

May 3, 2007

The Honorable John F. Kerry  
Chairman  
Small Business and Entrepreneurship Committee  
United States Senate  
Washington, D.C. 20510

The Honorable Olympia J. Snowe  
Ranking Member  
Small Business and Entrepreneurship Committee  
United States Senate  
Washington, D.C. 20510

Dear Chairman Kerry and Ranking Member Snowe:

We are writing to express our opposition to the U.S. Small Business Administration's (SBA) proposal to implement a new lender oversight fee. This fee, which has been proposed by regulation, could go into effect as soon as May 4, 2007. We respectfully request your immediate intervention to halt its implementation, because we recognize the negative ramifications for SBA small business lending if this fee were to be levied.

The fee proposal has several flaws. Specifically, this proposal is completely open-ended and would allow SBA to increase lenders' fees at any time, with no incentive to keep the program oversight costs low. Second, the proposal would impose fees for off-site review and monitoring with those activities being conducted on a quarterly basis without regard to a lender's portfolio performance. Most importantly, as written, this proposal would give the SBA unilateral authority to fully pass on to lenders its total cost for oversight of the 7(a) loan program – both the contract costs and the Agency's other direct and indirect costs.

Our members, as state and federally regulated institutions, already undergo thorough examinations through their respective regulatory agencies. As an industry, we support reviews of our loan portfolios. To that end, we would encourage the SBA to consult with the respective banking regulatory agencies to explore ways to provide a more detailed examination of the 7(a) loan portfolios during regular bank examinations. We believe this type of partnership would provide SBA with a more efficient means for gathering information to evaluate underwriting standards and loan performance, without having to impose a new oversight fee or duplicative regulatory burden.

This week's Small Business and Entrepreneurship Committee Roundtable discussion clarified for the lending community that this oversight fee will not be the last fee that SBA attempts to impose on the lending community and the small businesses they serve. Lenders and small businesses that participate in 7(a) and other SBA programs have been subject to an increasing number of fees over the past six years. This new fee, if implemented, will only further strain the resources of lenders that participate in the program and will eventually lead even more lenders, particularly small community banks, to abandon the 7(a) program.

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As noted, this new fee proposal could be implemented by May 4. Therefore, we ask that you contact SBA Administrator Steven Preston immediately to express your opposition and request the immediate withdrawal of this proposal.

Sincerely,

American Bankers Association  
Independent Community Bankers of America  
National Association of Government Guaranteed Lenders

Cc: Members of the Senate Small Business and Entrepreneurship Committee

The Honorable Steven Preston  
Administrator  
U.S. Small Business Administration