

We must ensure entrepreneurs and small business owners have the confidence that the SBA has the IT capabilities and tools to keep their information safe from cyberattacks. This bill, H.R. 3462, is an important step in doing just that.

Mr. Speaker, I urge my colleagues from both sides of the aisle to support H.R. 3462.

Ms. VELÁZQUEZ. Mr. Speaker, I am prepared to close, and I reserve the balance of my time.

Mr. LUTKEMEYER. Mr. Speaker, I yield myself such time as I may consume for the purpose of closing.

Mr. Speaker, I believe now is the time to act to prepare our financial institutions for cyber intrusions. Requiring the SBA to assess its own cyber infrastructure is an important step to ensure the agency can continue to serve as a leader for our Nation's 31 million small businesses.

Congress should make certain that the Federal Government is cyber prepared on behalf of the Nation's small businesses, entrepreneurs, and startups.

Mr. Speaker, I encourage my colleagues to support H.R. 3462, and I yield back the balance of my time.

Ms. VELÁZQUEZ. Mr. Speaker, H.R. 3462 adds new layers of Congressional oversight to regularly assess SBA's IT and cybersecurity systems and controls, and it will go a long way to increase transparency in the event of another IT or cyber incident.

Congress and the American people need to know that the SBA's systems are fully operational and capable of handling the next surge. This bill takes a step towards rebuilding the trust and confidence in the SBA's IT infrastructure.

Mr. Speaker, I thank my colleagues for their work, I urge Members to vote "yes" on this bill, and I yield back the balance of my time.

Ms. JACKSON LEE. Mr. Speaker, I rise in support of H.R. 3462, the "SBA Cyber Awareness Act," which will strengthen our knowledge of cybersecurity threats to the small businesses of America.

In short, this bill mainly requires that the Small Business Administration (SBA) conduct an annual report that assesses the cybersecurity infrastructure of the SBA.

Mr. Speaker, the unfortunate reality is that our Nation's small businesses are under attack—they are increasingly the target of cybersecurity breaches.

In fact, the SBA has listed IT security as one of the most serious management challenges facing the administration for more than twenty years.

Fifty percent of small businesses say that it is likely they will experience a cyberattack in the next twelve months.

One in four small businesses indicate that they are facing more cyberattacks compared to a year ago.

Small businesses are the backbone of this country, and we owe it to them to be diligently aware of threats to their private information and their livelihoods.

That is why I rise in ardent support of the SBA Cyber Awareness Act, and that is why the bill has bipartisan backing.

Lastly, I want to thank Congressman CROW and Congresswoman KIM for introducing and shepherding this bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentlewoman from New York (Ms. VELÁZQUEZ) that the House suspend the rules and pass the bill, H.R. 3462.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds being in the affirmative, the ayes have it.

Mrs. BOEBERT. Mr. Speaker, on that I demand the yeas and nays.

The SPEAKER pro tempore. Pursuant to section 3(s) of House Resolution 8, the yeas and nays are ordered.

Pursuant to clause 8 of rule XX, further proceedings on this motion are postponed.

SMALL BUSINESS 7(a) LOAN AGENT TRANSPARENCY ACT

Ms. VELÁZQUEZ. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4481) to amend the Small Business Act to establish requirements for 7(a) agents, and for other purposes.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 4481

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Small Business 7(a) Loan Agent Transparency Act".

SEC. 2. REQUIREMENTS FOR 7(a) AGENTS.

(a) OFFICE OF CREDIT RISK MANAGEMENT DUTIES.—Section 47(b) of the Small Business Act (15 U.S.C. 657t(b)) is amended—

(1) in paragraph (2), by striking "and" at the end;

(2) in paragraph (3), by striking the period and inserting a semicolon; and

(3) by adding at the end the following new paragraph:

"(4) any 7(a) agent.".

(b) ENFORCEMENT AUTHORITY.—

(1) OFFICE OF CREDIT RISK MANAGEMENT.—Section 47(e) of the Small Business Act (15 U.S.C. 657t(e)) is amended by inserting "or 7(a) agent" after "7(a) lender" each place such term appears.

