GUZMAN. That is why I have not read it.

Mr. MOLINARO. But you know about it?

Ms. GUZMAN. Correct. It is in the news.

Mr. MOLINARO. And you can speak to its frightening nature?

Ms. GUZMAN. It is in the news.

Mr. MOLINARO. I just think it is a disservice to everyone—everyone—and a waste of my time to have the Administrator of the SBA and the Ranking Minority Member start a hearing—that, by the way, has nothing to do with voter registration; they can say it is, there is no title about voter registration, it is about oversight—waste our time trying to distract about a policy paper that no one has read, no one has any intention of moving forward on, and, quite frankly, my small businesses don't care much about.

What they do care about, however, is the massive rate of inflation and the high cost of doing business in rural communities more than ever.

Despite the tenor and the tone of my questions, I welcome you to upstate New York because our communities and our small businesses know what it is like to be left behind.

Thank you.

Ms. GUZMAN. I look forward to visiting.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Representative Mann from the great State of Kansas for 5 minutes.

Mr. MANN. Thank you, Mr. Chairman, and thanks for hosting today's hearing.

Administrator Guzman, thank you for being here.

You mentioned that you have met with businesses across the country where you have seen, and I quote, “a record-breaking small business boom.”

I can tell you I just visited all 60 counties in my district in Kansas, and between the cost of gas, groceries, regulation, the struggle to find qualified workers, the small businesses that I am meeting with and hearing from in Kansas are not feeling the same boom that you are talking about.

Yes or no, are you familiar with the Biden-Harris administration's fiscal year 2025 budget and revenue proposals regarding eliminating the stepped-up basis?

Ms. GUZMAN. I am generally familiar, of course, with tax policy. But, again, I am the SBA Administrator, and so that is not my portfolio.

Mr. MANN. Well, I just think, as the Administrator of the SBA that is overseeing small businesses, eliminating the stepped-up basis would be devastating to our small businesses and family farms across the country.

Please describe what the Biden-Harris administration's proposal would do with respect to the longstanding bipartisan provision that this is in the Tax Code?

Ms. GUZMAN. Well, I do know that there was a provision to exempt family-owned businesses. As we know, if a second generation, third generation inherits a family business, being able to sustain that cost of the taxes and implications could potentially put them out of business and force them to sell.

So definitely there was an exception in there for small businesses to defer that tax realization until the business is sold.

So I know that, of course, for our small businesses, that was good news, to be able to see that there was fair treatment towards them, a balanced approach.

Mr. MANN. But that provision you talked about is the essence of the stepped-up basis, the notion that small businesses, farms, are exempt from having to pay taxes and, as a result, they get a step up in their tax basis.

I don't believe that it is true that they would be exempted because that was the essence of the proposal, was doing away with the exemption in the first place.

Ms. GUZMAN. No. There was in the Biden-Harris proposal an exemption for family-owned businesses—not—a deferment, I should say, not an exemption, a deferment to be able to defer that until they realize a gain.

Mr. MANN. But that deferment is the stepped-up basis, and when the proposal is to do away with the stepped-up basis, you are doing away with the deferment.

I can tell you, for the fourth year in a row this administration's budget and revenue proposals have proposed eliminating the stepped-up basis, which would be disastrous for our small businesses, our family farms across Kansas, across the country.

The proposal—and it is very clear language that I read in the proposed budget—would impose massive farm- and business-killing, mark to market, capital gains taxes on property like family-owned businesses and farmland that has been held for 90 years or more.

These are mom-and-pop shops and family farms that have defined the American Dream for generations, and we should be promoting and helping them, not changing tax policies to devastate them when they pass to the next generation.

Do you support this farm- and business-killing tax that the administration continues to promote, the elimination of the stepped-up basis?

Ms. GUZMAN. Again, we are not in agreement in terms of what it did, and so I can't give you any of my recommendations on a specific. But, again, the—

Mr. MANN. Do you support the stepped-up basis?

Ms. GUZMAN.—it was—

Mr. MANN. Are you for the concept—

Ms. GUZMAN. Small business and family-owned were exempt.

Mr. MANN. Are you for the concept of having a stepped-up basis to be able to pass farmland or small businesses from one generation to the next with the step up or an increase in the tax basis?

Ms. GUZMAN. I am for a balanced Tax Code that benefits our small businesses more than our large. That is what I am for.

