

## The Agenda for America's Entrepreneurs: Equitable access to capital

Despite the importance of entrepreneurship to our economy, small business owners—particularly women, people of color and other underserved populations—face significant hurdles accessing capital from banks and other traditional sources.

The disparity in government-backed capital support during the COVID-19 pandemic has exacerbated the inequitable economic conditions faced by small businesses nationwide. Our recent survey found that 31% of Black and 26% of Latino small business owners did not receive the amount they requested. Wide disparities in capital access have gotten worse as the Paycheck Protection Program (PPP) has relied on our existing system of financial institutions, which has traditionally excluded a disproportionate number of people of color and women. Moreover, the only capital available to the smallest businesses is often accompanied by exorbitant interest rates and confusing repayment terms.

We must ensure that long-term, equitable, responsible capital is available to enable small businesses to survive and thrive. Nontraditional lenders such as CDFIs—mission-driven lenders that uniquely lend to communities left behind by traditional banks—are key partners in this work. To fully realize the economic potential of small businesses, we must ensure greater access and more options for entrepreneurs to obtain responsible capital by enacting the policy recommendations below.

### Top three priorities for Congress to support small business

- Immediately pass a direct grants program that would target the smallest and most under-resourced businesses.
- Provide automatic forgiveness for Economic Injury Disaster Loans (EIDL) under \$150,000 to provide parity with PPP.
- Ensure current and future pandemic relief efforts are targeted to the smallest businesses, entrepreneurs of color and those in low-income areas, and that important demographic information of recipients is collected.

### Promote equitable access to capital

- Dramatically re-envision and implement a robust small business capital infrastructure, providing more patient and flexible products directed to diverse entrepreneurs.
- Ensure equity for unbanked and underbanked small businesses, especially entrepreneurs of color, women and immigrants—via set-asides and targeted programs for the smallest businesses. This should include early-stage forgiveness and/or low- or no-early interest loan features combined with long payout schedules.
- Empower and finance the U.S. Small Business Administration (SBA) to expand its programs for smaller loans targeted to small minority- and women-owned businesses, including making the Community Advantage Program permanent.
- Reinstate and sufficiently fund state-run capital programs such as the previously successful State Small Business Credit Initiative (SSBCI), which from a \$1.5 billion initial investment successfully funded new and existing state programs that supported more than \$10.7 billion in lending to and investment in small businesses.
- Maintain the recent expansion of funding for the CDFI Fund at \$3 billion.
- Bolster resources dedicated to CDFIs and other mission-driven lenders to expand their capacity and ensure their profitability.

- Quadruple SBA lending guarantees—for example, by raising the maximum guaranteed annual loan amount from \$25 billion to \$100 billion and by increasing the loan guarantee percentages from 85% to 90% for loans up to \$150,000 and from 75% to 85% for loans between \$150,000 and \$700,000.
- Ensure women and entrepreneurs of color get fair access to capital by increasing both funding for and awareness of Women's Business Centers, Small Business Development Centers (SBDCs) and the Minority Business Development Agency.
- Maintain and expand lending programs for rural entrepreneurs.
- Synthesize more than 50 disparate federal programs and myriad state capital and credit programs.
- Establish state banks, such as the Bank of North Dakota, that make low-interest loans for infrastructure, agriculture, affordable housing, student loans and small businesses. These banks will spur economic growth and lead to thriving community banks with higher lending totals.

### **Ensure transparency and other responsible small business lending practices**

- Pass the Small Business Lending Disclosure and Broker Regulation Act, which would extend Truth in Lending Act disclosure requirements to small business loans and credit products.
- Prohibit "confession of judgment" clauses in small business lending agreements whereby borrowers agree in advance to waive their right to contest any dispute with a lender, often costing them their entire savings. This prohibition has been proposed in the bipartisan Small Business Lending Fairness Act.
- Support the implementation of the Consumer Financial Protection Bureau (CFPB)'s collection of small business lending data as mandated under section 1071 of the Dodd-Frank Act.

### **Promote expanded use of equity investments for small businesses**

- Direct significant federal funds to public/private venture capital in underserved and rural communities, particularly for startup businesses.
- Support innovations like equity crowdfunding while ensuring safeguards that make sense for both small business owners and investors.