

CAPPING EXCESSIVE AWARDING OF SBLC ENTRANTS ACT
 OF 2025

MAY 21, 2025.—Committed to the Committee of the Whole House on the State of
 the Union and ordered to be printed

Mr. WILLIAMS of Texas, from the Committee on Small Business,
 submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 2987]

The Committee on Small Business, to whom was referred the bill
 (H.R. 2987) to amend the Small Business Act to require a limit on
 the number of small business lending companies, and for other pur-
 poses, having considered the same, reports favorably thereon with
 an amendment and recommends that the bill as amended do pass.

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The amendment is as follows:
Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Capping Excessive Awarding of SBLC Entrants Act of 2025” or the “CEASE Act of 2025”.

SEC. 2. LIMITATION ON NUMBER OF SMALL BUSINESS LENDING COMPANIES.

Section 23 of the Small Business Act (15 U.S.C. 650) is amended by adding at the end the following:

“(k) **LIMITATION ON NUMBER OF SMALL BUSINESS LENDING COMPANIES.**—The Administrator shall ensure that not more than 16 small business lending companies that are not nonprofit entities are authorized to make loans under section 7 at any time.”.

I. PURPOSE AND BILL SUMMARY

On April 24, 2025, Rep. Bresnahan introduced H.R. 2987, the *Capping Excessive Awarding of SBLC Entrants (CEASE) Act*. H.R. 2987 limits the number of for-profit Small Business Lending Companies (SBLCs) licensed by the SBA to 16.

II. NEED FOR LEGISLATION

The SBA is authorized to issue government-backed 7(a) loans through certified depository institutions like banks and credit unions, as well as certified non-depository SBLCs. Unlike certified depository institutions, whose primary regulator is the Federal Reserve, SBLCs are primarily regulated by the SBA and are not subject to the same safety and soundness regulations and requirements. Currently, the SBA does not have the capabilities to act as the primary regulatory for a significant number of SBLCs.

In 1981, the SBA instituted its own moratorium on licensing SBLCs because the agency did not have adequate resources to oversee and regulate additional SBLCs beyond the existing 14.¹ Under the Biden-Harris Administration, in 2023, the SBA finalized a rule that lifted the SBA’s self-imposed, 40-year moratorium that limited licensing on new SBLCs.² During the 118th Congress, Members of the House and the Senate expressed bipartisan concerns regarding this rule due to risks of the integrity of SBA’s loan programs.³

This bill is necessary to restore proper oversight capabilities to the SBA, while also ensuring that federally regulated lenders, such as community banks, remain a fundamental pillar of 7(a) lending.

III. HEARINGS

On February 12, 2025, the Committee on Small Business held a hearing examining matters related to H.R. 2987, titled “Driving Economic Growth: SBA Lending Programs and the Vital Role of Community Banks.”

IV. COMMITTEE CONSIDERATION

The Committee on Small Business met in open session, with a quorum being present, on April 30, 2025, and ordered H.R. 2987,

¹ SBA, “Business Loan Policy; Small Business Lending Companies,” 46 Federal Register 41523 (Aug. 17, 1981).

² SBA, “Small Business Lending Company (SBLC) Moratorium Rescission and Removal of the Requirement for a Loan Authorization,” 88 Federal Register 21890 (Apr. 12, 2023).

³ Letter from Roger Williams, *et al.*, Chairman, H. Comm. on Small Bus., to Isabella Casillas Guzman, Adm’r, U.S. Small Bus. Admin. (May 16, 2023).

as amended, to be reported favorably to the House of Representatives. During the markup, the Committee adopted an amendment in the nature of a substitute offered by Rep. Bresnahan by voice vote.

V. COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the recorded votes on the motion to report legislation and amendments thereto. The Committee voted to favorably report H.R. 2987, as amended, to the House of Representatives at 6:16 PM.

