

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members of the Committee on Small Business

FROM: Committee Majority Staff

DATE: February 7, 2025

RE: Full Committee Hearing Titled: “Driving Economic Growth: SBA Lending Programs and the Vital Role of Community Banks”

On **Wednesday, February 12, 2025, at 10:00 AM ET**, the Committee on Small Business will hold a hearing titled “**Driving Economic Growth: SBA Lending Programs and the Vital Role of Community Banks.**” The meeting will convene in room 2360 of the Rayburn House Office Building. The purpose of this hearing is to highlight the role of community banks and the Small Business Administration’s (SBA) lending programs in providing needed capital to small businesses.

I. Witnesses

- **Mr. Justin Hooper**, CEO and Chairman of the Cross Timbers Region, First Financial Bank
- **Mr. Mike Sims**, Chief Commercial Banking Officer, Georgia’s Own Credit Union on behalf of America's Credit Unions
- **Mr. Frank Wetegrove**, Owner/Operator, Camp Bow Wow on behalf of International Franchise Association
- **Ms. Heidi DeArment**, President Montana Community Development Corp dba MoFi

II. Background

Over the last four years, small businesses and financial institutions have been subjected to a regulatory onslaught. This has limited the availability of capital for small businesses and harmed their ability to grow. Immediately following the election of President Trump, there was a surge in

small business optimism as they expected more pro-growth policies.¹ Given the continued swell in small business optimism, it is essential that small businesses have access to the capital they need to grow.

Community banks are an essential resource for small businesses and help grow local communities. While community banks struggled with burdensome regulations during the Biden Administration, the Trump Administration took immediate action to reduce the number of regulations that limit banks and financial institutions.² Freeing lenders from restrictive overregulation will increase the amount of capital available for small businesses, promoting business creation and growth.

Community banks, through building relationships with borrowers, can provide small businesses with more flexibility in payment terms and eligibility criteria. This empowers community banks to invest and provide capital in small businesses that may be promising, but lack the credentials to attain a loan through a larger financial institution or the SBA itself. Small businesses and community banks serve as pillars of their communities and keep Main Street thriving. They sponsor local sports teams and high schools, foster a sense of local identity, enable local economic growth, and are often integral to rural communities. A strong small business and community banking environment are essential to building and supporting thriving communities.

Small businesses who struggle to attain credit elsewhere often turn to the SBA lending programs for their lending needs. Although the SBA does not directly lend to small businesses, it works with lenders and community banks to guarantee loans in its programs. The largest of these SBA programs is the 7(a) loan program, which provides guarantees on small business loans of up to five million dollars.³ The SBA also operates the 504 loan program which offers financing for the acquisition of fixed assets such as land, buildings, and heavy machinery.⁴ Additionally, the SBA provides funds for intermediary lenders to provide microloans.⁵ Through these and other programs, small businesses can attain working capital, finance larger investments, and purchase essential supplies. The SBA works with community banks and other lenders in these programs to increase the availability of funds for small businesses.

III. Conclusion

Following the surge in small businesses' optimism with the inauguration of President Trump, it is vital to ensure small businesses have access to the capital they need to start and grow their businesses. A thriving small business environment, supported by community lenders will create jobs, drive economic growth, and build stronger communities.

¹ Press Release, Nat'l Fed. of Independent Bus., Main Street breaks 34-month streak of record high uncertainty (Dec. 10, 2024).

² KBRA Analytics, *Trump Administration Prepares to Overhaul Bank Regulations and Capital Rules*, KBRA FIN. INTELLIGENCE (Jan. 27, 2025).

³ CONG. RESEARCH SERV., R41146, SMALL BUSINESS ADMINISTRATION 7(A) LOAN GUARANTY PROGRAM (Jun. 30, 2022).

⁴ *504 Loans*, U.S. SMALL BUS. ADMIN. (last visited Feb 4, 2025) available at <https://www.sba.gov/funding-programs/loans/504-loans>.

⁵ *Microloans*, U.S. SMALL BUS. ADMIN (last visited Feb 4, 2025) available at <https://www.sba.gov/funding-programs/loans/microloans>.