

FOR IMMEDIATE RELEASE

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FACT SHEET:

Biden-Harris Administration Expands Access to Capital and Support for Small Businesses

From its first day in office, the Biden-Harris Administration has focused on helping the nation's businesses recover from the economic impact of the pandemic and grow. Last week, the Census Bureau released data that showed that over the last two years Americans have applied to start 10.5 million new businesses, making 2021 and 2022 the strongest two years on record for new business applications. With unemployment at a record low and the two strongest years of job creation in our history, this is just the latest confirmation that the President's economic plan is working to build our economy from the bottom up and middle out.

Today, the Administration will convene a roundtable with leaders across the small business space to discuss its commitment to ensuring small businesses have the access to the capital, technical assistance, and support they need to thrive. The Administration's actions include:

Expanding Access to Capital:

Capital is vital for small businesses to start and grow. That's why expanding access to capital, and making sure there are ample pathways to reach that capital, is a core pillar of the Administration's agenda to support small businesses. To that end, the Administration is taking a number of steps:

- Small Business Lending Company (SBLC) Proposed Rule. SBA is committed to meeting borrowers where they are by extending its program offerings to the lenders that underrepresented small businesses turn to for their capital needs. Currently, SBA works with these lenders in a number of ways. Non-bank private lenders are able to participate in the 7a program as guaranteed lenders by obtaining an SBLC license. Yet the number of SBLCs available has been capped at 14 since 1983. In addition, SBA licenses over 60 active CDFIs as lenders through the Community Advantage Pilot program. This proposed rule, if made final, would lift the moratorium on new 7a lending licenses allowing SBA to extend additional licenses to nonbank lenders and

CDFIs. SBA would plan to add three licenses in the initial extension. In addition, it would open a path for Community Advantage program to become permanent. These steps would allow SBA to expand the pool of lenders that offer SBA-backed working capital loans to include those non-traditional institutions that have more expertise in meeting the needs of underserved small businesses.

- Small Business Investment Company (SBIC) Proposed Rule. SBICs are privately owned and managed investment funds licensed and regulated by the SBA. An SBIC invests private capital and borrowed capital with an SBA guarantee to make long-term debt or equity investments in qualifying small businesses. Historically, the structure of interest payments on SBIC loans leads licensed funds to support later stage companies with predictable cash flow as opposed to early-stage companies. The proposed SBIC rule is intended to reduce barriers to program participation for new SBIC fund managers and funds investing in underserved communities and geographies, among other groups. The rule introduces a new class of SBIC license, “Accrual SBICs,” designed to unlock more patient capital financing for startups and small businesses through the SBA’s public – private partnership investment program, the SBIC program. It also implements SBIC program regulatory changes to lower financial, administrative, and procedural barriers to program participation for new fund managers and longer duration equity-oriented fund strategies. Finally, it modernizes the SBIC program license offering and process to align with a more diversified set of private funds investing in underserved and undercapitalized areas.
- Lending Criteria, Affiliation, and Employee Ownership for SBA Business Loan Programs Proposed Rule: SBA is proposing to streamline and modernize various regulations governing its 7(a) and 504 loan programs. The proposed rule, if made final, would allow SBA lenders to underwrite SBA loans using their own standard processes which empowers lenders and opens a path for credit alternatives, significantly simplify affiliation rules which would reduce the processing burden on small business borrowers, and offer a path for employees to take ownership in a small business.
- Implementing the State Small Business Credit Initiative (SSBCI): The Treasury Department has implemented the American Rescue Plan’s SSBCI which provides \$10 billion to states, the District of Columbia, territories, and Tribal governments to expand access to capital for small businesses, build ecosystems of opportunity and

entrepreneurship, and create new jobs and economic opportunity—especially in underserved communities still reeling from the effects of the pandemic. SSBCI provides funding for credit and investment programs for existing small businesses, and technical assistance to small businesses applying for SSBCI funding and other government small business programs. With a focus on equity and reaching underserved communities, SSBCI allocates \$2.5 billion in funding and incentives for businesses owned by socially and economically disadvantaged individuals. These federal investments are designed to catalyze \$10 of small business lending and investment for every \$1 of SSBCI funding which will result in tens of billions of new small business financing across the country before 2030.

