

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.

For that reason, I urge my colleagues to support H.R. 4531, the 7(a) Loan Agent Oversight Act.

Ms. VELÁZQUEZ. Mr. Speaker, I have no further speakers, and I am prepared to close. I reserve the balance of my time.

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

Continued and ongoing fraud within any government program is unacceptable and must be addressed immediately. H.R. 4531 is a step in the right direction and will provide crucial information for Members of Congress as well as committee members as they continue to exercise necessary oversight of programs directed at small businesses and entrepreneurs.

Mr. Speaker, I urge my colleagues to support H.R. 4531, and I yield back the balance of my time.

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

The two bills we are considering today go hand in hand and will also go a long way to enhance transparency in the 7(a) program.

Over the last year, our committee has focused on relief programs, but we never lost sight of our traditional lending programs. Today, we turn our attention to the core SBA loan programs and ensure they are working as best as they can.

The report required under this bill will help Congress and the public better understand the role loan agents play in the 7(a) program, whether they improve access to capital for entrepreneurs, and the impact of potential bad actors in this space, especially as it relates to portfolio risk.

Though lenders bear primary responsibility for monitoring their agents, only SBA is positioned to aggregate loan agent portfolios, evaluate their performance, and inform lenders and policymakers about concerning program risks or trends.

Once again, I want to salute the work of the gentleman from Minnesota (Mr. PHILLIPS) and the gentleman from Pennsylvania (Mr. MEUSER). I encourage all of 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. 4531.

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.

SMALL BUSINESS DEVELOPMENT CENTER CYBER TRAINING ACT OF 2021

Ms. VELÁZQUEZ. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4515) to amend the Small Business Act to require cyber certification for small business development center counselors, and for other purposes.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 4515

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 Development Center Cyber Training Act of 2021".

SEC. 2. DUTIES OF SMALL BUSINESS DEVELOPMENT CENTER COUNSELORS.

Section 21 of the Small Business Act (15 U.S.C. 648) is amended by adding at the end the following:

"(o) CYBER STRATEGY TRAINING FOR SMALL BUSINESS DEVELOPMENT CENTERS.—

"(1) DEFINITIONS.—In this subsection—

"(A) the term 'cyber strategy' means resources and tactics to assist in planning for cybersecurity and defending against cyber risks and cyber attacks; and

"(B) the term 'lead small business development center' means a small business development center that has received a grant from the Administration.

"(2) CERTIFICATION PROGRAM.—The Administrator shall establish a cyber counseling certification program, or approve a similar existing program, to certify the employees of lead small business development centers to provide cyber planning assistance to small business concerns.

"(3) NUMBER OF CERTIFIED EMPLOYEES.—The Administrator shall ensure that the number of employees of each lead small business development center who are certified in providing cyber planning assistance under this subsection is not fewer than the lesser of—

"(A) 5; or

"(B) 10 percent of the total number of employees of the lead small business development center.

"(4) CONSIDERATION OF SMALL BUSINESS DEVELOPMENT CENTER CYBER STRATEGY.—In carrying out this subsection, the Administrator, to the extent practicable, shall consider any cyber strategy methods included in the Small Business Development Center Cyber Strategy developed under section 1841(a) of the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114-328; 130 Stat. 2662).

"(5) REIMBURSEMENT FOR CERTIFICATION.—

"(A) IN GENERAL.—Subject to the availability of appropriations and subparagraph (B), the Administrator shall reimburse a lead small business development center for costs relating to the certification of an employee of the lead small business development center under the program established under paragraph (2).

"(B) LIMITATION.—The total amount reimbursed by the Administrator under subparagraph (A) may not exceed \$350,000 in any fiscal year."

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.

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

Mr. Speaker, I rise in support of H.R. 4515, the Small Business Development Center Cyber Training Act. This legislation will enable Small Business Development Centers, SBDCs, to better assist small businesses with their cybersecurity needs.

Small businesses often lack the resources, training, or technical knowledge to prevent a cyberattack before it happens. In the past year alone, 47 percent of small businesses experienced a cyberattack, and out of those, 44 percent experienced more than one.

A cyberattack can cripple a small business, and the repercussions can be felt across the supply chain. In fact, the cost of a single breach can cost upwards of \$200,000 or more. During hearings over the years, my committee has heard heartbreaking stories of how just one cyberattack forced companies to close their doors permanently.

Today's legislation takes action to provide much-needed resources to any small company, whether it is our local pizza shop or an independent Uber driver, to educate and protect themselves from growing cybercrime.

Because SBDCs have a proven record of understanding the needs of small businesses, H.R. 4515 would establish a cyber counseling certification program in SBDCs to provide specific, free-of-charge cyber training for small entities.

The cyber training provided by the nationwide network of SBDCs will offer crucial resources for small employers to plan and implement cybersecurity protections and combat cyberattacks.

I thank my colleagues, Mr. ANDREW GARBARINO from New York, Mr. STEVE CHABOT from Ohio, and Mr. DWIGHT EVANS and Ms. CRISSY HOULAHAN from Pennsylvania, for their work on this bill. I am confident that the bipartisan work of the Small Business Committee will better fortify our Nation's cyber infrastructure.

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 I rise in support of H.R. 4515, the Small Business Development Center Cyber Training Act of 2021.

Small Business Development Centers, or SBDCs, perform numerous important roles for small businesses and aspiring entrepreneurs. They are also