

AMERICAN ENTREPRENEURS FIRST 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. 2966]

The Committee on Small Business, to whom was referred the bill (H.R. 2966) to require the Administrator of the Small Business Administration to require an applicant for certain loans of the Administration to provide certain citizenship status documentation, and for other purposes, 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 “American Entrepreneurs First Act of 2025”.

SEC. 2. REQUIREMENTS FOR CITIZENSHIP STATUS DOCUMENTATION FOR CERTAIN LOAN PROGRAMS OF THE SMALL BUSINESS ADMINISTRATION.

(a) IN GENERAL.—The Administrator of the Small Business Administration shall ensure that any application for a loan submitted under section 7(a) of the Small Business Act (15 U.S.C. 636(a)) or title V of the Small Business Investment Act of 1958 (15 U.S.C. 695 et seq.) includes the following information:

(1) The date of birth for each individual applicant for such loan or for each individual owner of an applicant concern.

(2) Certification that—

(A) an individual applicant for such loan is a citizen of the United States, a national of the United States, or a lawful permanent resident of the United States; or

(B) an applicant concern for such loan or a guarantor for such loan is 100 percent beneficially owned by individuals who are either citizens of the United States, nationals of the United States, or lawful permanent residents of the United States.

(3) Certification that no direct or indirect owner of an applicant concern for such loan is an ineligible person.

(4) Documentation of the alien registration number of any lawful permanent resident who is—

(A) an individual applicant for such loan; or

(B) an owner of an applicant concern.

(b) PROHIBITION.—An applicant for a loan under section 7(a) of the Small Business Act (15 U.S.C. 636(a)) or title V of the Small Business Investment Act of 1958 (15 U.S.C. 695 et seq.) is ineligible for such loan if—

(1) the applicant submits the application for such loan after the date of the enactment of this Act and such application does not contain the information required under subsection (a);

(2) in the case such applicant is an applicant concern, any direct or indirect owner of such applicant concern is an ineligible person; or

(3) in the case such applicant is an individual applicant, such applicant is an ineligible person.

(c) INELIGIBLE PERSON DEFINED.—In this Act, the term “ineligible person” means—

(1) an asylee;

(2) a refugee;

(3) an individual issued a visa to remain in the United States;

(4) an alien classified as a nonimmigrant under any subparagraph of section 101(a)(15) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15));

(5) an alien to whom deferred action has been granted pursuant to the Deferred Action for Childhood Arrivals policy announced by the Secretary of Homeland Security on June 15, 2012; or

(6) an alien present in the United States without lawful status under the immigration laws (as such term is defined in section 101(a) of the Immigration and Nationality Act (8 U.S.C. 1101(a))).

I. PURPOSE AND BILL SUMMARY

On April 17, 2025, Rep. Van Duyne, along with Rep. Cloud, introduced H.R. 2966, the *American Entrepreneurs First Act*. H.R. 2966 requires citizenship verification for Small Business Administration (SBA) loan applications.

II. NEED FOR LEGISLATION

Under the Biden-Harris Administration, criminal illegal immigrants jeopardized the lives of citizens throughout the country, including small business owners. At the same time, the Biden-Harris SBA loosened guardrails and approved loans for ineligible applicants. This bill is needed to ensure that zero taxpayer dollars fund

SBA assistance and loans for illegal immigrants and ineligible applicants.

On March 6, 2025, SBA Administrator Loeffler announced that the agency found that the Biden-Harris SBA approved a \$783,000 SBA loan application in June 2024 for a small business that was 49 percent owned by an illegal immigrant.¹ Thankfully, Administrator Loeffler halted the loan to the illegal immigrant prior to it being disbursed. Through SBA Policy Notice 5000–865754, the SBA implemented new citizenship verification requirements on SBA loans to end taxpayer benefits to illegal immigrants.²

Additionally, H.R. 2966 codifies President Trump’s Executive Order (EO) 14218, “Ending Taxpayer Subsidization of Open Borders,” and EO 14159, “Protecting the American People Against Invasion.”³

III. HEARINGS

On March 11, 2025, the Subcommittee on Oversight, Investigations, and Regulations of the Committee on Small Business held a hearing examining matters related to H.R. 2966, entitled “Restoring the SBA: Putting Main Street America First.”

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. 2966, 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. Van Dwyne 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. 2966, as amended, to the House of Representatives at 6:13 PM.

¹News Release, U.S. Small Bus. Admin., Administrator Loeffler Announces SBA Reforms to Put American Citizens First (Mar. 6, 2025), <https://www.sba.gov/article/2025/03/06/administrator-loeffler-announces-sba-reforms-put-american-citizens-first>.

²U.S. SMALL BUS. ADMIN., POLICY NOTICE No. 5000–865754 (Mar. 7, 2025).

³Exec Order No. 14,218, 90 Fed. Reg. 10581 (2025).

