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SECURED FINANCE NETWORK

January 21, 2025

The Honorable Speaker Mike Johnson
The Honorable Democratic Leader Hakeem Jeffries
The Honorable Republican Leader John Thune
The Honorable Majority Leader Chuck Schumer

Dear Speaker Johnson, Leader Jeffries, Leader Thune, and Leader Schumer,

On behalf of the Secured Finance Network (SFNet), I extend our congratulations as you assume your leadership roles in the 119th Congress.

SFNet is the principal U.S. trade association for financial institutions that provide asset-based lending, factoring, and supply chain financing to commercial borrowers. With nearly 300 members, including major money-center, regional and community banks as well as non-bank commercial lenders, we represent the core of the \$5 trillion secured finance ecosystem that directly underpins 20 percent of US GDP.

These specialty lenders are the lifeblood of over 100,000 middle-market businesses, who rely on these forms of financing for crucial working capital during periods of economic growth and stress alike.

As Congress takes up key economic initiatives, we emphasize that any stimulus or growth policies require reliable and accessible capital to succeed. Our members' historical performance—marked by lower charge-off rates than general commercial loans—demonstrates the stability and resilience that secured financing brings to the economy.

Broader Policy Priorities to Strengthen the Economy

1. **Corporate Tax Reform:** Reducing the corporate tax rate to 15 percent will enhance U.S. competitiveness, but tax reform alone is not enough. Businesses also need access to affordable working capital to expand operations and create jobs.
2. **Trade Policy:** Congress plays a critical role in ensuring that tariffs and trade agreements support domestic production and strengthen supply chains. A balanced, industry-specific approach can create demand for asset-based lending and factoring while mitigating unintended consequences for borrowers in certain sectors.

Specific Barriers Restricting Capital Access

In addition to broader economic policies, it is critical to address specific barriers that hinder the flow of capital to American businesses, particularly small and medium-sized enterprises (SMEs). To ensure businesses can access the financing they need to grow and thrive, we urge Congress to take the following actions:

1. **Excessive Bank Capital Charges:** Basel III Endgame proposals fail to account for asset-based lending's proven low-risk profile, restricting credit availability for SMEs that depend on this financing. Congress should conduct oversight to ensure capital requirements are properly calibrated to reflect the lower risk associated with secured lending.
2. **Fragmented State Disclosure Rules:** Disparate state-level disclosure requirements create compliance challenges for all SFNet members, reducing the flow of capital to SMEs. Congress can play a pivotal role by passing legislation to establish uniform federal disclosure standards that achieve transparency without restricting capital flows.
3. **Small Business Administration's Direct Lending:** The SBA's recent efforts to expand into direct lending risk crowding out private-sector solutions and reducing overall efficiency in capital deployment. While the SBA's traditional guarantee programs have been valuable, Congress must ensure the agency focuses on supporting the private sector in ways that best complement, rather than compete, with it.

By addressing these critical issues, Congress can help maintain robust capital flows that empower businesses to succeed and drive economic growth.

The success of any economic growth agenda depends on maintaining robust capital flows to American businesses. SFNet and its members stand ready to partner with Congress to craft policies that strengthen our financial system while ensuring businesses of all sizes have access to the financing they need to thrive.

Thank you for your consideration of these critical issues.

Sincerely,



Richard D. Gumbrecht
Chief Executive Officer
Secured Finance Network

cc: U.S. House of Representatives
U.S. Senate