Present	Representatives	Aye	Nay
	Mr. Stauber (MN-08)	X	
	Mr. Meuser (PA-09)	X	
	Ms. Van Duyne (TX-24)	X	
	Mr. Elizy (TX-06)	X	
	Mr. Alford (MO-04)	X	
	Mr. LaLota (NY-01)	X	
	Mr. Finstad (MN-01)	X	
	Mr. Wied (WI-08)	X	
	Mr. Bresnahan (PA-08)	X	
	Mr. Jack (GA-03)	X	
	Mr. Downing (MT-02)	X	
	Ms. King-Hinds (Del.-CNMI)	X	
	Mr. Schmidt (KS-02)	X	
	Mr. Patronis (FL-01)	X	
	Ranking Member Velazquez (NY-07)		X
	Mr. McGarvey (KY-03)		X
	Ms. Scholten (MI-03)		X
	Mrs. McIver (NJ-10)		X
	Mr. Cisneros (CA-31)		X
	Dr. Morrison (MN-03)		X
	Mr. Latimer (NY-16)		X
	Mr. Tran (CA-45)		
	Ms. Simon (CA-12)		X
	Dr. Olszewski (MD-02)		X
	Dr. Conaway (NJ-03)		X
	Ms. Goodlander (NH-02)		X
	Chairman Williams (TX-25)	X	
	TOTALS	15	11

COMMITTEE ON SMALL BUSINESS119th Congress (*First Session*)Date: Wednesday, April 30, 2025Measure: H.R. 2987 Capping Excessive Awarding of SBLC Entrants (CEASE) Act (As Amended)

Time: 6:16 PM ET

Result?	<u>Agreed To:</u>	<input checked="" type="checkbox"/>	
	<u>Not Agreed To:</u>	<input type="checkbox"/>	
	<u>Withdrawn:</u>	<input type="checkbox"/>	
<i>Voice Vote</i>	<i>Ayes</i>	<i>Nays</i>	<i>Present</i>
	15	11	

FC Vote #	20
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VI. SECTION-BY-SECTION OF H.R. 2987

Section 1—Short title

This Act may be cited as the “Capping Excessive Awarding of SBLC Entrants Act” or the “CEASE Act.”

Section 2—Limitations on number of Small Business Lending Companies

This section limits the maximum number of licensed for-profit SBLCs to 16.

VII. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Pursuant to 3(c)(3) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974. The Committee has requested but not received from the Director of the Congressional Budget Office a cost estimate for the Committee’s provisions.

VIII. NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY,
AND TAX EXPENDITURES

Pursuant to clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a)(I) of the Congressional Budget Act of 1974, the Committee provides the following opinion and estimate with respect to new budget authority, entitlement authority, and tax expenditures. While the Committee has not received an estimate of new budget authority contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to Sec. 402 of the Congressional Budget Act of 1974, the Committee does not believe that there will be any additional costs attributable to this legislation. H.R. 2987 does not direct new spending, but instead reallocates funding independently authorized and appropriated.

IX. OVERSIGHT FINDINGS & RECOMMENDATIONS

In accordance with clause 3(c)(1) of rule XIII and clause 2(b)(1) of rule X of the Rules of the House of Representatives, the oversight findings and recommendations of the Committee on Small Business with respect to the subject matter contained in H.R. 2987 are incorporated into the descriptive portions of this report.

X. PERFORMANCE GOALS AND OBJECTIVES

With respect to the requirements of clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, there are no specific performance goals and objectives of H.R. 2987 applicable.

XI. STATEMENT OF DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, no provision of H.R. 2987 is known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of Public

Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

XII. CONGRESSIONAL EARMARKS, LIMITED TAX BENEFITS, AND LIMITED TARIFF BENEFITS

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee finds that the bill does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI of the Rules of the House of Representatives.

XIII. FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

XIV. FEDERAL ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

XV. APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

XVI. STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to clause 7 of rule XII of the Rules of the House, the Committee finds that the authority for this legislation in Art. I, § 8, cl.1 of the Constitution of the United States.

XVII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italics and existing law in which no change is proposed is shown in roman):

SMALL BUSINESS ACT

* * * * *

SEC. 23. SUPERVISORY AND ENFORCEMENT AUTHORITY FOR SMALL BUSINESS LENDING COMPANIES.

