119TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
119–33

7(A) LOAN AGENT OVERSIGHT ACT

MARCH 24, 2025.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. WILLIAMS of Texas, from the Committee on Small Business, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 1804]

The Committee on Small Business, to whom was referred the bill (H.R. 1804) to amend the Small Business Act to require a report on 7(a) agents, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

CONTENTS

59–006

I. PURPOSE AND BILL SUMMARY

On March 3, 2025, Rep. Meuser, along with Rep. McIver, introduced H.R. 1804, *7(a) Loan Agent Oversight Act*. H.R. 1804 requires the Small Business Administration's (SBA) Office of Credit Risk Management (OCRM) to submit an annual report to Congress regarding the performance and risk associated with 7(a) loans generated through loan agent activity.

II. NEED FOR LEGISLATION

Authorized by section 7(a) of the Small Business Act, the SBA's 7(a) program is the agency's flagship loan program. Private sector lenders originate commercial and working capital loans of up to $5 million to small businesses that cannot access credit elsewhere.

Nearly 15 percent of all 7(a) loans include a loan agent, though that percentage declined during the COVID–19 pandemic. Unfortunately, investigations have identified increased fraud risk using 7(a) loan agents and has reported that over the last decade with more than $335 million in documented loan agent fraud. This risk has been consistently cited as a top management and performance challenge facing the SBA, and most recently in FY2024.

Though lenders bear primary responsibility for monitoring their agents, only the SBA is positioned to aggregate loan agent portfolios, evaluate their performance, and inform lenders and policy makers about distressing program risk or trends.

The reporting requirements in H.R. 1804 consists of information the SBA currently collects but does not utilize.

III. HEARINGS

On February 12, 2025, the Committee on Small Business held a hearing examining matters related to H.R. 1804 titled "Driving Economic Growth: SBA Lending Programs and the Vital Role of Community Banks."

IV. COMMITTEE CONSIDERATION

The Committee on Small Business met in open session, with a quorum being present, on March 5, 2025, and ordered H.R. 1804 favorably reported to the House of Representatives. During the markup, no amendments were offered.

V. COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the recorded votes on the motion to report legislation and amendments thereto. The Committee voted to favorably report H.R. 1804 to the House of Representatives at 11:45 AM.

Present	Representatives	Aye	Nay
	Mr. Stauber (MN-08)	X	
	Mr. Meuser (PA-09)	X	
	Ms. Van Duyne (TX-24)	X	
	Mr. Ellzey (TX-06)		
	Mr. Alford (MO-04)	X	
	Mr. (La-Low-ta) Lalota (NY-01)	X	
	Mr. Finstad (MN-01)	X	
	Mr. Wied (WI-08)	X	
	Mr. Bresnahan (PA-08)	X	
	Mr. Jack (GA-03)	X	
	Mr. Downing (MT-02)	X	
	Ms. King-Hinds (Del.-CNMI)	X	
	Mr. Schmidt (KS-02)	X	
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	Ranking Member Velazquez (NY-07)	X	
	Mr. Mc-Gar-vey (KY-03)	X	
	Ms. (Skull- ton) Scholten (MI-03)	X	
	Mrs. McIver (NJ-10)	X	
	Mr. Cisneros (CA-31)	X	
	Dr. Morrison (MN-03)	X	
	Mr. Latimer (NY-16)	X	
	Mr. Tran (CA-45)	X	
	Ms. Simon (CA-12)	X	
	Dr. Olszewski (MD-02)	X	
	Dr. Conway (NJ-03)	X	
	Ms. Goodlander (NH-02)	X	
12			
1	Chairman Williams (TX-25)	X	
	TOTALS	25	
26			

COMMITTEE ON SMALL BUSINESS
119th Congress (*First Session*)

Date: 03/05/2025

Time: 11:45 am

Measure: **H.R. 1804**- 7(a) Loan Agent Oversight Act

Offered By:

Amendment #:

Result?			
	Agreed To: [X]		
	Not Agreed To: [ ]		
	Withdrawn: [ ]		
Voice Vote	*Ayes*	*Nays*	*Present*
	25	0	

FC Vote #	7

VI. Section-by-Section of H.R. 1804

Section 1—Short title

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

Section 2—Report on 7(a) agents

This section requires OCRM to submit to Congress an annual report that includes the performance, cost, and risk associated with loans generated through loan agent activity.