Mr. MANN. Which is codespeak for you are not for preserving the stepped-up basis, which is why I am having the conversation, and which is why every year for the last 4 years we have gone to battle with the administration when the budget is released to make sure that we keep the stepped-up basis.

It is remarkable to me how out of touch it seems like we are when we say we are for small businesses yet the number one State tax provision that helps them this administration continues to year

after year propose doing away with. It is very duplicitous and makes no sense to me.

Ms. GUZMAN. And the Biden-Harris had protected family-owned businesses by giving them that deferment until the gain was realized.

Mr. MANN. It has been protected and they have had a deferment until the budget came out where they proposed doing away with the stepped-up basis.

Mr. Chairman, frustratingly, I am going to yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Representative Maloy from Utah for 5 minutes.

Ms. MALOY. Thank you, Mr. Chairman.

Administrator Guzman, thanks for being here.

You have heard from a lot of my colleagues. I am not going to go over everything they have already brought up. I just want to say I share the concerns of my colleagues about SBA being involved in elections and in things that are outside the mission of the SBA for structural reasons by themselves but also because I am concerned about the SBA being focused on helping small businesses.

I represent Utah's Second District. Utah is a really business friendly State, very entrepreneurial. And our State, our State legislature, our Governor's office work really hard to create a business friendly environment that fosters small businesses in Utah.

And I have never heard them say anything about wanting more federal involvement in anything, but they are excited about being able to partner with the SBA to help small businesses.

Nobody ever asked me about Project 2025. I have never read it. It is not something that I am concerned about. But I am concerned about making sure that small businesses thrive in Utah, including family farms.

I do hear a lot from constituents about wanting to be able to hand down family farms. I hear a lot from Utahans about wanting to make sure their small business takes off so they can support their families.

And to that end, our State and our chambers have been excited to be part of SBDC, Small Business Development Centers. And what I am hearing is that they like the idea. They are disappointed with the execution of it. They feel like the SBA isn't being very responsive.

So the State, understandably, wants to be able to monitor goals and metrics of success, annual reports, things like that, but they have found the SBA to be unresponsive and unwilling to be a true partner. And the end goal should be the same for the State, for higher ed in Utah, for SBA in Utah: that we want to create an environment where small businesses can thrive.

So what I want to know today is, are you willing to commit to investigating and correcting the lack of responsiveness from SBA to the State entities that they are partners with, that they have signed agreements with? And what can we do to help make that happen?

Ms. GUZMAN. I am happy to look into what is happening with our Utah SBDC. I mean, we award these on a State basis and then they have subgrants to multiple entities around the State. And

having managed the program in California and working directly with the SBDCs out there, I am happy to provide support.

And Governor Cox and I have had conversations about the importance of investing in small business. And I am pleased to see some of our advancements in Utah. Our very first accrual SBIC was launched in Utah with Pelion Ventures.

And so I would be happy to follow up on that to understand what is happening with our SBDCs.

But we grant them funds. They choose their partnerships locally. They are independent nonprofits. But I am happy to explore. I am sure they would be as well.

Ms. MALOY. Yeah. I know they are independent nonprofits, but they have felt like the administration hasn't been really helpful as a partner. And if we are going to have a federal agency helping foster small businesses, I want to make sure that it is actually working for the small businesses in Utah.

So I will have my staff follow up with you, and we will work together with the State and iron that out and make sure it is actually working.

Ms. GUZMAN. Great.

Ms. MALOY. Thank you.

With that, Mr. Chairman, I yield back.

Chairman WILLIAMS. The lady yields back.

I would like to thank Administrator Guzman for her testimony and for appearing before us today.

Without objection, Members have 5 legislative days to submit additional materials and written questions for the witness to the Chair, which will be forwarded to the witness. So I ask the witness to please respond promptly if that happens.

If there is no further business, without objection, the Committee is adjourned.

[Whereupon, at 11:40 a.m., the Committee was adjourned.]

[Hon. Guzman did not submit her responses to questions in a timely manner.]

A P P E N D I X

**Testimony of SBA Administrator Isabel Guzman
“Holding the SBA Accountable”
House Small Business Committee
September 18, 2024**

Chairman Williams, Ranking Member Velazquez, and members of the House Small Business Committee, thank you for the invitation to appear before the Committee today.

America’s small businesses are giants in our economy – powering our nation’s economic growth and creating good-paying jobs in our communities. As SBA Administrator, I’ve had the opportunity to meet these businesses in visits across the country – including to many of your districts - where I’ve seen firsthand how Americans are realizing the dream of small business ownership and entrepreneurship.