(2) LENDER OVERSIGHT COMMITTEE.—Section 48(c)(2) of the Small Business Act is amended by striking "and any Lending Partner or Intermediary participant" and inserting ", any 7(a) agent (as defined in section 47), or any Lending Partner or Intermediary participant".

(c) REGISTRATION SYSTEM.—Section 47 of the Small Business Act (15 U.S.C. 657t) is amended by adding at the end the following new subsections:

"(j) REGISTRATION SYSTEM FOR 7(a) AGENTS.—

"(1) IN GENERAL.—The Director shall establish a registration system for 7(a) agents that assigns a unique identifier to each 7(a) agent and collects data necessary for the Director to submit the report required under paragraph (4).

"(2) REQUIREMENTS.—A 7(a) agent shall—

"(A) register in the system established under paragraph (1) before providing covered services to a lender or applicant; and

"(B) effective 1 year after the date of the enactment of this subsection, submit an annual fee for such registration to the Director.

"(3) DATABASE.—The Director shall establish and maintain an electronic database of the types of covered services provided by each 7(a) agent.

"(k) DEFINITIONS.—In this section:

"(1) 7(a) AGENT.—The term '7(a) agent' means a person who provides covered services on behalf of a lender or applicant.

"(2) COVERED SERVICES.—The term 'covered services' means—

"(A) assistance with completing an application for a loan under section 7(a) (including preparing a business plan, cash flow projections, financial statements, and related documents); or

"(B) consulting, broker, or referral services with respect to a loan under section 7(a)."

(d) EFFECTIVE DATE.—This Act and the amendments made by this Act shall take effect 6 months after the date of the enactment of this Act.

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from New York (Ms. VELÁZQUEZ) and the gentleman from Missouri (Mr. LUTKEMEYER) each will control 20 minutes.

The Chair recognizes the gentlewoman from New York.

GENERAL LEAVE

Ms. VELÁZQUEZ. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and include extraneous material on the measure under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from New York?

There was no objection.

Ms. VELÁZQUEZ. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of the bill before us today, H.R. 4481, the Small Business 7(a) Loan Agent Transparency Act.

This bill would establish a registration system for 7(a) loan agents that assigns each a unique identifier and collects data to help SBA track and evaluate loan performance for loans generated through agent activity.

Our committee has consistently heard from agency watchdogs about the increased risk associated with loans originated through loan agents.

In October 2021, SBA's Office of Inspector General identified increased risk introduced by loan agents as one of the agency's top management and performance challenges facing the agency this fiscal year.

H.R. 4481 addresses the IG's finding by establishing a registry and including loan agents as entities against which SBA's Office of Credit Risk Management may issue formal or informal enforcement actions.

Earlier this Congress, our committee approved this bipartisan bill on a unanimous basis, and I am proud to support it again today.

I applaud my colleagues, Mr. PHILLIPS and Mr. MEUSER, for identifying this issue and working together on a commonsense solution. I ask all of my colleagues to support this bill.

Mr. LUTKEMEYER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 4481, the Small Business 7(a) Loan Agent Transparency Act.

I want to congratulate you, Mr. Speaker. Not many people can pronounce my last name, LUETKEMEYER, but you did a great job today. Thank you very much.

While small businesses across the Nation are bearing the burden of rising costs, supply chain issues, and labor shortages, they also continue to be challenged when accessing capital to build and grow their businesses.

This committee remains committed to examining issues surrounding access to capital.

The SBA's largest government guaranteed loan tool is the 7(a) loan program, which serves small businesses of all types throughout the Nation.

Over the years, the role of loan agents within this program has ebbed and flowed. However, along the way, the SBA has not had a firm grasp on how these middlemen operate in the program.

H.R. 4481 corrects this program by requiring more transparency within the program about loan agents who often connect small businesses to lenders and vice versa.

I commend the gentleman from Minnesota (Mr. PHILLIPS) and the gentleman from Pennsylvania (Mr. MEUSER) for working in tandem to bring this issue to the forefront, as well as Ms. TENNEY. I also would like to thank the Chair for working on this issue as well.

H.R. 4481 will reinforce the integrity of the program and ensure that it continues to be a useful tool for small businesses moving forward.