Present	Representatives	Aye	Nay
	Mr. Stauber (MN-08)	X	
	Mr. Meuser (PA-09)	X	
	Ms. Van Duynes (TX-24)	X	
	Mr. Ellzey (TX-06)	X	
	Mr. Alford (MO-04)	X	
	Mr. LaLota (NY-01)	X	
	Mr. Finstad (MN-01)	X	
	Mr. Wied (WI-08)	X	
	Mr. Bressnahan (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. 2966 American Entrepreneurs
First Act (As Amended)

Time: 6:14 PM ET

Result?	<u>Agreed To:</u> [X]		
	<u>Not Agreed To:</u> []		
	<u>Withdrawn:</u> []		
<i>Voice Vote</i>	<i>Ayes</i> 15	<i>Nays</i> 11	<i>Present</i>

FC Vote #	16
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VI. SECTION-BY-SECTION OF H.R. 2966

Section 1—Short title

This Act may be cited as the “American Entrepreneurs First Act.”

Section 2—Requirements for citizenship status documentation for certain loan programs of the Small Business Administration

This section requires the submission of the date of birth for each individual applicant or business owner; certification that each applicant is a U.S. citizen, U.S. national, or lawful permanent resident; the alien registration numbers for lawful permanent residents; and certification that no direct or indirect business owner is an “ineligible person,” including asylees, refugees, visa holders, Deferred Action for Childhood Arrivals (DACA) recipients, or undocumented individuals.

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. 2966 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. 2966 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. 2966 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. 2966 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. MINORITY VIEWS

H.R. 2966, the “American Entrepreneurs First Act” introduced by Representatives Beth Van Duyne (R, TX) and Michael Cloud (R, TX) mandates that the Administrator of the Small Business Administration (“SBA”) verify the age and citizenship status of each individual applicant or business owner in order for the applicant business to receive financing under either the SBA’s 7(a) or 504 programs.

The legislation follows President Donald Trump’s Executive Order 14159¹ (E.O. 14159) issued on January 20, directing the White House Office of Management and Budget (OMB) to ensure all federal agencies identify and stop the provision of any public benefit to any illegal alien not authorized to receive them under the Immigration and Nationality Act² and a subsequent Policy Notice released by the SBA on March 7, announcing policy updates and citizenship requirements for applicants to obtain a 7(a) or 504 loan in order to comply with E.O. 14159.³

H.R. 2966 is solution in search of a problem and seems to be premised on the notion that certain segments of the American population are receiving SBA 7(a) and 504 loans when they otherwise shouldn’t. For example, during the Committee’s markup session, Chairman Williams stated that the Biden Administration “approved [SBA] loans for illegal immigrants.” However, as Ranking Member Velázquez rightly stated, the Committee has not received “any shred of evidence that undocumented immigrants have been given any [SBA] loans.” Committee Democrats have never received any evidence, credible or otherwise, that large numbers of individuals in the U.S. without legal authorization are receiving access to SBA financing and loan products.

During the markup debate, the Republican-majority also argued that passage of H.R. 2966 is necessary in order to ensure SBA loans are made to American entrepreneurs and businesses. Yet, the Republican-majority failed to recognize that previous rules issued by the SBA prior to President Trump’s E.O. 14159 already required a business applicant to need at least a 51 percent ownership stake be held by a U.S. citizen, U.S. national, or permanent resident in order to receive SBA financing.⁴ The Republican-majority also referenced a loan approval made by the SBA in June 2024 for a small business that was 49 percent owned by an undocumented individual. Yet, again, the Republican-majority only told half the story and failed to also acknowledge that the internal processes the SBA

¹ EXEC. Order. 14159, 90 Fed. Reg. 8443.

² 8 U.S.C. § 1101(a)(15).

³ U.S. SMALL BUSINESS ADMINISTRATION. “Policy updates to comply with Executive Order 14159 regarding citizenship requirements for obtaining 7(a) and 504 loans.” Policy Notice-5000-865754 (March 7, 2025).

⁴ OFF. OF FIN. ASSISTANCE. “SOP 50 10 7.1.” U.S. SMALL BUS. ADMIN. (NOV. 15, 2023).

had in place at the time identified the individual as an ineligible borrower and prevented the loan from being originated.

The bill moves both the 7(a) and the 504 programs away from their original purposes and their use of prudent underwriting standards to evaluate originations. The main purpose of the 7(a) program is to provide creditworthy small business borrowers that demonstrate an ability to repay, and who cannot find credit elsewhere, with access to loans and loan guarantees. The legal status of a borrower has no bearing on their creditworthiness or their ability to repay and should not be used as a proxy for prudent underwriting determinations. Moreover, the credit elsewhere provision of the 7(a) program creates a situation where small businesses, either partially- or fully-owned by individuals already legally permitted to be in the U.S., with nowhere else to turn for their credit needs threatening the livelihoods of these small businesses and the communities they serve.

This bill also prevents U.S. majority-owned small businesses with minority-ownership from participating in SBA lending programs. One prominent SBA program lender has already expressed to Committee Democrats that their institution was unable to modify a loan for a small business owned by a husband and wife, in which the business was majority owned by a U.S. citizen, shortly after the SBA's new policy notice was issued solely because one of the individuals in the couple was a citizen of a European country.⁵ If H.R. 2966 were to become law, the Committee Democrats expect examples like these to become more pervasive.

