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119TH CONGRESS
1ST SESSION

H. R. 4238

To improve accountability in the disaster loan program of the Small Business Administration, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 27, 2025

Mr. MOORE of North Carolina (for himself, Mr. DAVIS of North Carolina, Mr. EDWARDS, Ms. KING-HINDS, Mr. GIMENEZ, Mr. MURPHY, Mr. DONALDS, Mr. FRY, Mr. CISCOMANI, Mr. ROUZER, and Mr. WILSON of South Carolina) introduced the following bill; which was referred to the Committee on Small Business, and in addition to the Committee on the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To improve accountability in the disaster loan program of the Small Business Administration, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Disaster Loan Accountability and Reform Act'' or the ''DLARA''.

SEC. 2. TABLE OF CONTENTS.

The table of contents for this Act is as follows:

SEC. 3. DEFINITIONS.

In this Act—

(1) the terms "Administration" and "Administrator" mean the Small Business Administration and the Administrator thereof, respectively;

(2) the term "appropriate committees of Congress" means the Committee on Small Business and Entrepreneurship and the Committee on Appropriations of the Senate and the Committee on Small Business and the Committee on Appropriations of the House of Representatives; and

(3) the term "SBA disaster loan" means a direct loan authorized by section 7(b) of the Small Business Act (15 U.S.C. 636(b)), other than a loan that was authorized under section 1110 of the CARES Act (15 U.S.C. 9009).

SEC. 4. MONTHLY DISASTER LOAN REPORTS.

Section 12091(a) of the Small Business Disaster Response and Loan Improvements Act of 2008 (15 U.S.C. 636k(a)) is amended—

(1) in paragraph (1)—

(A) by striking ‘‘during the applicable period for a major disaster’’; and

(B) by striking ‘‘for that major disaster’’;

(2) in paragraph (2)—

(A) in subparagraph (E), by striking ‘‘how long the available funding for such loans will last’’ and inserting ‘‘the date at which available funding for such loans will reach 10 percent of the most recent appropriation and the date at which the funds will be depleted’’;

(B) in subparagraph (H), by striking ‘‘and’’ at the end;

(C) in subparagraph (I), by striking the period at the end and inserting ‘‘; and’’; and

(D) by adding at the end the following:

‘‘(J) a summary detailing any changes to estimates or assumptions on obligations and expenditures, including data supporting these changes.’’; and

(3) by adding at the end the following:

‘‘(3) PROHIBITION ON OFFICIAL TRAVEL.—If the Administrator does not submit a report required to be submitted under paragraph (1) by the required date, no funds may be obligated for official travel by the Administrator until the Administrator submits the report.''.

SEC. 5. BUDGET REQUEST RELATING TO DISASTER LOANS.

Section 1105 of title 31, United States Code, is amended—

(1) in subsection (a), by adding at the end the following:

``(39) separate statements of—

``(A) the amount of appropriations requested for the fiscal year for which the budget is submitted for the cost of SBA disaster loans, the 10-year average of the cost of SBA disaster loans, and an explanation for any difference between the amount requested and the 10-year average cost; and

``(B) the amount of appropriations requested for the fiscal year for which the budget is submitted for the cost of COVID-EIDL loans, the 10-year average of the cost of COVID-EIDL loans, and an explanation for any difference between the amount requested and the 10-year average cost.

``(40) separate statements of—

``(A) the amount of appropriations requested for the fiscal year for which the budget is submitted for administrative costs relating to SBA disaster loans, the 10-year average of such administrative costs, and an explanation for any difference between the amount requested and the 10-year average costs; and

"(B) the amount of appropriations requested for the fiscal year for which the budget is submitted for administrative costs relating to COVID-EIDL loans, the 10-year average of such administrative costs, and an explanation for any difference between the amount requested and the 10-year average costs."; and

(2) by adding at the end the following:

"(j) In paragraphs (39) and (40) of subsection (a)—

"(1) the term 'COVID-EIDL loan' means a direct loan under section 7(b) of the Small Business Act (15 U.S.C. 636(b)) that was authorized under section 1110 of the CARES Act (15 U.S.C. 9009); and

"(2) the term 'SBA disaster loan' means a direct loan authorized by section 7(b) of the Small Business Act (15 U.S.C. 636(b)), other than a loan that was authorized under section 1110 of the CARES Act (15 U.S.C. 9009).".

