May 12, 2020

The Honorable Tammy Duckworth  
United States Senate  
524 Hart Senate Office Building  
Washington, DC 20510

The Honorable Marco Rubio  
Chairman  
Committee on Small Business & Entrepreneurship  
428A Russell Senate Office Building  
Washington, DC 20510

The Honorable Christopher Coons  
United States Senate  
127A Russell Senate Office Building  
Washington, DC 20510

The Honorable James Risch  
United States Senate  
482 Russell Senate Office Building  
Washington, DC 20510

The Honorable Marsha Blackburn  
United States Senate  
357 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Ben Cardin  
Ranking Member  
Committee on Small Business & Entrepreneurship  
428A Russell Senate Office Building  
Washington, DC 20510

The Honorable Jeanne Shaheen  
United States Senate  
520 Hart Senate Office Building  
Washington, DC 20510

Dear Senators Duckworth, Rubio, Coons, Risch, Blackburn, Cardin, and Shaheen:

I write to applaud your leadership to preserve the 7(a) loan program as an opportunity for this country’s small businesses in the “Small Business Lending Continuity Act of 2020,” which would prevent the SBA’s flagship loan program from shuttering if the joint authorization for 7(a) and Paycheck Protection Program (PPP) loans is exhausted.

In the midst of the focus on PPP, we appreciate your recognition of the need to address the error that occurred when the 7(a) loan authorization and the PPP loan authorization were combined in the CARES Act. It is important to note that the “Small Business Lending Continuity Act of 2020” would not change PPP policy and this is not a technical fix to PPP. Rather, this legislation has to do with allowing an entirely separate 7(a) loan program to go back to standing on its own, removing it from being fatally intertwined with the volatility of a stimulus program.

By way of a reminder, as you know, the CARES Act language combined the PPP and the 7(a) loan program’s authorization caps into one joint cap for the covered period of February 15, 2020 to June 30, 2020. The statute also made the 7(a) loan program’s FY20 $30 billion authorization cap null and void for the entirety of the covered period. When the joint appropriations cap was increased to a total of $670.335 billion to fully fund $659 billion in total authorization, Congress provided enough PPP funding to allow the joint authorization cap to be fully expended. However, since the 7(a) loan program has utilized over $5.2 billion of the total $659 billion joint authorization (as of April 30, 2020), we know now that the PPP-only appropriation provided in CARES Act will never be fully expended. Rather, whenever PPP and the 7(a) program combined authorization during the covered period reaches a total of $659 billion, both programs will be shuttered. If this happens prior to July 1st when the 7(a) loan program’s FY20 authorization cap is reinstated, the 7(a) loan program will shut down at that time unless
Congress swiftly passes the “Small Business Lending Continuity Act of 2020,” which is the only stable path forward to ensure the 7(a) loan program remains available for borrowers.

While PPP serves an important function in these difficult times, the 7(a) loan program is a permanent fixture, specifically designed to help the small business borrowers that are unable to access capital in the conventional marketplace. The 7(a) loan provides long-term funding for virtually every business purpose with a maximum maturity of up to 25 years, thus providing payments that will put less stress on borrowers’ cash flows. While both the PPP and the 7(a) loan program are vital programs, we should never assume that given the short-term availability and limited scope of PPP loans that the 7(a) loan program is no longer essential. We can all agree that the country should avoid closing off opportunities for small businesses to find help in the coming weeks and months. The 7(a) loan program continues to steadily serve borrowers even in the midst of PPP’s peak volume and the 7(a) loan program will need to be a solution for small business borrowers after PPP has run its course. Given that the conventional markets are actively receding from the small business community in these difficult times and will only continue to do so in the months to follow, the 7(a) loan program will be relied upon heavily to help small business borrowers—just as it did in the aftermath of 9/11 and the Great Recession.

Ensuring that all opportunities are available to small business borrowers is among the most timely and critical work that Congress can set out to accomplish right now, and thanks to your leadership and the “Small Business Lending Continuity Act of 2020,” Congress can take necessary action to provide assurances for both small businesses and lenders that the 7(a) loan program will remain available.

As the largest national trade association of SBA lenders, NAGGL strongly urges Congress to swiftly pass the “Small Business Lending Continuity Act of 2020” to support the country’s small business economy when it needs it most.

Sincerely,

Anthony R. Wilkinson
President & CEO, National Association of Government Guaranteed Lenders (NAGGL)

Cc:

The Honorable Nancy Pelosi, Speaker
The Honorable Mitch McConnell, Majority Leader
The Honorable Charles Schumer, Minority Leader
The Honorable Kevin McCarthy, Minority Leader
The Honorable Nydia Velázquez
The Honorable Steve Chabot