VII. Congressional Budget Office Cost Estimate

Pursuant to 3(c)(3) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974. The Committee has requested but not received from the Director of the Congressional Budget Office a cost estimate for the Committee's provisions.

VIII. New Budget Authority, Entitlement Authority, and Tax Expenditures

Pursuant to clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a)(I) of the Congressional Budget Act of 1974, the Committee provides the following opinion and estimate with respect to new budget authority, entitlement authority, and tax expenditures. While the Committee has not received an estimate of new budget authority contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to Sec. 402 of the Congressional Budget Act of 1974, the Committee does not believe that there will be any additional costs attributable to this legislation as the bill requires reporting information that the SBA currently collects and tracks in its loan database E–TRAN. H.R. 1804 does not direct new spending, but instead reallocates funding independently authorized and appropriated.

IX. Oversight Findings & Recommendations

In accordance with clause 3(c)(1) of rule XIII and clause 2(b)(1) of rule X of the Rules of the House of Representatives, the oversight findings and recommendations of the Committee on Small Business with respect to the subject matter contained in H.R. 1804 are incorporated into the descriptive portions of this report.

X. Performance Goals and Objectives

With respect to the requirements of clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the performance goals and objectives of H.R. 1804 are to require SBA's OCRM to submit an annual report to Congress on the performance, cost, and risk associated with 7(a) loans generated through loan agent activity.

XI. Statement of Duplication of Federal Programs

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, no provision of H.R. 1804 is known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

XII. CONGRESSIONAL EARMARKS, LIMITED TAX BENEFITS, AND LIMITED TARIFF BENEFITS

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee finds that the bill does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI of the Rules of the House of Representatives.

XIII. FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

XIV. FEDERAL ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

XV. APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

XVI. STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to clause 7 of rule XII of the Rules of the House, the Committee finds that the authority for this legislation in Art. I, § 8, cl.1 of the Constitution of the United States.

XVII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

XVII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italics and existing law in which no change is proposed is shown in roman):

SMALL BUSINESS ACT

*   *   *   *   *   *   *

SEC. 47. OFFICE OF CREDIT RISK MANAGEMENT.

(a) ESTABLISHMENT.—There is established within the Administration the Office of Credit Risk Management (in this section referred to as the "Office").

(b) DUTIES.—The Office shall be responsible for supervising—

(1) any lender making loans under section 7(a) (in this section referred to as a "7(a) lender");

(2) any Lending Partner or Intermediary participant of the Administration in a lending program of the Office of Capital Access of the Administration; and

(3) any small business lending company or a non-Federally regulated lender without regard to the requirements of section 23.

(c) DIRECTOR.—

(1) IN GENERAL.—The Office shall be headed by the Director of the Office of Credit Risk Management (in this section referred to as the "Director"), who shall be a career appointee in the Senior Executive Service (as defined in section 3132 of title 5, United States Code).

(2) DUTIES.—The Director shall be responsible for oversight of the lenders and participants described in subsection (b), including by conducting periodic reviews of the compliance and performance of such lenders and participants.

(d) SUPERVISION DUTIES FOR 7(A) LENDERS.—

(1) REVIEWS.—With respect to 7(a) lenders, an employee of the Office shall—

(A) be present for and supervise any such review that is conducted by a contractor of the Office on the premise of the 7(a) lender; and

(B) supervise any such review that is not conducted on the premise of the 7(a) lender.

(2) REVIEW REPORT TIMELINE.—

(A) IN GENERAL.—Notwithstanding any other requirements of the Office or the Administrator, the Administrator shall develop and implement a review report timeline which shall—

(i) require the Administrator to—

(I) deliver a written report of the review to the 7(a) lender not later than 60 business days after the date on which the review is concluded; or

(II) if the Administrator expects to submit the report after the end of the 60-day period described in clause (i), notify the 7(a) lender of the expected date of submission of the report and the reason for the delay; and

(ii) if a response by the 7(a) lender is requested in a report submitted under subparagraph (A), require the 7(a) lender to submit responses to the Administrator not later than 45 business days after the date on which the 7(a) lender receives the report.