H.R. 4481 passed out of committee via voice vote. I urge all Members to support this legislation, Mr. Speaker, and I reserve the balance of my time.

Ms. VELÁZQUEZ. Mr. Speaker, I reserve the balance of my time.

Mr. LUETKEMEYER. Mr. Speaker, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. MEUSER).

Mr. MEUSER. Mr. Speaker, I want to thank Ranking Member LUETKEMEYER very much, as well as Chairwoman VELÁZQUEZ, for working on this bill.

Mr. Speaker, I rise in support of H.R. 4481, the Small Business 7(a) Loan Agent Transparency Act, introduced by my colleague, Mr. PHILLIPS of Minnesota.

In fiscal year 2020, the SBA's 7(a) loan program made approximately 42,000 loans, totaling over \$22 billion, providing creditworthy small businesses access to capital they could not obtain elsewhere. In some cases, these loans are facilitated by third-party loan agents. These loan agents can be attorneys, accountants, consultants, or others who assist a lender or borrower with their loan.

As recent as last year, the SBA's Office of Inspector General issued reports highlighting the need for the SBA to improve its oversight of loan agents.

The SBA's OIG cited at least 22 cases of confirmed loan agent fraud, totaling at least \$335 million in taxpayer money.

This bill addresses bipartisan concerns with third-party loan agents involved in the SBA 7(a) loan program by creating a registration system for loan agents that can be used to track and evaluate performance of loans generated by loan agents.

I would like to thank Congressman PHILLIPS for working with me to address the role loan agents play in this program and ensure that both Congress and the SBA remain good stewards of taxpayer dollars.

I look forward to continuing to work in a bipartisan manner to ensure the SBA has the correct procedures in place for the growing number of loan agents within its flagship 7(a) loan program.

I am pleased to be a cosponsor of this legislation, and I urge a "yes" vote.

Ms. VELÁZQUEZ. Mr. Speaker, I reserve the balance of my time.

Mr. LUETKEMEYER. Mr. Speaker, I yield such time as she may consume to the gentlewoman from New York (Ms. TENNEY).

Ms. TENNEY. Mr. Speaker, I thank Chairwoman VELÁZQUEZ and Ranking Member LUETKEMEYER, as well as Representative PHILLIPS and Representative MEUSER, the cosponsors of H.R. 4481, the Small Business 7(a) Loan Agent Transparency Act, for their work on this bill.

The Small Business Administration's 7(a) loan program leverages the private sector and community banks to expand capital to small businesses at affordable rates. Throughout my district, this program has provided countless small businesses the resources they need to expand their operations and hire additional employees. Small businesses still dominate in my district.

Today, these loans have taken on even more importance, allowing employers to stay solvent through the pandemic. Overwhelming bipartisan majorities in Congress have voted to increase the size and loan limit of the program because of its vital importance.

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These past 2 years have also shown us there is still room for improvement. While the SBA can currently track loans originating from lenders, it cannot do the same for loans originating from loan brokers or agents. That lack of transparency must be addressed.

That is why I support H.R. 4481, the 7(a) Loan Agent Transparency Act. The bill will correct this shortcoming and protect the 7(a) loan program and taxpayer funds. As an outspoken advocate for transparency and New York taxpayers, I am pleased to see this legislation move forward.

This bill will allow SBA to evaluate the performance of loan agents, permitting businesses and policymakers to see who is most effective in helping employers secure financing. It will also

make it easier for SBA to spot fraud and track bad actors who abuse taxpayer resources.

I urge my colleagues to stand with small business owners and taxpayers today and pass the bipartisan 7(a) Loan Agent Transparency Act.

Ms. VELÁZQUEZ. Mr. Speaker, I have no further speakers at this time, and I reserve the balance of my time.

Mr. LUETKEMEYER. Mr. Speaker, I yield myself the balance of my time to close.

Mr. Speaker, we have an oversight duty to ensure programs are operating effectively and efficiently. Congress must also ensure taxpayer dollars are protected and safeguarded against waste, fraud and abuse.

Loan agents within the 7(a) program require more transparency, and this bill delivers on this important topic.

