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SBA loans down even as Republicans push to increase program numbers

June had the lowest number of approved 7(a) loans since early 2022.

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The Small Business Administration's popular 7(a) loan program saw a sharp decrease, even as Congress and SBA Administrator Kelly Loeffler have pushed to boost the loan program, specifically for manufacturers.

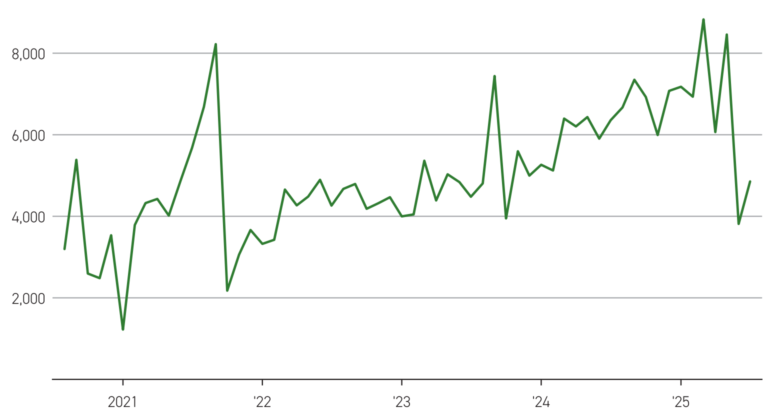
June had the lowest number of approved 7(a) loans since early 2022, a drop of more than 50 percent from the previous month, according to SBA data. Approval of 7(a) loans in July was still about half of what it was in May as well, amid new fees, tighter standards for loan approval and rising economic uncertainty.

The decrease is occurring as lawmakers in both chambers have introduced legislation supported by the Trump administration that would double the loan limit of 7(a) and 504 loans, another popular SBA loan program, for small-business manufacturers. The increase would allow certain small businesses to borrow up to $10 million and is part of a broader push by the administration and congressional Republicans to onshore manufacturing and prioritize domestically made goods.

The Consumer Bankers Association pointed out the decline in its latest quarterly report released Wednesday. The trade association that represents retail banks said the decrease in business loan demand correlated with trade and economic uncertainty which is "keeping small businesses in a 'wait-and-see' mode before taking on additional debt and capital projects."

Number of approved SBA 7(a) loans see sharp drop

Number of SBA 7(a) loan approvals, August 2020 through July 2025



Source: U.S. Small Business Administration
Katherine Hapgood/POLITICO

The SBA's 7(a) loan program is the agency's primary business loan program and provides loan guarantees to lenders, which allows them to provide financial assistance to small businesses with special requirements. The loans can be used for short- and long-term working capital, purchasing and installing machinery and equipment and refinancing current business debt, among other uses.

Small business loans have been a priority of congressional Republicans and the administration. Shortly after President Donald Trump's first 100 days in office, the SBA claimed that demand for small-business loans in the 7(a) program and the 504 program had increased by 80 percent compared with former President Joe Biden's first 100 days.

Biden's first 100 days were in the midst of the pandemic and loan numbers began to steadily increase at the beginning of 2022 and into Trump's first 100 days.

However, the SBA made two notable changes to the 7(a) loan program that could be blamed for the decrease in demand. The SBA reinstated lender fees on March 24, which is the upfront fee that is usually passed on to the borrower when a new loan is approved. The agency also re-implemented pre-pandemic underwriting standards that went into effect June 1. The tougher standards had a "significant impact on the number of approvals" said a person in the industry granted anonymity to speak freely.

Those two policy changes are part of the SBA's initiative to return the agency to its pre-pandemic operations.

"Current loan volume within both the 7(a) and 504 program is up substantially under the leadership of Administrator Loeffler, who has made major reforms to refocus SBA on its founding mission of empowering job creators," said SBA spokesperson Caitlin O'Dea. "Those reforms include restoring strong underwriting standards, ending partisan loan programs like the Green Lender Initiative, and implementing new safeguards against fraud."

Additional changes to the 7(a) loan program made by the administration include new requirements that all owners of a business must be U.S. citizens or have a green card or other form of documentation to apply for SBA loans.

Economic uncertainty could also be a factor in the drop in the number of loans, the person said.

Trump's "liberation day" tariffs were announced on April 2, starting months of uncertainty for businesses as they now face higher costs resulting from tariff increases on a broad range of imported goods.

The office of House Small Business Chair Roger Williams (R-Texas) declined to comment.