In some ways it's ironic that the Majority is marking up this bill now. Under the terms of this bill and the recent SBA policy changes that were issued in March, banks, credit unions, and other SBA-lenders will need to create new compliance regimes to certify the citizenship status of individuals and comply with the 100 percent U.S. beneficial ownership requirements in the bill. Ironically, these questions and compliance procedures are similar to the ones the Majority and Republicans across the House Caucus have argued for years are either too complex, too costly, or too invasive for lenders to comply with the CFPB's Section 1071 rule,⁶ in order to ensure institutions' compliance with fair lending requirements, and the Corporate Transparency Act's Beneficial Ownership requirement,⁷ to ensure anonymous shell companies in the U.S. are not being used to facilitate terrorism, sex trafficking, money laundering, and other illicit schemes. Both the Section 1071 rule and the Beneficial Ownership rule have safe harbors, remedies for good faith mistakes, and, in some situations, opportunities for applicants to decline to provide their information altogether. H.R. 2966 is silent on all of these and seems to require maximum compliance from all applicants at all times with no exceptions.

The bill as written also creates practical challenges for program lenders and threatens future operations of both programs. For example, the Equal Credit Opportunity Act⁸ ("ECOA") prohibits creditors from discriminating against credit applicants on the basis

⁵ Example is on file with Committee and is available for review upon request.

⁶ 12 C.F.R. Part 1002.

⁷ 15 U.S.C. § 5336.

⁸ 15 U.S.C. § 1691.

of race, color, religion, national origin, sex, marital status, or age. H.R. 2966 seems to make both age and national origin a threshold requirement in order for the borrower to qualify for a 7(a) or 504 loan. As such, some program lenders have already expressed to Committee Democrats that verifying a borrower's date of birth and citizenship status in order to comply with H.R. 2966 could expose their institutions to legal violations under ECOA.

Further, the SBA recently issued a new Standard Operating Procedure (SOP), 50 10-8,⁹ in April 2025, which becomes effective on June 1. The new SOP specifically precludes 7(a) Preferred Lender Program (PLP) participants from reaching out to the SBA's general processing center regarding questions pertaining to a borrower's application and to confirm SBA policy requirements. The citizenship verification requirements contained in H.R. 2966, coupled with the new SOP procedure precluding SBA PLP participants from contacting SBA's general processing center, are likely to cause questions from lenders to go unanswered and create uncertainty regarding the institution's ability to originate the loan. Instead of exposing their institution to possible legal violations, lenders will instead choose to pull back and stop issuing new originations under both programs in order to avoid liability.

As practical matter, in order for the SBA Administrator to ensure the citizenship status of each borrower individual and comply with the 100 percent U.S. beneficial ownership requirements in the bill, in the 7(a) program, the lender will be required to upload the citizenship information the borrower has certified to the lender in the SBA's electronic loan submission platform, E-Tran. Yet, the E-Tran system currently only enables lenders to submit up to 81 percent of a business' beneficial ownership information for loan approval, not 100 percent as required in bill. In this very uncertain environment, 7(a) lenders have already expressed concern that the inability of the E-Tran System to accept submissions of the remaining 19 percent of a business borrower's beneficial ownership information could, again, open them up to legal liability and cause them to decrease their SBA-lending order to avoid exposure. The 504 program will seem to suffer a similar fate under the terms of H.R. 2966. Most 504 program loans are non-delegated loans and require additional processing and review by the SBA. Requiring the Administration to 100-percent certify the business borrower's ownership by US citizens, nationals, or lawful permanent residents is expected to result in additional processing times, delays, and costs, not only for the SBA, but for the lender and the small business borrower as well.

Finally, concern has already been expressed to Committee Democrats that the SBA could sign a memorandum of understanding with the U.S. Department of Homeland Security (DHS), similar to the agreement that DHS recently signed with the Internal Revenue Services (IRS),¹⁰ to share the citizenship information an individual borrower or business applicant has provided to the SBA under the terms of H.R. 2966. A partnership between the SBA and DHS to share small business borrowers' citizenship information is without

⁹OFF. OF FIN. ASSISTANCE. "SOP 50 10 8." U.S. SMALL BUS. ADMIN. (Jun. 1, 2025).

¹⁰ROSE, JOEL. "The IRS finalizes a deal to share tax information with immigration authorities." NPR. (Apr. 8, 2025).

unprecedented and could weaponize the SBA and SBA-program lenders as immigration enforcement officers, threatening the safety of thousands of small business owners.

Small businesses are the backbone of our nation's economy. Access to capital has been a major challenge for American small businesses for decades and SBA's capital access programs have tried to bridge the gap for the small businesses left behind by the conventional markets. Yet, H.R. 2966 takes us back and creates operational challenges for program participants. Instead of denying more American small businesses access to the affordable capital that so many of them need, Democrats believe the Committee should be working to strengthen SBA's capital access programs and increase financing opportunities for more small businesses in order to improve our local economies and our nation's Gross Domestic Product overall.

NYDIA M. VELÁZQUEZ,
Ranking Member.