Making Historic Investments in Support Services for Small Businesses:

The Administration is focused on meeting small businesses owners where they are and offering extensive support services to navigate available programs. It's not enough to just provide funding and loans; small businesses need to be able to utilize them as well. This Administration has made historic investments in support services for small businesses. That includes:

- Emergency Capital Investment Program (ECIP). In 2022, Treasury closed and funded approximately \$8.38 billion in investments with 170 institutions through ECIP. ECIP investments are supporting the efforts of community financial institutions to provide loans, grants, and other assistance to small and minority-owned businesses and consumers, especially in low-income and financially underserved communities that struggled during the pandemic.
- Wide Ranging Investments by the CDFI Fund. In 2022, the CDFI Fund deployed significant funds to provide capital to traditionally underserved communities including \$5 billion in New Market Tax Credit allocations, \$355 million under the Bond Guarantee program, and more than \$580 million in other grant programs. Last fall, the CDFI Fund released the notice of funding availability for the \$1.75 billion CDFI Equitable Recovery Program, aimed at providing funding to CDFIs expanding lending in communities that have significant unmet capital needs, and received almost 700 applications.

- Providing SSBCI Technical Assistance: As a critical element of the \$10 billion State Small Business Credit Initiative, Treasury has announced the availability of \$200 million specifically to support small business technical assistance for states, the District of Columbia, territories, and Tribal governments that are participating in SSBCI. Treasury has also announced a nearly \$100 million Capital Readiness Program, a grant program funded as part of SSBCI to help minority and other underserved entrepreneurs that will be administered by the Minority Business Development Agency (MBDA) at the Department of Commerce.
- SBA Community Navigators Program: In 2021, SBA awarded a \$100 million in grant funding to organizations in all 50 states and Puerto Rico that are working to close resource gaps for U.S small businesses and those in underserved and underrepresented communities. The program offers funding to nonprofits, state and local governments, universities, and tribal entities that serve as “hub” organizations. These hubs have established ties with hundreds of “spoke” organizations—trusted, culturally knowledgeable, local groups and individuals— who they support to increase awareness and connections to federal, state, and local resources. The program was designed to advance equity through its priority focus on socially and economically disadvantaged small businesses, rural communities, and small businesses owned by women and veterans. As of August 2022, Community Navigators have helped secure over \$133 million in funding, trained over 170,00 business owners, and provided over 30,000 hours of 1:1 counseling.

Improving Agency Services and Coordination:

This Administration is committed to continuing to improve upon the programs and services that are already provided. To that end, the Administration is taking the following steps:

- Improving SBA’s Lender Match: SBA will implement significant technological improvements to its small business borrower and lender marketplace tool, Lender Match. This improved version of Lender Match will provide an enhanced landing page to match small business borrowers with SBA lenders and offer the option to be taken through the entire loan process. It will offer automated tools for lenders to streamline underwriting, make the use of credit alternatives more common place, and offer an automated eligibility module to make SBA lending lower risk and lower cost.

Additionally, Lender Match's automated offerings will enable SBA to better fight fraud via increased use of data and automated protocols for SBA-backed loans.

- Interagency Community Investment Committee (ICIC): In July, Vice President Harris announced the formation of the Interagency Community Investment Committee (ICIC) chaired by the Treasury Department. The ICIC facilitates collaboration and operational coordination of federal community investments to maximize the impact of federal dollars. Last fall, they released a request for information to gather input on how to improve the effectiveness and impact of federal community investment programs and will continue to provide a forum for continued interagency cooperation to support underserved communities, especially when it comes to community investment and access to capital.

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