SEC. 6. LIMITATIONS ON DISASTER LOANS.

(a) LOW FUNDING.—Section 7(b) of the Small Business Act (15 U.S.C. 636(b)) is amended—

(1) by redesignating the second paragraph designated as paragraph (16), relating to statute of limitations, as added by the COVID–19 EIDL Fraud Statute of Limitations Act of 2022 (Public Law 117–165; 136 Stat. 1363), as paragraph (18); and

(2) by inserting after paragraph (16), relating to disaster declarations in rural areas, as added by the Disaster Assistance for Rural Communities Act (Public Law 117–249; 136 Stat. 2350), the following:

"(17) REQUIREMENTS WHEN FUNDING IS LOW.—

"(A) IN GENERAL.—Not later than 24 hours after the unobligated balance of amounts available for the cost of direct loans authorized by this subsection is less than 10 percent of the 10-year average annual cost provided in the most recent Presidential budget request required under section 1105(a)(39)(A) of title 31, United States Code, or, if unavailable, the 10-year average annual cost for the immediately preceding 10-year period of SBA disaster loans (as defined in section 1105(j) of such title), the

Administrator shall notify the Committee on Appropriations and the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Appropriations and the Committee on Small Business of the House of Representatives.

"(B) LIMITATION ON OBLIGATING FUNDS.—During the period beginning on the first business day occurring on or after the date by which the Administrator is required to notify Congress under subparagraph (A) and ending on the date on which additional amounts are appropriated for such costs, the Administrator may limit the obligation of funds for a direct loan authorized under this subsection to the amount of such a loan for which collateral is required.

"(C) AUTHORITY TO LIMIT OBLIGATION OF FUNDS.—In carrying out the authority to enact a limitation under (B), the Administrator shall apply that limitation with respect to amounts obligated for all direct loans authorized under this subsection during the period described in subparagraph (B).

"(D) REQUIREMENT TO DISBURSE WITHIN 14 DAYS.—If the Administrator exercises the authority under (B), the Administrator shall, not later than 14 days after the date on which additional amounts are appropriated under subparagraph (B), obligate and disburse on a regular schedule any remaining amount outstanding on a direct loan authorized under this subsection.".

(b) SUNSET.—Effective on the date that is 4 years after the date of enactment of this Act, section 7(b) of the Small Business Act (15 U.S.C. 636(b)) is amended—

(1) by striking paragraph (17); and

(2) by redesignating paragraph (18) as paragraph (17).

(c) REPORT.—Not later than 1 year after the date of enactment of this Act, in the event that the Administrator exercises the authority described in paragraph (17)(B) of section 7(b) of the Small Business Act (15 U.S.C. 636(b)), as added by subsection (a), the Comptroller General of the United States shall submit to the appropriate committees of Congress a report assessing the actual and potential impact of the amendments made by subsection (a) during the period covered by the report.

SEC. 7. GAO REPORT ON SBA DISASTER LOAN ACCOUNT.

(a) REPORT.—Not later than 180 days after the date of enactment of this Act, the Comptroller General of the United States shall submit to the Administrator and the appropriate committees of Congress a report on—

(1) the average weekly rate at which the Administration obligates the unobligated balance of amounts available for the cost of SBA disaster loans;

(2) the average amount, during the periods beginning on October 1, 2015, and ending on July 31, 2023, and beginning on July 31, 2023, and ending on the date of enactment of this Act, respectively, disbursed to a borrower each week, during the initial 12-week period in which a borrower receives amounts from an SBA disaster loan, beginning the day after the borrower accepts their loan, separated by home SBA disaster loan borrowers, business SBA disaster loan borrowers, and economic injury disaster loan borrowers; and

(3) the average amount of fully disbursed SBA disaster loans, originated during the period beginning on July 31, 2023, and ending on the date of enactment of this Act, with separate averages for SBA disaster loans delineated by home, business, and economic injury disaster loans.

(b) RESPONSE.—Not later than 90 days after the date on which the Comptroller General of the United States submits the report under subsection (a), the Administrator shall submit to the appropriate committees of Congress a response to the report, including an implementation plan for any recommendations in the report.

SEC. 8. GAO REPORT ON DISASTER LOAN CHANGES.