(B) EXTENSION.—The Administrator may extend the time frame described in subparagraph (A)(i)(II) with respect to a 7(a) lender as the Administrator determines necessary.

(e) ENFORCEMENT AUTHORITY AGAINST 7(a) LENDERS.—

(1) INFORMAL ENFORCEMENT AUTHORITY.—The Director may take an informal enforcement action against a 7(a) lender if the Director finds that the 7(a) lender has violated a statutory or regulatory requirement under section 7(a) or any requirement in a Standard Operating Procedures Manual or Policy Notice related to a program or function of the Office of Capital Access.

(2) FORMAL ENFORCEMENT AUTHORITY.—

(A) IN GENERAL.—With the approval of the Lender Oversight Committee established under section 48, the Director may take a formal enforcement action against any 7(a) lender if the Director finds that the 7(a) lender has violated—

(i) a statutory or regulatory requirement under section 7(a), including a requirement relating to credit elsewhere; or

(ii) any requirement described in a Standard Operating Procedures Manual or Policy Notice, related to a program or function of the Office of Capital Access.

(B) ENFORCEMENT ACTIONS.—An enforcement action imposed on a 7(a) lender by the Director under subparagraph (A) shall be based on the severity or frequency of the violation and may include assessing a civil monetary penalty against the 7(a) lender in an amount that is not greater than $250,000.

(3) APPEAL BY LENDER.—A 7(a) lender may appeal an enforcement action imposed by the Director described in this subsection to the Office of Hearings and Appeals established under section 5(i) or to an appropriate district court of the United States.

(f) REGULATIONS.—Not later than 1 year after the date of the enactment of this section, the Administrator shall issue regulations, after opportunity for notice and comment, to carry out subsection (e).

(g) SERVICING AND LIQUIDATION RESPONSIBILITIES.—During any period during which a 7(a) lender is suspended or otherwise prohibited from making loans under section 7(a), the 7(a) lender shall remain obligated to maintain all servicing and liquidation activities delegated to the lender by the Administrator, unless otherwise specified by the Director.

(h) PORTFOLIO RISK ANALYSIS OF 7(a) LOANS.—

(1) IN GENERAL.—The Director shall annually conduct a risk analysis of the portfolio of the Administration with respect to all loans guaranteed under section 7(a).

(2) REPORT TO CONGRESS.—On December 1, 2018, and every December 1 thereafter, the Director shall submit to Congress a report containing the results of each portfolio risk analysis conducted under paragraph (1) during the fiscal year preceding the submission of the report, which shall include—

(A) an analysis of the overall program risk of loans guaranteed under section 7(a);

(B) an analysis of the program risk, set forth separately by industry concentration;

(C) without identifying individual 7(a) lenders by name, a consolidated analysis of the risk created by the individual 7(a) lenders responsible for not less than 1 percent of the gross loan approvals set forth separately for the year covered by the report by—

(i) the dollar value of the loans made by such 7(a) lenders; and

(ii) the number of loans made by such 7(a) lenders;

(D) steps taken by the Administrator to mitigate the risks identified in subparagraphs (A), (B), and (C);

(E) the number of 7(a) lenders, the number of loans made, and the gross and net dollar amount of loans made;

(F) the number and dollar amount of total losses, the number and dollar amount of total purchases, and the percentage and dollar amount of recoveries at the Administration;

(G) the number and type of enforcement actions recommended by the Director;

(H) the number and type of enforcement actions approved by the Lender Oversight Committee established under section 48;

(I) the number and type of enforcement actions disapproved by the Lender Oversight Committee; and

(J) the number and dollar amount of civil monetary penalties assessed.

(i) BUDGET SUBMISSION AND JUSTIFICATION.—The Director shall annually provide, in writing, a fiscal year budget submission for the Office and a justification for such submission to the Administrator. Such submission and justification shall—

(1) include salaries and expenses of the Office and the charge for the lender oversight fees;

(2) be submitted at or about the time of the budget submission by the President under section 1105(a) of title 31; and

(3) be maintained in an indexed form and made available for public review for a period of not less than 5 years beginning on the date of submission and justification.

