119TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
119–500

SMALL BUSINESS LENDING FRAUD PREVENTION ACT

FEBRUARY 20, 2026.—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. 7401]

The Committee on Small Business, to whom was referred the bill (H.R. 7401) to require employees of the Small Business Administration to certify that the employee does not have any prohibited conflicts of interest with respect to loans in which the employee is involved, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

CONTENTS

		Page
I.	Purpose and Bill Summary	2
II.	Need for Legislation	2
III.	Hearings	2
IV.	Committee Consideration	2
V.	Committee Votes	2
VI.	Section-by-Section of H.R. 7401	4
VII.	Congressional Budget Office Cost Estimate	4
VIII.	New Budget Authority, Entitlement Authority, and Tax Expenditures	4
IX.	Oversight Findings & Recommendations	4
X.	Performance Goals and Objectives	4
XI.	Statement of Duplication of Federal Programs	4
XII.	Congressional Earmarks, Limited Tax Benefits, and Limited Tariff Benefits	5
XIII.	Federal Mandates Statement	5
XIV.	Federal Advisory Committee Statement	5
XV.	Applicability to Legislative Branch	5
XVI.	Statement of Constitutional Authority	5
XVII.	Minority Views	6

69–006

I. PURPOSE AND BILL SUMMARY

On February 5, 2026, Rep. Dan Meuser (R–PA) and Rep. Maggie Goodlander (D–NH), introduced H.R. 7401, the *Small Business Lending Fraud Prevention Act*. H.R. 7401 strengthens the U.S. Small Business Administration's (SBA) conflict of interest rules by requiring SBA employees to certify that they do not have a conflict of interest prior to handling an SBA loan, including loan origination, review, or approval.

II. NEED FOR LEGISLATION

In August 2025, a former SBA employee pled guilty to making false statements in connection with fraudulent loan applications. While employed by the SBA in 2021, the employee approved $550,000 in fraudulent pandemic loans to herself and relatives. The SBA Office of Inspector General has identified multiple instances in which SBA employees processed loans to family members or others barred under conflict of interest rules.

This bill strengthens SBA's conflict of interest rules by requiring SBA employees who process SBA loans to certify, prior to participation, that they do not have a conflict of interest; that they will immediately disclose and recuse themselves if a conflict is discovered; and that they understand the rules and regulations regarding conflicts of interest.

This quick certification process will act as a safeguard, preventing employees from handling loans when a conflict exists. It will also provide a clear basis for disciplinary action if employees make false certifications. Reforming the conflict of interest requirements is a necessary step to protect taxpayer dollars and ensure accountability within the SBA.

III. HEARINGS

On September 16, 2025, the Committee on Small Business held a hearing examining matters related to H.R. 7401 titled "Pathway to Capital: The Role of SBA Lending in Supporting Main Street America."

IV. COMMITTEE CONSIDERATION

The Committee on Small Business met in open session, with a quorum being present, on February 11, 2026, and ordered H.R. 7401 to be reported favorably to the House of Representatives by a roll call vote of 24 ayes to 0 nos.

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. 7401 to the House of Representatives at 9:40 a.m.

Present	Representatives	Aye	Nay
	Mr. Stauber (MN-08)	X	
	Mr. Meuser (PA-09)	X	
	Ms. Van Duyne (TX-24)	X	
	Mr. Ellzey (TX-06)	X	
	Mr. Alford (MO-04)	X	
	Mr. LaLota (NY-01)	X	
	Mr. Finstad (MN-01)	X	
	Mr. Wied (WI-08)	X	
	Mr. Bresnahan (PA-08)	X	
	Mr. Jack (GA-03)		
	Mr. Downing (MT-02)	X	
	Ms. King-Hinds (Del.-CNMI)	X	
	Mr. Schmidt (KS-02)		
	Mr. Patronis (FL-01)	X	
	Ranking Member Velazquez (NY-07)	X	
	Mr. McGarvey (KY-03)	X	
	Ms. 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	
	Ms. Goodlander (NH-02)	X	
	Chairman Williams (TX-25)	X	
	TOTALS	24	0