(a) DEFINITION.—In this section, the term ''covered final rule'' means—

(1) the final rule entitled ''Disaster Assistance Loan Program Changes to Maximum Loan Amounts and Miscellaneous Updates'' (88 Fed. Reg. 39335 (June 16, 2023); RIN 3245–AH91); or

(2) the final rule entitled ''Disaster Assistance Loan Program Changes to Unsecured Loan Amounts and Credit Elsewhere Criteria'' (89 Fed. Reg. 59826 (July 24, 2024); RIN 3245–AI08).

(b) REPORT.—Not later than 1 year after the date of enactment of this Act, the Comptroller General of the United States shall submit to the appropriate committees of Congress a report on—

(1) the cost (as defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) of the increase in the home loan lending limits for, the extension of the deferment period for, the

expansion of mitigation options for, the modifications to the criteria for determining whether applicants can obtain credit elsewhere with respect to, the changes to collateral requirements for, and other changes to the terms and conditions of loans under section 7(b)(1) of the Small Business Act (15 U.S.C. 636(b)(1)) made by the covered final rules; and

(2) the effect on the subsidy for such loans of the changes contained in the covered final rules.

SEC. 9. SBA INSPECTOR GENERAL REVIEW.

(a) DEFINITIONS.—In this section—

(1) the term ''covered amounts'' means amounts made available for the cost of direct loans authorized by section 7(b) of the Small Business Act (15 U.S.C. 636(b)); and

(2) the term ''Inspector General'' means the Inspector General of the Administration.

(b) REVIEW.—

(1) IN GENERAL.—The Inspector General shall conduct a review of the circumstances surrounding the funding shortfall with respect to covered amounts, as described in—

(A) the letter from President Joseph R. Biden, Jr. entitled ''Letter to Congress on Disaster Needs'', dated October 4, 2024; and

(B) the letter from the Administrator submitted to the Chair and Ranking Members of the Committees on Appropriations of the Senate and the House of Representatives, dated October 10, 2024.

(2) CONTENTS.—The review required under paragraph (1) shall include the following with respect to the funding shortfall described in that paragraph:

(A) The identification of any report or notification required by statute that the Administration failed to provide to Congress with respect to the funding shortfall.

(B) The reason for any obligation or expenditure of covered amounts for a purpose that significantly diverged from the purpose for which the covered amounts were made available.

(C) An analysis of the accuracy of projections and estimates relevant to the divergences described in subparagraph (B).

(D) The identification and description of any internal controls in place to manage covered amounts.

(E) An analysis of the impact that any reorganization of the Administration, including the transfer of administrative authority for the program carried out under section 7(b) of the Small Business Act (15 U.S.C. 636(b)) to the Office of Capital Access of the Administration, may have had with respect to the funding shortfall.

(F) The identification of actions that the Administration can take to—

(i) improve the accuracy of information submitted by the President under section 1105(a) of title 31, United States Code, with respect to the Administration;

(ii) prevent any future funding shortfall with respect to any account of the Administration; and

(iii) improve the reports submitted to the appropriate committees of Congress under section 12091(a) of the Small Business Disaster Response and Loan Improvements Act of 2008 (15 U.S.C. 636k(a)).

(G) Any other matter determined relevant by the Inspector General.

(c) REPORT.—Not later than 180 days after the date of enactment of this Act, the Inspector General shall submit to the appropriate committees of Congress a report that contains the findings of the review carried out under subsection (b).

SEC. 10. BUDGET AND FORECASTING REPORT REGARDING THE COST OF DIRECT DISASTER LOANS.

(a) BUDGET FORMULATION AND FORECASTING.—Not later than 30 days after the date of enactment of this Act, the Administrator shall submit to the appropriate committees of Congress a report detailing corrections the Administration will make to improve forecasting, data quality, and budget assumptions relating to budget submissions relating to amounts made available for the cost of SBA disaster loans.

(b) UPDATES.—Not later than 90 days after the date of enactment of this Act, and every 90 days thereafter until the date that is 90 days after the date on which all the corrections described in subsection (a) have been implemented, the Administrator shall submit to the appropriate committees of Congress a report—

(1) detailing the actions the Administration has taken to implement the corrections described in subsection (a); and

(2) explaining how each action detailed under paragraph (1) is directly related to implementing 1 or more corrections described in subsection (a).

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