

Opening Statement of Chairman Trent Kelly
Subcommittee on Investigations, Oversight, and Regulations
“Oversight Improvements Needed: SBA OIG’s Review of the Microloan Program”
October 12, 2017

I call this hearing to order.

Today, we will be examining the Small Business Administration’s Microloan Program, specifically, the SBA’s Office of Inspector General’s recent audit of the program.

The Microloan Program was created to help women, low-income, veteran, and minority entrepreneurs. The program’s mission is to provide microloans along with training and technical assistance to help give qualifying small businesses a boost to start up, stay open, or even to grow.

This is how the program is supposed to work: SBA makes direct loans to intermediaries. These intermediaries then use the proceeds from the direct loans to make small, short-term loans to eligible small businesses. Although the intermediaries can lend up to \$50,000, the average microloan is \$13,000.

These intermediaries are nonprofit, community-based organizations with lending and business management experience.

SBA’s Office of Capital Access is responsible for overseeing the Microloan Program, specifically, the intermediaries that are the face of the program for small businesses. It is supposed to make sure that the intermediary allows only qualifying small businesses to participate in this program. To make sure that the intermediary’s loan files are accurate and complete. To make sure that the intermediary is following SBA’s lending policies and procedures.

Ultimately, SBA is supposed to make sure that the Microloan Program—a program there to help the littlest of the little guys—is actually fulfilling its purpose.

According to a recent audit from the SBA’s Office of Inspector General, however, the agency needs to improve its oversight over the Microloan Program.

Two weeks ago, the OIG released a new audit of the Microloan Program. Its last audit was in 2009. According to this recent audit, OIG determined that SBA is unable to measure whether the program is performing well. In fact, OIG found that SBA did not even implement all of the recommendations from the 2009 audit. Even though SBA said it would.

That is not acceptable. SBA must do better.



The Microloan Program is an important program to this Committee. And for that reason, strong oversight is needed. This oversight is needed to make sure the program is functioning as intended. And without fraud, waste, and abuse. We expect SBA to completely and fully implement the OIG's recommendations this time around.

We appreciate the witnesses being here today and look forward to hearing their testimony.

I now yield to Ranking Member Adams.