I can assure you that as a result of IG reports, this is a necessary part of our process, and we must continue to provide the kind of oversight that is necessary. Loan agents can be very helpful, but there are always a few bad apples. We need this transparency to be able to protect the integrity of this program and taxpayer dollars.

Mr. Speaker, I urge my colleagues to support H.R. 4481, and I yield back the balance of my time.

Ms. VELÁZQUEZ. Mr. Speaker, I yield myself the balance of my time.

As the small business economy continues its recovery, we have an opportunity to optimize SBA's flagship capital access program.

Today's legislation improves SBA's ability to oversee the loan agents in the 7(a) program and empowers the agency to hold noncompliant agents accountable.

Currently SBA's Office of Credit Risk Management conducts loan agent oversight as part of its periodic lender reviews, not directly through the agents themselves.

The registry established under this bill will improve SBA's ability to conduct more targeted oversight over the 7(a) loan agents.

I applaud the gentleman from Minnesota (Mr. PHILLIPS) and the gentleman from Pennsylvania (Mr. MEUSER) for their bipartisan work to improve the 7(a) program. I urge my colleagues to vote "yes," and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentlewoman from New York (Ms. VELÁZQUEZ) that the House suspend the rules and pass the bill, H.R. 4481.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds being in the affirmative, the ayes have it.

Mr. CLOUD. Mr. Speaker, on that I demand the yeas and nays.

The SPEAKER pro tempore. Pursuant to section 3(s) of House Resolution 8, the yeas and nays are ordered.

Pursuant to clause 8 of rule XX, further proceedings on this motion are postponed.

7(a) LOAN AGENT OVERSIGHT ACT

Ms. VELÁZQUEZ. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4531) to amend the Small Business Act to require a report on 7(a) agents, and for other purposes.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 4531

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “7(a) Loan Agent Oversight Act”.

SEC. 2. REPORT ON 7(a) AGENTS.

Section 47 of the Small Business Act (15 U.S.C. 657t) is amended by adding at the end the following new subsection:

“(j) ANNUAL REPORT.—

“(1) IN GENERAL.—The Director shall submit to Congress, in addition to the report required under subsection (h)(2), an annual report including, for the calendar year covered by the report—

“(A) the number of 7(a) agents assisting applicants for loans under section 7(a), disaggregated by 7(a) agents who are attorneys, accountants, consultants, packagers, and lender service providers (as defined by section 103.1 of title 13, Code of Federal Regulations);

“(B) the number of fraudulent loans made for which an applicant used services of a 7(a) agent;

“(C) the purchase rate by the Administrator of loans for which an applicant used services of a 7(a) agent;

“(D) the number and aggregate dollar value of referral fees paid to 7(a) agents, disaggregated by whether the applicant or 7(a) lender paid such fees;

“(E) without identifying individual 7(a) agents by name, a consolidated analysis of the risk created by the individual 7(a) agents responsible for not less than 1 percent of—

“(i) the dollar value of loans made with the assistance of 7(a) agents; and

“(ii) the number of loans made with the assistance of 7(a) agents;

“(F) an analysis of interest rates on loans for which an applicant or 7(a) lender used services of an agent; and

“(G) a description of how the Administrator communicates with 7(a) agents.

“(2) DEFINITIONS.—In this subsection:

“(A) 7(a) AGENT.—The term ‘7(a) agent’ means a person who provides covered services on behalf of a lender or applicant.

“(B) COVERED SERVICES.—The term ‘covered services’ means—

“(i) assistance with completing an application for a loan under section 7(a) (including preparing a business plan, cash flow projections, financial statements, and related documents); or

“(ii) consulting, broker, or referral services with respect to a loan under section 7(a).”.

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from New York (Ms. VELÁZQUEZ) and the gentleman from Missouri (Mr. LUETKEMEYER) each will control 20 minutes.

The Chair recognizes the gentlewoman from New York.

GENERAL LEAVE

Ms. VELÁZQUEZ. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and include extraneous material on the measure under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from New York?

There was no objection.

Ms. VELÁZQUEZ. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of the bill before us today, H.R. 4531, the 7(a) Loan Agent Oversight Act, companion legislation to H.R. 4481, the Small Business 7(a) Loan Agent Transparency Act.