(a) IN GENERAL.—The Administrator is authorized—

(1) to supervise the safety and soundness of small business lending companies and non-Federally regulated lenders;

(2) with respect to small business lending companies to set capital standards to regulate, to examine, and to enforce laws governing such companies, in accordance with the purposes of this Act; and

(3) with respect to non-Federally regulated lenders to regulate, to examine, and to enforce laws governing the lending activities of such lenders under section 7(a) in accordance with the purposes of this Act.

(b) CAPITAL DIRECTIVE.—

(1) IN GENERAL.—If the Administrator determines that a small business lending company is being operated in an imprudent manner, the Administrator may, in addition to any other action authorized by law, issue a directive to such company to increase capital to such level as the Administrator determines will result in the safe and sound operation of such company.

(2) DELEGATION.—The Administrator may not delegate the authority granted under paragraph (1) except to an Associate Deputy Administrator.

(3) REGULATIONS.—The Administrator shall issue regulations outlining the conditions under which the Administrator may determine the level of capital pursuant to paragraph (1).

(c) CIVIL ACTION.—If a small business lending company violates this Act, the Administrator may institute a civil action in an appropriate district court to terminate the rights, privileges, and franchises of the company under this Act.

(d) REVOCATION OR SUSPENSION OF LOAN AUTHORITY.—

(1) The Administrator may revoke or suspend the authority of a small business lending company or a non-Federally regulated lender to make, service or liquidate business loans authorized by section 7(a) of this Act—

(A) for false statements knowingly made in any written submission required under this Act;

(B) for omission of a material fact from any written submission required under this Act;

(C) for willful or repeated violation of this Act;

(D) for willful or repeated violation of any condition imposed by the Administrator with respect to any application, request, or agreement under this Act; or

(E) for violation of any cease and desist order of the Administrator under this section.

(2) The Administrator may revoke or suspend authority under paragraph (1) only after a hearing under subsection (f). The Administrator may delegate power to revoke or suspend authority under paragraph (1) only to the Deputy Administrator and only if the Administrator is unavailable to take such action.

(A) The Administrator, after finding extraordinary circumstances and in order to protect the financial or legal position of the United States, may issue a suspension order without conducting a hearing pursuant to subsection (f). If the Administrator issues a suspension under the preceding sentence, the Administrator shall within two business days follow the procedures set forth in subsection (f).

(B) Any suspension under paragraph (1) shall remain in effect until the Administrator makes a decision pursuant to subparagraph (4) to permanently revoke the authority of the small business lending company or non-Federally regulated lender, suspend the authority for a time certain, or terminate the suspension.

(3) The small business lending company or non-Federally regulated lender must notify borrowers of a revocation and that a new entity has been appointed to service their loans. The Administrator or an employee of the Administration designated by the Administrator may provide such notice to the borrower.

(4) Any revocation or suspension under paragraph (1) shall be made by the Administrator except that the Administrator shall delegate to an administrative law judge as that term is used in section 3105 of title 5, United States Code, the authority to conduct any hearing required under subsection (f). The Administrator shall base the decision to revoke on the record of the hearing.

(e) CEASE AND DESIST ORDER.—

(1) Where a small business lending company, a non-Federally regulated lender, or other person violates this Act or is engaging or is about to engage in any acts or practices which constitute or will constitute a violation of this Act, the Administrator may order, after the opportunity for hearing pursuant to subsection (f), the company, lender, or other person to cease and desist from such action or failure to act. The Administrator may delegate the authority under the preceding sentence only to the Deputy Administrator and only if the Administrator is unavailable to take such action.

(2) The Administrator, after finding extraordinary circumstances and in order to protect the financial or legal position of the United States, may issue a cease and desist order without conducting a hearing pursuant to subsection (f). If the Administrator issues a cease and desist order under the preceding sentence, the Administrator shall within two business days follow the procedures set forth in subsection (f).

(3) The Administrator may further order such small business lending company or non-Federally regulated lender or other person to take such action or to refrain from such action as the Administrator deems necessary to insure compliance with this Act.

