America's Credit Unions

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June 4, 2025

The Honorable Mike Johnson
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Hakeem Jeffries
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Re: H.R. 2987, the Capping Excessive Awarding of SBLC Entrants (CEASE) Act

Dear Speaker Johnson and Leader Jeffries:

On behalf of America's Credit Unions, I am writing in support of H.R. 2987, the Capping Excessive Awarding of SBLC Entrants (CEASE) Act of 2025. America's Credit Unions is the voice of consumers' best option for financial services: credit unions. We advocate for policies that allow the industry to effectively meet the needs of their over 142 million members nationwide. America's Credit Unions appreciates the opportunity to share the perspective of credit unions regarding the CEASE Act.

The CEASE Act codifies a cap on the existing number of Small Business Lending Company (SBLC) licenses at 16, encompassing the original 14 SBLCs and the additional two SBLCs licensed in 2024 during the previous Administration's rule change. In addition, the bill restores proper oversight capabilities to the Small Business Administration (SBA), while also ensuring that federally regulated lenders, such as credit unions, remain a cornerstone of 7(a) lending. We support this effort.

The rise of fintech lenders in SBA programs has brought both opportunities and challenges. While fintechs have demonstrated an ability to leverage technology to reach new markets, their participation in SBA initiatives has raised serious concerns about program integrity. The Paycheck Protection Program (PPP) highlighted these risks, with a December 2022 report from the Select Subcommittee on the Coronavirus Crisis revealing that fintech lenders were disproportionately associated with fraudulent loans. Among the troubling findings were instances where fintechs prioritized profits over compliance, bypassed fraud detection protocols, and failed to provide adequate oversight of their automated systems.

Credit unions, in contrast, bring a track record of prudent lending and robust compliance frameworks. Regulated by the National Credit Union Administration (NCUA), credit unions are subject to rigorous oversight that ensures adherence to safety and soundness standards. Unlike fintechs, credit unions are deeply embedded in the communities they serve, providing a level of accountability and trust that fintechs have struggled to match. By partnering with credit unions, the SBA can reduce the risks associated with fraud and ensure that taxpayer dollars are used responsibly.

As depository institutions, credit unions would be ineligible to participate in the SBLC program; however, credit union service organizations (CUSOs) are eligible and share the same community-minded focus that distinguishes credit unions in the financial services market. While America's Credit Unions supports a cap on the number of SBLC licenses, we feel strongly that CUSOs represent a superior, regulated, and mission-oriented alternative to fintechs in this space. Because CUSOs are owned by federally insured credit unions, every loan they originate or sell is already subject to NCUA's CUSO Rule (12 C.F.R. Part 712), including annual CUSO Registry reporting, GAAP-based audits, and "look-through" examinations that give prudential regulators direct access to books and records. In addition, credit-union investments and loans to a CUSO are capped and monitored under the Federal Credit Union Act, forcing constant oversight of capital adequacy and consumer-compliance risk. By contrast, most non-bank fintech lenders hold only state lending or money-transmitter licenses and face no ongoing prudential supervision, leaving the SBA to rely solely on post-hoc enforcement if problems arise. Granting SBLC licenses to CUSOs therefore leverages an existing, multilayer supervisory framework, reducing systemic and consumer-protection risks, while giving small businesses access to lenders that are already embedded in their local, member-owned credit-union networks. These safeguards make CUSOs a far preferrable option for award of SBLC licenses and would serve the mission of increasing small business lending without placing the 7(a) loan program at risk. We urge the SBA to consider this differentiation as it evaluates future license awards.

To address concerns with fraud and the safety of the 7(a) loan program, we have urged the SBA to adopt stringent safeguards for fintech participation in its programs. This includes enhanced initial vetting, continuous monitoring, and requirements for compliance with the same regulatory standards that are applied to depository institutions. Additionally, the SBA should carefully evaluate the cumulative impact of regulatory changes, such as loosening lending criteria, to ensure they do not disproportionately benefit fintechs at the expense of community-based lenders. Protecting the integrity of SBA programs is essential to maintaining public trust and ensuring their long-term success.

With this priority in mind, America's Credit Unions acknowledges the SBA's recent decision to restore lender fees to the 7(a) loan program. We have previously raised concerns about changes to the program's affiliation and lending criteria, particularly regarding the loosening of underwriting standards and the lifting of the moratorium on licensing new SBLCs. These shifts risked undermining loan performance and the overall integrity of the program, with the potential consequence of increased costs for both borrowers and lenders. We are pleased to see Congress attempting to address these with the CEASE Act.

Small businesses are the driving force of our economy and the key to its success. The ability for them to borrow and have improved access to capital is vital for job creation. Credit unions are ready and willing to provide the capital to help small businesses grow. Improving access for the SBA's credit union lending partners will help limit long term risk and ultimately benefit SBA lending programs. Advancing the CEASE Act will help ensure a proper limitation on SBLC involvement.

We look forward to continuing to work with you on this critical topic. Should you have any questions or require any additional information, please feel free to contact me or Greg Mesack, America's Credit Unions' Senior Vice President of Advocacy, at gmesack@americascreditunions.org.

Sincerely,

Jim Nussle

cc: Members of the U.S. House of Representatives

