

SBA Finalizes Rules Expanding Access to 7(a) Loans

SPEAKERS

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On April 12, the U.S. Small Business Administration (SBA) [announced](#) that it is ending the moratorium that capped the number of small-business lending companies permitted to participate in its § 7(a) loan program at 14, and opening up participation in the program to fintech firms and other alternative lenders. The SBA's loan program offers small businesses loans of up to \$5 million, with the agency guaranteeing up to 85% on loans up to \$150,000, and 75% for loans more than \$150,000. The new rule will take effect on May 12.

Section 7(a)(17) of the Small Business Act states that the SBA shall authorize lending institutions and other entities, in addition to banks, to make 7(a) loans. To this end, the SBA has authorized small business lending companies (SBLCs) to participate in the 7(a) loan program. SBLCs are non-depository lending institutions authorized by SBA only to make loans pursuant to § 7(a). On January 4, 1982, SBA published a final rule repealing its authority to approve additional SBLCs as participating lenders. Since then, the number of SBLC licenses has remained unchanged at 14. To become an SBLC under current regulations, an entity must acquire one of the existing SBLC licenses from an entity that is willing to sell it and exit the 7(a) loan program.

In its press release, the SBA noted that in 2022, two out of three business owners who sought credit did not receive what they needed. Also, the number of lenders that originated SBA's 7(a) loans under \$50,000 and \$150,000 decreased by over 40% and 25%, respectively, for the past five to seven years. According to the [final rule](#) published in the *Federal Register*, the SBA believes that increasing the number of nontraditional lenders will result in the expansion of business opportunities and the creation of more jobs in underserved communities.

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