(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 the type of 7(a) agents consistent with information reported on the Fee Disclosure and Compensation Agreement, or any subsequent agreement forms that collect such information;

(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).

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XVIII. MINORITY VIEWS

BACKGROUND

Authorized by section 7(a) of the Small Business Act, the Small Business Administration (SBA) 7(a) Loan Guaranty program (7(a) program) is the agency's flagship loan program. Private sector lenders (mostly banks but also some non-depository lenders) originate commercial and working capital loans up to $5 million to small businesses who cannot access credit elsewhere. For the majority of 7(a) loans, SBA relies on lenders with delegated authority to process and service loans, and ensure borrowers meet the program's eligibility requirements. In FY 2024, the 7(a) program supported a substantial volume of lending nationally, with over $31.1 billion across more than 70,000 individual loans.[1] Thus far, in FY 2025, the 7(a) program has issued 33,376 loans valued at $14,329,900,000.[2]

Concern about the use of loan agents in the 7(a) program was first noted in a report published by the SBA's Office of Inspector General (OIG) in 1998. The report stated that even though applicants and lenders were increasingly relying on the use of loan agents for referral and/or loan application services, the SBA could not determine the level of loan agent involvement in the program.[3] Importantly, the report noted that while the increased use of loan agents helped small businesses gain access to capital, poor oversight created an environment susceptible to fraud.[4] Following that report, the need to improve tracking and oversight of 7(a) loan agents became a consistent focus for the OIG and House Small Business Committee.

In February 2020, the Committee held a hearing reviewing the management of SBA's Office of Credit Risk Management (OCRM). During the hearing, OCRM's director testified that approximately 11 percent of the 7(a) loan portfolio was generated through loan agent activity, but lacked a way to uniquely identify and systemically track loan agents, instead relying on lender reviews to obtain information about loan agents. The OIG also identified the need to improve oversight of 7(a) agents in reports issued in 2015 and 2021.[5]

According to a third OIG report issued in October 2023, the SBA had "made great progress in resolving" the oversight challenges as-

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[1] U.S. SMALL BUS. ADMIN., *7(a) & 504 Lender Reports, Fiscal Year 2024.*, https://careports.sba.gov/views/7a504LenderReport/LenderReport?%3Aembed=yes&%3Atoolbar=no (last visited Feb. 27, 2025).

[2] *Id.*

[3] OFF. OF INSP. GEN., U.S. SMALL BUS. ADMIN., LOAN AGENTS AND THE SECTION 7(A) PROGRAM (March 31, 1998).

[4] *Id.*

[5] OFF. OF INSP. GEN., U.S. SMALL BUS. ADMIN., SBA NEEDS TO IMPROVE ITS OVERSIGHT OF LOAN AGENTS, (Sep. 25, 2015); OFF. OF INSP. GEN., U.S. SMALL BUS. ADMIN., TOP MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE SMALL BUSINESS ADMINISTRATION IN FISCAL YEAR 2021, 15 (Oct. 16, 2020).

sociated with 7(a) loan agents.[6] The agency had improved information collected on agents by enhancing its Fee Disclosure and Compensation Agreement (known as Form 159) and requiring such forms to be submitted electronically through the Capital Access Financial System, as well as other steps.[7] The OIG determined that the SBA had made such progress that it decided to close out the recommendation on the need to improve oversight of 7(a) loan agents as a top management challenge.[8]

Because loan agent involvement in the 7(a) program is so significant and has been a long-standing concern for the Committee, it is important for Congress to continue to have oversight tools that monitor loan agent involvement in the Agency's largest program.

NYDIA M. VELÁZQUEZ,
Ranking Member.

[6] OFF. OF INSP. GEN., U.S. SMALL BUS. ADMIN., TOP MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE SMALL BUSINESS ADMINISTRATION IN FISCAL YEAR 2024, 33 (Oct. 16, 2023).
[7] *Id.* at 33.
[8] *Id.*