(4) A cease and desist order under this subsection may also provide for the suspension of authority to lend in subsection (d).

(f) PROCEDURE FOR REVOCATION OR SUSPENSION OF LOAN AUTHORITY AND FOR CEASE AND DESIST ORDER.—

(1) Before revoking or suspending authority under subsection (d) or issuing a cease and desist order under subsection (e), the Administrator shall serve an order to show cause upon the small business lending company, non-Federally regulated lender, or other person why an order revoking or suspending the authority or a cease and desist order should not be issued. The order to show cause shall contain a statement of the matters of fact and law asserted by the Administrator and the legal au-

thority and jurisdiction under which a hearing is to be held, and shall set forth that a hearing will be held before an administrative law judge at a time and place stated in the order. Such hearing shall be conducted pursuant to the provisions of sections 554, 556, and 557 of title 5, United States Code. If after hearing, or a waiver thereof, the Administrator determines that an order revoking or suspending the authority or a cease and desist order should be issued, the Administrator shall promptly issue such order, which shall include a statement of the findings of the Administrator and the grounds and reasons therefor and specify the effective date of the order, and shall cause the order to be served on the small business lending company, non-Federally regulated lender, or other person involved.

(2) Witnesses summoned before the Administrator shall be paid by the party at whose instance they were called the same fees and mileage that are paid witnesses in the courts of the United States.

(3) A cease and desist order, suspension or revocation issued by the Administrator, after the hearing under this subsection is final agency action for purposes of chapter 7 of title 5, United States Code. An adversely aggrieved party shall have 20 days from the date of issuance of the cease and desist order, suspension or revocation, to seek judicial review in an appropriate district court.

(g) REMOVAL OR SUSPENSION OF MANAGEMENT OFFICIAL.—

(1) DEFINITION.—In this section, the term “management official” means, with respect to a small business lending company or a non-Federally regulated lender, an officer, director, general partner, manager, employee, agent, or other participant in the management of the affairs of the company’s or lender’s activities under section 7(a) of this Act.

(2) REMOVAL OF MANAGEMENT OFFICIAL.—

(A) NOTICE.—The Administrator may serve upon any management official a written notice of its intention to remove that management official if, in the opinion of the Administrator, the management official—

(i) willfully and knowingly commits a substantial violation of—

(I) this Act;

(II) any regulation issued under this Act;

(III) a final cease-and-desist order under this Act; or

(IV) any agreement by the management official, the small business lending company or non-Federally regulated lender under this Act; or

(ii) willfully and knowingly commits a substantial breach of a fiduciary duty of that person as a management official and the violation or breach of fiduciary duty is one involving personal dishonesty on the part of such management official.

(B) CONTENTS OF NOTICE.—A notice under subparagraph (A) shall contain a statement of the facts constituting grounds therefor and shall fix a time and place at which

a hearing, conducted pursuant to sections 554, 556, and 557 of title 5, United States Code, will be held thereon.

(C) HEARING.—

(i) TIMING.—A hearing under subparagraph (B) shall be held not earlier than 30 days and later than 60 days after the date of service of notice of the hearing, unless an earlier or a later date is set by the Administrator at the request of—

(I) the management official, and for good cause shown; or

(II) the Attorney General.

(ii) CONSENT.—Unless the management official appears at a hearing under this paragraph in person or by a duly authorized representative, the management official shall be deemed to have consented to the issuance of an order of removal under subparagraph (A).

(D) ORDER OF REMOVAL.—

(i) IN GENERAL.—In the event of consent under subparagraph (C)(ii), or if upon the record made at a hearing under this subsection, the Administrator finds that any of the grounds specified in the notice of removal has been established, the Administrator may issue such orders of removal from office as the Administrator deems appropriate.

(ii) EFFECTIVENESS.—An order under clause (i) shall—

(I) take effect 30 days after the date of service upon the subject small business lending company or non-Federally regulated lender and the management official concerned (except in the case of an order issued upon consent as described in subparagraph (C)(ii), which shall become effective at the time specified in such order); and

(II) remain effective and enforceable, except to such extent as it is stayed, modified, terminated, or set aside by action of the Administrator or a reviewing court in accordance with this section.

