

August 2, 2022

The Honorable Joseph R. Biden, Jr
President
United States of America
1600 Pennsylvania Ave, NW
Washington, DC 20500

The Honorable Isabella Casillas Guzman
Administrator
U.S. Small Business Administration
409 Third St. SW
Washington, DC 20416

Dear President Biden and Administrator Guzman,

On behalf of the Innovative Lending Platform Association (ILPA), we appreciate the opportunity to write to you regarding the Small Business Administration's (SBA) flagship 7(a) program.

ILPA is the leading trade organization for online lending and service companies serving small businesses. Our members (Biz2Credit, BFS Capital, Bluevine, Fundbox, Funding Circle, Kabbage, Lendio, Mulligan Funding, OnDeck, and Paynet/Equifax Commercial) offer various commercial financing products including closed-ended term loans, sales-based financing, open-end credit, and factoring. By leveraging technology, we provide hundreds of thousands of small businesses across the country with working capital to invest in their businesses, purchase inventory, hire employees, expand their business, or repair damaged or upgrade their equipment.

Small businesses are facing yet another difficult economic environment in which they are struggling to find and keep labor, supplies and profits. 86% of small businesses rank inflation as the top priority for Congress and the White House¹. In order to weather this environment, businesses need access to capital and SBA's flagship 7(a) program is a way for small business borrowers to receive access to government guaranteed business loans. Unfortunately, traditional lenders upon which the SBA historically has relied, are failing to reach the smallest of small businesses including minority-owned businesses. Compared to pre-pandemic levels, the share of applicants receiving all of the funding they sought fell from 51% in 2019 to 31% in 2021². Fortunately, Fintech lenders are able to fill a significant portion of the credit access gap if permitted by your Administration to participate in the 7(a) program.

According to the Federal Reserve³ fintech lenders:

- now disproportionately provide more access to credit to underserved communities than traditional financial institutions

¹SBE Council Small Business Policy and Economic Survey (June 24, 2022)

² Federal Reserve Bank, 2022 Small Business Credit Survey: Report on Employer Firms, <https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/2022-sbcs-employer-firms-report> [hereinafter 2022 Fed Employer Survey]

³ <https://www.philadelphiafed.org/the-economy/banking-and-financial-markets/the-impact-of-fintech-lending-on-credit-access-for-us-small-businesses>

- lent more in zip codes with higher business bankruptcy filings and higher unemployment rates
- internal credit scores were able to predict future loan performance more accurately than the traditional approach to credit scoring
- have a potential to create a more inclusive financial system, allowing small businesses that were less likely to receive credit through traditional lenders to access credit and to do so at lower cost.

We strongly encourage you to repeal the 1982 moratorium on issuing Small Business Lending Company (SBLC) licenses and permit non-depository, state licensed and regulated fintech lenders to originate 7(a) loans nationally.

This proposal has bipartisan, bicameral support in Congress. U.S. Senators Tim Scott (R-SC) and John Hickenlooper (D-CO) and Congressmen Jason Crow (D-CO-06) and Byron Donalds (R-FL-19) introduced S. 2690 and HR 6217 to repeal the SBLC moratorium and strengthen the program.

In addition, the Bipartisan Policy Center (BPC) and the Electronic Transactions Association have endorsed these efforts. BPC notes that these bills build on the “successful features of the Paycheck Protection Program (PPP) by allowing more non-depository financial institutions to participate in government-guaranteed small business lending via the Expanding Access to Credit for Small Businesses Act.”

We urge your Administration to use its authority to immediately repeal SBA’s self-imposed moratorium so underserved small businesses can gain access to capital that will be critical to surviving this economic climate.

Thank you again for the opportunity to write. If you have any questions or if ILPA can be of assistance with this or any future issue, please do not hesitate to contact me at scott@innovativelending.org.

Sincerely,



Scott Stewart
CEO, Innovative Lending Platform Association

cc: Christopher Slevin, Deputy Assistant to the President
Patrick Kelley, SBA Associate Administrator for Capital Access