

ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON EMERGING THREATS AND
CAPABILITIES
SUBCOMMITTEE ON READINESS

SMALL BUSINESS COMMITTEE
RANKING MEMBER, SUBCOMMITTEE ON CONTRACTING
AND WORKFORCE

SUBCOMMITTEE ON ECONOMIC GROWTH, TAX AND
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STEPHANIE MURPHY

7TH DISTRICT, FLORIDA

July 17, 2018

The Honorable Mac Thornberry
Chairman
House Committee on Armed Services
2216 Rayburn House Office Building
Washington, DC 20515

The Honorable John McCain
Chairman
Senate Committee on Armed Services
228 Russell Senate Building
Washington, DC 20510

The Honorable Adam Smith
Ranking Member
House Committee on Armed Services
2216 Rayburn House Office Building
Washington, DC 20515

The Honorable Jack Reed
Ranking Member
Senate Committee on Armed Services
228 Russell Senate Building
Washington, DC 20510

Dear Chairman Thornberry, Chairman McCain, Ranking Member Smith, and Ranking Member Reed:

As you work to reconcile the differences between the House and Senate versions of the *National Defense Authorization Act for Fiscal Year 2019*—H.R. 5515 and S. 2987—I respectfully request that Section 853 of the House bill be retained in the final conference agreement.

Section 853 is entitled “Increased Participation in the Small Business Administration Microloan Program” and makes critical reforms to SBA’s Microloan program. The Microloan program provides loans of up to \$50,000 to entrepreneurs and small businesses, including veteran-owned and women-owned small businesses.

Under current law, Microloan program intermediaries can borrow no more than \$750,000 from the SBA during its first year of participation, no more than \$1.25 million each year thereafter, and no more than an aggregate of \$5 million. The aggregate spending limit should be increased to accommodate the growing demand for SBA Microloans by entrepreneurs and small businesses. Accordingly, Section 853 amends 15 U.S.C. 7(m)(3)(C) of the Small Business Act to effectively increase the aggregate loan limit for Microloan program intermediaries from \$5 million to \$6 million.

Furthermore, Congress annually appropriates about \$25 to \$30 million to SBA so that SBA can make “technical assistance grants” to Microloan intermediaries. Until recently, current law limited an intermediary to using no more than 25 percent of its Microloan technical assistance grant to provide pre-loan assistance (that is, assistance to a prospective Microloan borrower), and required the intermediary to use at least 75 percent of its grant to provide post-loan assistance (that is, assistance to an approved Microloan borrower). Microloan intermediaries regarded the 25 percent

cap as an arbitrary requirement that limited their ability to design support services that address the specific needs of borrowers and get more prospective borrowers loan-ready. Accordingly, Section 853 of the House-passed bill amends 15 U.S.C. 7(m)(4)(E) of the Small Business Act to increase the 25 percent cap to 50 percent. While this provision recently became law as part of the Consolidated Appropriations Act, 2018 (P.L. 115-141), its inclusion in the NDAA will serve to make absolutely clear that the change is intended to be permanent and not limited to Fiscal Year 2018.

As a member of the House Small Business Committee, I strongly support the language of Section 853, which is identical to the text of H.R. 2056, the *Microloan Modernization Act of 2017*. H.R. 2056 was approved unanimously by the House on July 24, 2017.

For the foregoing reasons, I respectfully request that Section 853 of H.R. 5515 be retained in the final conference agreement.

Sincerely,



Stephanie Murphy
Member of Congress