(3) AUTHORITY TO SUSPEND OR PROHIBIT PARTICIPATION.—

(A) IN GENERAL.—In order to protect a small business lending company, a non-Federally regulated lender or the interests of the Administration or the United States, the Administrator may suspend from office or prohibit from further participation in any manner in the management or conduct of the affairs of a small business lending company or a non-Federally regulated lender a management official by written notice to such effect served upon the management official. Such suspension or prohibition may prohibit the management official from making, servicing, reviewing, approving, or liquidating any loan under section 7(a) of this Act.

(B) EFFECTIVENESS.—A suspension or prohibition under subparagraph (A)—

(i) shall take effect upon service of notice under paragraph (2); and

(ii) unless stayed by a court in proceedings authorized by subparagraph (C), shall remain in effect—

(I) pending the completion of the administrative proceedings pursuant to a notice of intention to remove served under paragraph (2); and

(II) until such time as the Administrator dismisses the charges specified in the notice, or, if an order of removal or prohibition is issued against the management official, until the effective date of any such order.

(C) JUDICIAL REVIEW OF SUSPENSION PRIOR TO HEARING.—Not later than 10 days after a management official is suspended or prohibited from participation under subparagraph (A), the management official may apply to an appropriate district court for a stay of the suspension or prohibition pending the completion of the administrative proceedings pursuant to a notice of intent to remove served upon the management official under paragraph (2).

(4) AUTHORITY TO SUSPEND ON CRIMINAL CHARGES.—

(A) IN GENERAL.—If a management official is charged in any information, indictment, or complaint authorized by a United States attorney, with a felony involving dishonesty or breach of trust, the Administrator may, by written notice served upon the management official, suspend the management official from office or prohibit the management official from further participation in any manner in the management or conduct of the affairs of the small business lending company or non-Federally regulated lender.

(B) EFFECTIVENESS.—A suspension or prohibition under subparagraph (A) shall remain in effect until the information, indictment, or complaint is finally disposed of, or until terminated by the Administrator or upon an order of a district court.

(C) AUTHORITY UPON CONVICTION.—If a judgment of conviction with respect to an offense described in subparagraph (A) is entered against a management official, then at such time as the judgment is not subject to further judicial review (and for purposes of this subparagraph shall not include any petition for a writ of habeas corpus), the Administrator may issue and serve upon the management official an order removing the management official, effective upon service of a copy of the order upon the small business lending company or non-Federally regulated lender.

(D) AUTHORITY UPON DISMISSAL OR OTHER DISPOSITION.—A finding of not guilty or other disposition of charges described in subparagraph (A) shall not preclude the Administrator from instituting proceedings under subsection (e) or (f).

(5) NOTIFICATION TO SMALL BUSINESS LENDING COMPANY OR A NON-FEDERALLY REGULATED LENDER.—Copies of each notice required to be served on a management official under this section shall also be served upon the small business lending company or non-Federally regulated lender involved.

(6) FINAL AGENCY ACTION AND JUDICIAL REVIEW.—

(A) ISSUANCE OF ORDERS.—After a hearing under this subsection, and not later than 30 days after the Administrator notifies the parties that the case has been submitted for final decision, the Administrator shall render a decision in the matter (which shall include findings of fact upon which its decision is predicated), and shall issue and cause to be served upon each party to the proceeding an order or orders consistent with this section. The decision of the Administrator shall constitute final agency action for purposes of chapter 7 of title 5, United States Code.

(B) JUDICIAL REVIEW.—An adversely aggrieved party shall have 20 days from the date of issuance of the order to seek judicial review in an appropriate district court.

(h) APPOINTMENT OF RECEIVER.—

(1) In any proceeding under subsection (f)(4) or subsection (g)(6)(C), the court may take exclusive jurisdiction of a small business lending company or a non-Federally regulated lender and appoint a receiver to hold and administer the assets of the company or lender.

(2) Upon request of the Administrator, the court may appoint the Administrator as a receiver under paragraph (1).