We continue to see a record-breaking small business boom across the nation, with American entrepreneurs filing more than 19 million new business applications over the last 3-1/2 years. That annual rate of new business filings is 60% higher than the historical average and represents a resurgence of business dynamism after years of decline. As President Biden likes to say, starting a new business is an act of “hope and confidence in the economy” and these filings speak to the grit and determination of America’s entrepreneurs to take the first step on the path toward business ownership.

This small business boom is powered by women and people of color who are starting up at the highest rates.

In Arkansas, I recently visited a pizzeria whose owners received an SBA 7(a) loan from a Small Business Lending Company (SBLC) to open their first brick and mortar location. That location now employs 10 people. In Dallas, a small business owner told me how an SBA loan allowed her to

open a new 7,000 square foot women's wellness center in 2023. A North Carolina business owner showed me a new childcare center that started with an SBA Community Advantage loan and now provides early childhood learning for dozens of families in her community.

Entrepreneurs are leveraging Investment in America funding and strong consumer spending—thanks to wage growth outpacing price growth—to expand their businesses and create jobs. American small businesses now employ nearly 11 million more workers than when this President first took office.

Across the nation, small businesses are working on contracts to upgrade our roads, bridges, highways, railways, seaports, and airports as part of the Bipartisan Infrastructure Law.

Small businesses are helping to expand domestic supply chains with public and private investments in manufacturing and innovation, including historic investments through the CHIPS and Science Act.

And, the Inflation Reduction Act is providing opportunities for small businesses to help deploy clean energy technology like heat pumps, solar, and EV charging.

SBA resources, networks, and capital programs have been front and center helping to fuel small business startups and growth, and helping them overcome challenges in the marketplace.

Over the last 3-1/2 years, we have instituted transformative regulatory reforms, invested in technology, ensured our services are available to more people, and cut red tape to reverse a decade long decline in small dollar lending. As a result, SBA has delivered new lending to fill critical market gaps - expanding capital access for startups, rural businesses, and those owned by veterans, women, and minorities.

Under this Administration, small-dollar lending and lending to women-owned businesses has doubled. Loans are up 60% for Asian Americans, 45% for veterans, and 34% for rural businesses. Lending to Latino-owned firms has increased more than 2.5 times. And lending to Black-owned businesses has tripled since Fiscal Year (FY) 2020.

I am continuing to find ways to fully leverage SBA's lending authorities to better serve small businesses in the marketplace.

For example, SBA recently launched the Working Capital Pilot program to ensure that small businesses can access affordable working capital lines of credit to scale and grow their businesses.

SBA also continues to expand its lender network to increase competition, tackle rural banking deserts, and fill gaps for underserved entrepreneurs. To date, SBA has increased its nonprofit 7(a) lender network to 142 and opened its SBLC program to add two new rural-focused institutions to reach underserved communities.

We can do more to fill market gaps and incentivize private investment, so SBA has reopened the application window for any organizations interested in SBA lending to become national SBLCs or nonprofit Community Advantage SBLCs (CA SBLCs) – providing a vital source of capital in underserved communities.

Gaps in capital access also exist for growth-oriented, capital-intensive and critical technology companies. Our nation's innovators need private investments—both equity and debt—to start, commercialize, and scale their businesses.

Last year, we simplified regulations and completed the most significant reforms to SBA's Small Business Investment Company (SBIC) Program in

a generation. In FY 2024, thanks to our modernized rules and streamlined policies, SBA is processing more SBIC applications than it has in decades. The SBIC program is better positioned to drive investment to start-up small businesses in undercapitalized communities and industries, accelerating American innovation of technology critical to national security, domestic manufacturing, and supply chain resilience.

SBA has also done more to fulfill our founding mission of helping to diversify the industrial base and increase competition and innovation in the federal supply chain. SBA strengthened its government contracting and business development programs to ensure small businesses can do business with the largest buyer in the world, the federal government. SBA has advocated successfully to expand access to contracting opportunities through the Biden-Harris whole-of-government approach. This advocacy has helped lead to a record \$178.6 billion in federal contracting awards to small businesses and \$76.2 billion in awards to small disadvantaged businesses in FY2023. And now we are working to make sure that our small businesses can get ready to compete for set-aside contracts with streamlined access to the certifications, training, and business development they need to grow.

