

February 5, 2026

The Honorable Kelly Loeffler
Administrator
U.S. Small Business Administration
409 3rd Street, SW
Washington, D.C. 20416

Dear Administrator Loeffler,

As Chair of the U.S. Senate Committee on Small Business and Entrepreneurship, I want to thank you for your continued efforts to expand access to capital for small businesses, particularly those located in rural communities. Following the Biden administration's reckless loosening of underwriting standards in the Small Business Administration's (SBA) loan programs,¹ which threatened to expose taxpayers to substantial liabilities, I appreciate your commitment to safeguarding the integrity of the SBA's loan programs. Building on that progress, I write today to share key findings from the Committee's recent hearing on "Growing the Small Business Agricultural Economy," which highlighted several challenges facing rural community banks participating in the SBA's 7(a) loan program.²

During the Committee's hearing, witnesses underscored the critical role rural community banks play in providing capital to small businesses, farmers, and entrepreneurs. Jay Funke, Co-Owner of Del Clay Farm Equipment, emphasized how rural entrepreneurs' demand for financing is greater than ever, especially as younger entrepreneurs take on businesses rural communities rely on. Testimony from Melissa Spurgin, Chief Financial Officer of First Iowa State Bank, made clear that many rural lenders face significant barriers to participating fully in SBA's 7(a) loan program, despite strong interest in serving their local small business customers.³

Ms. Spurgin detailed how the structure of SBA loan programs often places a disproportionate burden on rural community banks with limited staff and resources. She highlighted extensive documentation, certification, and post-closing compliance requirements that are difficult for small institutions to manage, particularly given that community bankers are often too small to retain SBA loan specialists. She noted that the economics of smaller-dollar loans, common in rural communities, often make SBA lending cost-prohibitive, as underwriting and

¹ Press Release, SBA, *SBA Eliminates Disastrous Biden-Era Underwriting Standards*, (April 22, 2025), available at <https://www.sba.gov/article/2025/04/22/sba-eliminates-disastrous-biden-era-underwriting-standards>.

² U.S. Senate Committee on Small Business and Entrepreneurship, "Growing the Small Business Agricultural Economy," hearing (January 2026), available at <https://www.sbc.senate.gov/public/index.cfm/hearings?ID=0BECEBA6-B739-426D-B3F0-D8F92ADA921A>

³ Melissa Spurgin, Chief Financial Officer, First Iowa State Bank, testimony before the U.S. Senate Committee on Small Business and Entrepreneurship, *Growing the Small Business Agricultural Economy* (January 2026), available at https://www.sbc.senate.gov/public/_cache/files/b/d/bdb0ef0e-9a94-48b5-953b-98d80de4365c/FFDE5790BA974A2AE9D5F7BFCFB65795244EFBE8D3DD3DA2652B5190275070A3.spurgin-testimony.pdf

servicing costs remain largely the same regardless of loan size.⁴ She also emphasized that SBA underwriting standards do not always reflect rural business realities, including seasonal or cyclical income patterns and asset structures that are land or equipment-heavy but cash-light.

Our witnesses' testimony outlined several key recommendations to tailor SBA loan programs to better serve community banks and rural small businesses.⁵ These include incorporating the judgment of experienced bankers who understand local market dynamics and seasonal income patterns; taking into account that assets are commonly inherited or jointly owned in rural communities; and ensuring greater clarity and support for community banks to avoid guaranty denials based on technicalities.

I encourage you and your team in the Office of Capital Access to consider these recommendations and how policy guidance in SBA loan programs can best support community banks and rural communities while ensuring underwriting standards are not compromised and that the borrowers remain qualified to take on this debt without being overly burdened. I recognize that the SBA is actively working to modernize its programs and expand access to capital, and I appreciate the agency's engagement with lenders and stakeholders. I am eager to partner with you to address these challenges so that rural community banks can more effectively utilize the 7(a) program, provide necessary capital to rural small businesses, and do so while safeguarding the integrity of SBA loan programs.

For a better understanding of SBA's current efforts and future plans, please provide responses to the following questions by February 19, 2026:

1. What steps is the SBA currently taking to reduce compliance and documentation burdens for rural community banks participating in the 7(a) loan program?
2. How is the SBA working to modernize and streamline its lender interface to improve the experience for rural lenders and community banks?
3. How is the SBA engaging with rural community banks to improve outreach, training, and awareness of available resources to support greater participation in SBA loan programs?

Thank you again for your leadership and dedication to supporting small businesses and the lenders that serve them. If you have any questions, please do not hesitate to contact my staff at Meredith_West@sbc.senate.gov or 202-224-5175.

Sincerely,



Joni K. Ernst
Chair

⁴ *Id.*

⁵ *Id.*