(i) POSSESSION OF ASSETS.—

(1) If a small business lending company or a non-Federally regulated lender is not in compliance with capital requirements or is insolvent, the Administrator may take possession of the portfolio of loans guaranteed by the Administrator and sell such loans to a third party by means of a receiver appointed under subsection (h).

(2) If a small business lending company or a non-Federally regulated lender is not in compliance with capital requirements or is insolvent or otherwise operating in an unsafe and unsound condition, the Administrator may take possession of servicing activities of loans that are guaranteed by the Administrator and sell such servicing rights to a third party by means of a receiver appointed under subsection (h).

(j) PENALTIES AND FORFEITURES.—

(1) Except as provided in paragraph (2), a small business lending company or a non-Federally regulated lender which violates any regulation or written directive issued by the Administrator regarding the filing of any regular or special report shall pay to the United States a civil penalty of not more than \$5,000 for each day of the continuance of the failure to file such report, unless it is shown that such failure is due to reasonable cause and not due to willful neglect. The civil penalties under this subsection may be enforced in a civil action brought by the Administrator. The penalties under this subsection shall not apply to any affiliate of a small business lending company that procures at least 10 percent of its annual purchasing requirements from small manufacturers.

(2) The Administrator may by rules and regulations that shall be codified in the Code of Federal Regulations, after an opportunity for notice and comment, or upon application of an interested party, at any time previous to such failure, by order, after notice and opportunity for hearing which shall be con-

ducted pursuant to sections 554, 556, and 557 of title 5, United States Code, exempt in whole or in part, any small business lending company or non-Federally regulated lender from paragraph (1), upon such terms and conditions and for such period of time as it deems necessary and appropriate, if the Administrator finds that such action is not inconsistent with the public interest or the protection of the Administration. The Administrator may for the purposes of this section make any alternative requirements appropriate to the situation.

(k) LIMITATION ON NUMBER OF SMALL BUSINESS LENDING COMPANIES.—The Administrator shall ensure that not more than 16 small business lending companies that are not nonprofit entities are authorized to make loans under section 7 at any time.

* * * * *

XVIII. MINORITY VIEWS

H.R. 2987, the “Capping Excessive Awarding of SBLC Entrants Act,” or “CEASE Act,” introduced by Representative Rob Bresnahan (R, PA) places a statutory moratorium on the number of Small Business Lending Company (SBLC) licenses that can be issued by the U.S. Small Business Administration (BA) at sixteen.

SBLCs are non-depository lending institutions that are authorized by the SBA to make 7(a) loans nationwide up to the programmatic cap of \$5 million per small business. There are currently sixteen entities that have been awarded SBLC licenses to make 7(a) program loans.

There has been bipartisan, bicameral, concern about the SBA’s ability to issue additional SBLC licenses for more than two years. Committee Democrats, first expressed concern about the SBA’s decision to amend its regulations to lift its previous moratorium on the licensing of new SBLCs, after the SBA made the announcement in April 2023, as part of its *SBLC Moratorium Recession and Removal of the Requirement for a Loan Authorization* rule.¹

Prior to finalization of the SBLC rule, the SBA had placed a moratorium on licensing new SBLCs since 1982, as it believed it did not have the necessary resources to properly supervise any new entrants into the program. Prior to adoption of the rule, the only way for an interested lender to obtain an SBLC license was to acquire one from one of the fourteen license holders in existence at the time. Although there is no cap on the number of licenses that can be issued under the SBLC rule, in the proposed rule, the SBA stated that based on the oversight capacity it had at the time, it believed it had the ability to license and supervise three new SBLCs.²

On Number 1, 2023, the SBA announced that it was granting three new SBLC licenses to lending companies.³ Arkansas Capital Corporation, Alaska Growth Capital BIDCO, Inc., and Funding Circle were the three companies granted SBLC licenses.⁴ Shortly after being granted an SBLC license, Funding Circle’s U.K.-based parent company announced that it was selling its U.S.-subsidiary after the U.S.-based company reported an annual loss of approximately \$5 million in 2023.⁵ Funding Circle ultimately decided to return its newly granted SBLC license to the SBA upon the sale of its U.S.-subsidiary to Ready Capital, another SBLC company.⁶

¹ 88 Fed. Reg. 21890 (April 12, 2023).