This includes a major technology, regulatory, and management modernization that will make it even easier for small businesses to get multiple certifications and better position their firms to compete and win small business contracts—from 8(a), Veteran and Women certifications, to HUBZone.

Last year, SBA launched VetCert and delivered a platinum standard of customer experience for the veteran small business certification program. We simplified regulation and doing business with the federal government for America's military community, and to date we've certified over 19,275 veteran owned small businesses. And last year,

the federal government exceeded the newly passed 5 percent goal for our service-disabled veterans. With SBAs latest and historic investments and reforms, soon all small businesses can pursue multiple certifications with a single application in MySBA Certifications. Further, we have approved a record number of certification applications and are on pace to eliminate the backlogs that have limited participation across our programs for years – especially for women. And, we have significantly reduced the administrative burdens on firms across multiple certifications.

As we near the Fiscal Year's end and remain on high alert at the peak of hurricane season, I am proud of the important work SBA has done across the whole agency to better support communities impacted by disaster. I've had the opportunity to travel to impacted communities, including Houston, Texas; Sulphur, Oklahoma; Rogers, Arkansas; and Greenfield, Iowa, to see the positive impact of our complete restructuring of SBA's disaster response.

During my time as Administrator, our significant organizational and administrative reforms have made it easier for survivors to access the funding they need to rebuild more quickly. SBA raised loan limits to better cover today's costs of rebuilding and provided 12 months of no interest and deferred payments to better support survivors with the time they need to recover.

SBA followed those reforms with technology investments to create the MySBA loan portal, including a new, mobile-first online application which simplifies, speeds up, and strengthens the customer experience.

SBA's management and modernization efforts have streamlined average disaster loan processing times from over 100 days to less than two weeks from application. This is a marked improvement that is

giving disaster survivors, peace of mind earlier in the rebuilding process.

SBA has transformed and modernized the agency while continuing to manage the temporary pandemic lending and grant programs that saved millions of America's businesses. And while the pandemic programs are no longer disbursing new funding, millions of small business owners continue to rely upon SBA to service their Paycheck Protection Program (PPP) loan or COVID-19 Economic Injury Disaster Loan (COVID-EIDL). I stand by my commitment to not turn my back on Americans who turned to SBA for help during the crisis. SBA continues to prioritize counseling and servicing actions to support these hardworking small business owners across our COVID-19 portfolio.

Our work at SBA also centers on ensuring we hold accountable all of those who violated the public trust in these programs. In partnership with the Department of Justice, SBA Inspector General, and other interagency and law enforcement partners, we continue to work to recoup tax dollars, largely lost in those early days of the pandemic.

I look forward to working alongside this Committee and Congress to continue SBA's important work supporting disaster-impacted communities and helping Americans start, grow and build resilient businesses.

Thank you.



September 18, 2024

The Honorable Roger Williams
Chair
House Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Nydia Velázquez
Ranking Member
House Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Williams, Ranking Member Velázquez and Members of the House Committee on Small Business:

On behalf of Associated Builders and Contractors, a national construction industry trade association with 67 chapters representing more than 23,000 members, I appreciate the opportunity to comment on the committee's hearing, "[Holding the SBA Accountable: Testimony from Small Business Administrator Guzman](#)." The majority of ABC's general contractor and subcontractor members qualify as small businesses as defined by the Small Business Administration. The industry consistently has one of the highest concentrations of small business participation and its members play an integral role in building America's infrastructure.

Earlier this year, this committee released an RFA [report](#) detailing a concerning lack of compliance in the federal rulemaking process. The report reveals that, in less than four years, 891 final rules have been issued, crushing small businesses with \$1.47 trillion in costs and over 232 million hours in paperwork. Moreover, federal agencies' continued usage of loopholes in the RFA allow them to circumvent the proper analysis needed to accurately consider the costs and number of affected small businesses.

Small business contractors around the country continue to face economic uncertainty. ABC's [Construction Confidence Index](#), based on an ABC member survey conducted between Aug. 20 and Sept. 5, reveals that 30% of respondents expect a decrease in sales and profit margins. In addition, the National Federation for Independent Business' [Small Business Optimism Index](#) decreased to 91.2 in August, which marks the 32nd consecutive month below the 50-year average of 98. Moreover, the NFIB's uncertainty index rose to 92, its highest level since October 2020. Yet, despite these statistics, the Biden administration has advanced numerous regulations that generate substantial burdens for America's small businesses. What's worse, federal agencies continue to utilize loopholes in the Regulatory Flexibility Act to implement these regulations at the expense of America's small business community.