While H.R. 4481 would establish a registration system for 7(a) loan agents, this bill requires SBA to submit a report to Congress assessing and analyzing the performance of 7(a) loans generated through loan agent activity.

This analysis will include SBA's purchase rate for loans generated through loan agent activity, the aggregate dollar value of referral fees paid to agents either by borrowers or lenders, and the interest rates associated with these loans.

The report will also include an analysis—without naming individual agents—of the risk created by individual agents responsible for generating at least 1 percent of the 7(a) portfolio.

SBA's Office of Inspector General has repeatedly identified the increased risks to the 7(a) loan portfolio created by loan agents as the top agency management challenge and recommended the agency develop a system to register loan agents and monitor their performance.

The IG's findings about loan agent activity are particularly troubling. In one instance a loan agent fraudulently originated \$90 million in 7(a) loans and received compensation from at least 19 different lenders.

Today's bills on 7(a) loan agent registration and oversight will go a long way in providing transparency and are long overdue.

Once again, I want to sincerely thank Mr. PHILLIPS and Mr. MEUSER for identifying this issue and collaborating on a sensible solution.

Mr. Speaker, I urge my colleagues to support this bill, and I reserve the balance of my time.

Mr. LUETKEMEYER. Mr. Speaker, I yield myself such time as I may consume and rise in support of H.R. 4531, the 7(a) Loan Agent Oversight Act.

On October 15, 2021, the SBA's inspector general published a report titled “Top Management and Performance Challenges Facing the Small Business Administration in Fiscal Year 2022.”

In this report, the inspector general listed increased risks introduced by loan agents as one of the top issues the agency faces. Specifically, the report outlines approximately \$335 million in documented and confirmed loan agent fraud within the program. This is unacceptable, Mr. Speaker, and Members of Congress must have more visibility into this program.

H.R. 4531, the 7(a) Loan Agent Oversight Act, requires the SBA to perform

a portfolio risk analysis on loans associated with agents. When this risk analysis is completed, Members will have more visibility into how loan agents interact with a government guaranteed loan program. American tax dollars must be protected, and H.R. 4531 makes important improvements to be able to do just that.

I thank the gentleman from Pennsylvania (Mr. MEUSER) and the gentleman from Minnesota (Mr. PHILLIPS) for tackling this legislation head on.

With my support and the Chair's support, H.R. 4531 was favorably reported out of our committee, and I encourage all Members to support this legislation.

Mr. Speaker, I reserve the balance of my time.

Ms. VELÁZQUEZ. Mr. Speaker, I reserve the balance of my time.

Mr. LUETKEMEYER. Mr. Speaker, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. MEUSER).

Mr. MEUSER. Mr. Speaker, I rise in support of my bill, H.R. 4531, the 7(a) Loan Agent Oversight Act.

First, I would like to thank Chairwoman VELÁZQUEZ and Ranking Member LUETKEMEYER for advancing this bill to the House floor. I would also like to thank the gentleman from Minnesota (Mr. PHILLIPS) for working together on this important legislation.

The 7(a) loan program is considered the flagship program of the SBA. It is an important tool for helping small firms gain access to capital. Unfortunately, the SBA's Office of Inspector General has highlighted a need for improved oversight of the 7(a) loan agents due to increased risk of fraud associated with these agents.

To ensure that Congress can properly address these issues, we must have the information necessary to determine how to mitigate these risks. Without accurate information, we cannot perform the proper oversight that is needed to safeguard and protect American taxpayer dollars.

My bill will ensure that Congress receives the data it needs to conduct proper oversight of the 7(a) loan program by requiring the SBA to develop and publish an annual portfolio risk analysis for Congress on loan agents that operate within the program. Specifically, the analysis will examine the number of fraudulent loans that are associated with the loan agents as well as the default rate of the loans associated with these agents.

At the end of the day, these are government programs that were developed to assist small businesses in gaining access to capital. Given this important mission, Congress and the SBA must conduct the appropriate level of oversight.

The information that will be provided to Congress under H.R. 4531 will be paramount as we measure the effectiveness of these programs and whether the SBA has the correct oversight requirements in place to administer such a significant program.