² 87 Fed. Reg. 66963. *Small Business Lending Company (SBLC) Moratorium Rescission and Removal of the Requirement for a Loan Authorization*. Pg. 66964. (November 7, 2022).

³ U.S. SMALL BUSINESS ADMINISTRATION. “Biden-Harris Administration Takes Historic Step in Expanding Access to Capital and Filling Lending Gaps in Underserved Communities.” (Archived New Release 23–86). (Nov. 1, 2023).

⁴ *Id.*

⁵ CHAKRAVARTY, RAJASHREE. “Funding Circle Sells its US Unit, Returns SBLC License.” BANKING DIVE (Jun. 26, 2024).

⁶ *Id.*

During the Committee's markup session, Representative Bresnahan, the sponsor of H.R. 2987, stated that H.R. 2987 would statutorily limit the number of SBLC licenses at sixteen and no currently awarded SBLC licenses would be impacted.

Given the controversy and upheaval associated with the awarding of a SBLC license to Funding Circle, Committee Democrats also believe it is worth exploring the necessity of statutorily codifying the number of SBLC licenses at the currently issued number of sixteen. However, the text of H.R. 2987 is silent as to the moratorium's applicability to currently existing Community Advantage SBLC licenses.

The Community Advantage program (CA program) began operations in February 2011, as an SBA pilot program. The program is designed to facilitate smaller-dollar loans to small businesses that are new businesses or located in an underserved community. As part of the SBLC rule in 2023, the SBA transitioned the CA program from its original form as a pilot to a specifically designated Community Advantage SBLC-licensed program. CA lenders who continued to be interested in making loans under the program were required to register with the SBA as CA SBLCs. Thus far, 143 CA lenders have registered with the SBA as CA SBLCs.⁷

The CA program has been hugely successful in facilitating smaller-dollar loans to small businesses that are new or located in an underserved community. In FY 2024, the Community Advantage program issued 1,118 loans valued at more than \$196 million, with an average loan size of approximately \$175,700.⁸ Thus far in FY 2025, CA lenders have issued 800 loans, valued at approximately \$132 million, with an average loan size of approximately \$165,300.⁹

Given the CA program's demonstrated track record of bringing smaller-dollar capital awards to new and underserved small business, Committee Democrats, have long championed the program. Last Congress, Representative Judy Chu (D, CA) and I made several efforts to work with the Republican-majority to permanently codify the program, but those efforts proved unsuccessful.

Committee Democrats believe the CA program needs to continue to grow and lenders with an interest in participating in the program need to be awarded a CA SBLC license, if they meet all the programmatic requirements for licensure. I am concerned that HR 2987's textual silence as to the SBLC moratorium's applicability to the CA SBLC program could be interpreted by the Trump Administration or a future Presidential Administration as Congress' directive to the SBA to limit the number of CA SBLC licenses or even shutdown the program altogether. That could not be further from the truth.

The standard practice would be for outstanding questions associated with legislative text to be answered as part of a committee hearing with the SBA's leadership or industry participants. Yet no such hearing on this legislation has been held. Committee Democrats opposed the legislation because of a lack of engagement with

⁷ Information provided by The Mission Lenders Working Group. (Provided on January 29, 2025). On file with Small Business Committee Staff.

⁸ U.S. SMALL BUS. ADMIN., 7(a) & 504 Summary Report, (Data as of: Apr. 25, 2025). (Last Accessed: Apr. 25, 2025).

⁹ *Id.*

the SBA, all necessary industry partners, and a due diligence review required to support the legislation.

So, while Committee Democrats remain concerned about the SBA's ability to award an unlimited number of new SBLC licenses, central questions regarding the legislation's text remain and therefore Democrats cannot support the legislation in its current form.

NYDIA M. VELÁZQUEZ,
Ranking Member.