In 2023, the NFIB reviewed comment letters from the SBA's Office of Advocacy and found 28 instances where they cited agencies for lack of RFA compliance. SBA's Office of Advocacy found agencies often improperly certify that rules will not have a significant economic impact on a substantial number of small entities, only consider the direct costs on small businesses or misrepresent the costs on small businesses from regulation.

In one instance, the Office of Advocacy found that the U.S. Department of Labor's analysis of the impact of its independent contractor rule, the now-effective [final rule on Employee or Independent Contractor Classification Under the Fair Labor Standards Act](#), failed to estimate the costs that would be incurred by small businesses when reclassifying independent contractors as employees.

ABC recently estimated that the construction industry will need to attract 501,000 additional workers on top of the normal pace of hiring in 2024 to meet the demand for labor. Discouraging America's small businesses from competing will only further exacerbate the construction industry's skilled workforce shortage. ABC appreciates the committee's efforts to examine SBA programs and encourages the SBA to thoroughly consider their Office of Advocacy as the administration continues to implement rules.

Sincerely,

Kristen Swearingen
Vice President, Legislative & Political Affairs

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September 18, 2024

The Honorable Roger Williams
 Chairman
 Committee on Small Business
 U.S. House of Representatives
 Washington, DC 20515

The Honorable Nydia Velázquez
 Ranking Member
 Committee on Small Business
 U.S. House of Representatives
 Washington, DC 20515

Re: Today's Hearing: "Holding the SBA Accountable: Testimony from Small Business Administrator Guzman"

Dear Chairman Williams and Ranking Member Velázquez:

On behalf of America's Credit Unions, I am writing regarding the Committee's hearing entitled, "Holding the SBA Accountable: Testimony from Small Business Administrator Guzman." America's Credit Unions is the voice of consumers' best option for financial services: credit unions. We advocate for policies that allow the industry to effectively meet the needs of their over 140 million members nationwide.

Credit unions recognize that access to capital for entrepreneurs is critical to ensuring the growth and development of vibrant small businesses. As not-for-profit, consumer-owned financial cooperatives, credit unions have a focus on meeting the needs of their members, including small business owners. This was widely demonstrated by the leadership of credit unions in providing Paycheck Protection Program (PPP) loans to Main Street small businesses when many other lenders turned them away. Establishing and retaining a relationship with a credit union remains the best way for a small business entrepreneur to partner with a provider of essential financial services.

To ensure that credit unions can continue to remain a positive source of capital access for small businesses, we urge the Committee to continue its strong oversight of the Small Business Administration (SBA). The SBA's government guaranteed lending programs epitomize a successful public-private partnership, and it is one that leverages private sector expertise. We believe that the SBA should not function as a direct lender, but instead continue to guarantee the repayment of loans made by a lender such as a credit union. SBA's lending programs, such as the 7(a) Loan Program, allow small businesses to work with local lenders or other lenders of a business's choice throughout the loan process. This public-private partnership works as borrowers can obtain loans from financial institutions that they know well and that have vested interests in their borrowers' success. Furthermore, when working with local lenders, small businesses are likely to benefit from guidance and experience from a lender with a stake in helping the borrowing business succeed.

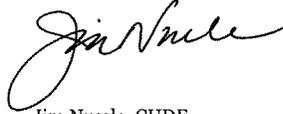
September 18, 2024
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We are particularly concerned that recent rulemaking from the SBA to expand the 7(a) program to fintechs and other non-traditional lenders could damage this important convention of SBA 7(a) lending. With a greater reliance on fintech lenders, SBA lending programs will be at increased risk of fraud, credit losses, and reputational risk. This could have serious consequences for the long-term health of the SBA's flagship 7(a) program. Credit unions and other traditional lenders are placed at a competitive disadvantage under this new system. We urge the Committee to continue to exercise its authority in this area and to continue to work to try to find legislative solutions if necessary.

In conclusion, credit unions stand ready to help small businesses and create jobs. Continued committee oversight of the SBA is needed. As the Committee considers approaches to help small business gain access to capital, we urge you to include credit unions as part of the solution.

On behalf of America's Credit Unions and the 140 million credit union members, thank you for holding this important hearing and considering our views on the subject.

Sincerely,



Jim Nussle, CUDE
President & CEO

cc: Members of the Committee on Small Business

