INDEPENDENT COMMUNITY
BANKERS of AMERICA®

November 19, 2021

Mr. Jason Bossie
Associate Administrator for Performance and Planning
Acting Chief Financial Officer
United States Small Business Administration
409 3rd Street, SW
Washington, DC 20416

Re: Strategic Plan & Enterprise Learning Agenda

Dear Mr. Bossie:

The Independent Community Bankers of America ("ICBA")[1] appreciates the opportunity to comment on the United States Small Business Administration's ("SBA") Fiscal Year 2022-2026 Strategic Plan ("Strategic Plan") and Enterprise Learning Agenda ("ELA").

ICBA has long supported the work of SBA loan programs that promote the creation and expansion of small businesses and believes that these programs have had a meaningful impact on local economic growth in areas where access to working capital may be otherwise limited. Community banks have played a prominent role in supporting development of these small businesses by actively lending through the popular SBA 7(a) and 504 programs. Community banks played an outsized, instrumental role in getting emergency relief funds to struggling businesses at the beginning of the COVID-19 pandemic through the Paycheck Protection Program ("PPP"). Community banks worked tirelessly to quickly create internal systems, processes, and a lending architecture with little guidance on how to proceed. Even more impressive is that these institutions completed the task with existing limited staff resources that

[1] The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. With more than 52,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 760,000 Americans and are the only physical banking presence in one in five U.S. counties. Holding more than $4.9 trillion in assets, $3.9 trillion in deposits, and $3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

already had another role in the bank. PPP would not have been able to deliver crucial emergency relief funds to small businesses without the critical role played by community banks.

ICBA has always believed that community banks serve a vital role in providing small businesses effective and efficient access to SBA lending programs and should continue to play that role. SBA should be a partner with ICBA and community banks across the country and should not seek to circumvent the role that community banks play in loan origination. Community banks are hometown lenders uniquely capable of tailoring lending products to small business needs based on a thorough understanding of the small business model, the reasons for seeking credit, and the ability to adequately service the debt in both good times and bad. Community banks can informally but efficiently educate the applicant and provide advice on the key benefits and risks of obtaining credit specifically designed to address the borrower's loan request. Removing community banks from the SBA lending process as the originator of record would quickly result in negative consequences for small businesses, community banks, the communities they serve, and for the SBA itself, as the vital role and expertise that community banks bring to credit decisioning would be lost. SBA should always work with community banks to originate loans under all of its loan programs but in particular under the 7(a) and 504 programs where they are most needed.

Community banks strongly oppose any proposals to authorize the Small Business Administration to issue direct 7(a) loans as is included in the current draft of the Build Back Better Act. Direct lending is a poor and costly alternative to private sector lending that would reach fewer borrowers and deprive them of the added value that community banks provide in the form of advice and guidance to help the small business be financially successful. Today, there is a strong network of community banks, community development financial institutions, and other lenders already in place to meet demand for small business borrowers. According to the Congressional Research Service, "The SBA has authority to make direct loans but, with the exception of disaster loans and loans to Microloan program intermediaries, has not exercised that authority since 1998. The SBA indicated that it stopped issuing direct business loans primarily because the subsidy rate was "10 to 15 times higher" than the subsidy rate for its loan guaranty programs."

Proponents of SBA direct lending cite data showing a decline in 7(a) lending in 2020. This data is misleading. Small business 7(a) loans were displaced by PPP loans and small business

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

borrowing needs were met during this critical period. As PPP has come to a close, the SBA has already guaranteed a record $44.8 billion[2] in lending in fiscal year 2021, with financing for the 7(a) program funded by user fees. The most recent NFIB survey[3] of small business owners found that just two percent of owners said that their credit needs were unmet. Bank and other private sector lender underwriting and expertise are what make the 7(a) program successful. Community banks have direct ties to their communities, knowledge of local economic conditions and expertise honed over generations that cannot be duplicated by the SBA. Displacing these lenders would be a grievous error.

ICBA notes that the strategic plan and the ELA fails to note the key role that community banks play in supporting SBA's activities. Totally absent from the documents is any discussion of the need for SBA to seek community bank partners to bring SBA loan products to potential small business customers. Also absent from the documents is any discussion about the need to use community bank partners to provide access to SBA loan products in rural and underserved communities across the United States. As the SBA is well aware, local community banks have been a key originator of SBA loan products to small businesses simply because the small businesses' geographic location presents challenges in getting access to other lenders. ICBA recommends that the SBA revise the strategic plan and the ELAs to include a discussion of the critical role that community banks play in bringing credit to small businesses that would otherwise have no other market lending option.

ICBA appreciates the opportunity to provide comment on the strategic plan and ELA and hopes that SBA will consider our recommendations. If you have any questions or would like additional information, please do not hesitate to contact me.

Sincerely,

/s/

James Kendrick
First Vice President, Accounting & Capital Policy

---

[2] https://www.sba.gov/article/2021/oct/29/sba-administrator-guzman-announces-448-billion-through-signature-lending-programs
[3] https://www.nfib.com/surveys/small-business-economic-trends/

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org