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

Date: Wednesday, February 11, 2026

Time: 9:40 AM ET

Measure: H.R.7401 – Small Business Lending Fraud Prevention Act

Offered By: ____________________

Amendment #: ____________________

Result?	Agreed To: [X] Not Agreed To: [ ] Withdrawn: [ ]		
Voice Vote	*Ayes*	*Nays*	*Present*
	24	0	

FC Vote #	1

VI. SECTION-BY-SECTION OF H.R. 7401

Section 1—Short title

This Act may be cited as the "Small Business Lending Fraud Prevention Act."

Section 2—Small Business Administration employee conflict of interest certification

This section requires SBA employees who are involved in originating, reviewing, or approving loans to certify, prior to handling an SBA loan, that they do not have any conflicts of interest, that they will inform their supervisor and recuse themselves should any conflicts arise, and that they understand conflict of interest rules.

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. At the time this report was filed, the Committee has requested but not received a cost estimate from the Director of the Congressional Budget Office.

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 section 402 of the Congressional Budget Act of 1974, the Committee does not believe that there will be any new or increased costs attributable to this legislation.

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. 7401 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 goal of H.R. 7401 is to strengthen the SBA's conflict of interest rules.

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. 7401 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 will adopt as its own the estimate of the 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. MINORITY VIEWS

On August 11, 2025, Rena Barrett, of Covington, Georgia, pled guilty to making false statements in connection with fraudulent COVID–19 pandemic loan applications of over $500,000. Ms. Barrett became an employee of the Small Business Administration (SBA) in October 2020, and in May 2021, she submitted a fraudulent Economic Injury Disaster Loan (EIDL) application for $170,000. The SBA initially declined the application but in July 2021, Ms. Barrett approved the loan for herself, and other loans submitted by relatives, receiving nearly half of the $550,000 sought. She resigned from the SBA after the fraud was discovered, and her case was investigated by the Office of Inspector General (OIG).[1] She was sentenced on February 2, 2026, in the Northern District of Georgia (NDGA) to 14 months imprisonment, followed by one (1) year of supervised release. Ms. Barrett was also ordered to pay a $100 special assessment and make restitution in the amount of $350,849.

Federal employees are required to abide by 18 U.S.C. § 208, a Criminal Conflict of Interest Statute, as well as 5 C.F.R. Part 2635, Standards of Ethical Conduct for Employees of the Executive Branch. The Criminal Conflict of Interest Statute prohibits federal employees from participating in government matters in which they have a financial interest. This requirement extends to their spouse or minor children, their general partners, or any organization in which the employee serves as an officer, director, trustee, general partner, or employee.[2] The Standards of Ethical Conduct for Employees of the Executive Branch applies to all employees in the executive branch to ensure federal employees maintain the public's trust by adhering to ethical principles that prevent conflict of interest, improper influence, and abuse of public office.[3] Violations may result in disciplinary action including removal, suspension, or reprimand.[4]

The process worked well in the instance of Ms. Barrett, however, a certification form will provide an extra layer of security and help the SBA to more effectively link an action to an associated fraudulent act.

NYDIA M. VELÁZQUEZ,
Ranking Member.

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[1] U.S. DEP'T OF JUST., Former Federal Employee and Two Other Women Plead Guilty in Pandemic Fraud Cases, U.S. Attorney's Office for the N.D. Ga. (Aug. 12, 2025), https://www.justice.gov/usao-ndga/pr/former-federal-employee-and-two-other-women-plead-guilty-pandemic-fraud-cases.
[2] Acts Affecting a personal financial interest 18 U.S.C. § 208 (2025).
[3] 5 C.F.R. 2635 (2025).
[4] 5 U.S.C. § 75 (2025).