

The Agenda for America's Entrepreneurs: Access to Capital & Opportunity

Entrepreneurship is essential to a thriving and equitable economy. Yet too many of our smallest businesses—especially those owned by Black, Indigenous, and people of color (BIPOC), women, rural business owners and other under-resourced communities—face unique hurdles in accessing capital from banks and other traditional financial institutions.

Small businesses have always faced significant barriers in accessing capital and the COVID-19 pandemic exacerbated these barriers. Main Street small businesses are still rebuilding their firms, and others are just beginning to embark on their small business journeys. To ensure small businesses can thrive, we offer the following policy recommendations.

Promote equitable access to capital

- Maintain the pandemic-emergency funding for the CDFI Fund at \$3 billion. This will help support non-traditional lenders such as Community Development Finance Institutions that are mission-driven and lend to underserved communities.
- Dramatically re-envision and implement a robust small business capital infrastructure through backstopped net-positive federal subsidies. This could 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 targeting small minority- and women-owned businesses, including making the Community Advantage Program permanent.
- If the Small Business Administration finalizes its recent proposed rule eliminating the moratorium on Small Business License Companies, the agency must ensure guardrails are in place so that all participating lenders abide by the Small Business Borrowers' Bill of Rights. This will guarantee small businesses can make informed decisions about their financing products.
- Quadruple SBA lending guarantees, specifically by raising the maximum guaranteed annual loan amounts and loan guarantee percentages.
- Ensure the U.S. Department of Treasury is monitoring technical assistance and capital dollars for the State Small Business Credit Initiative (SSBCI) to ensure they reach businesses in under-resourced communities.
- Increase the cap on the SBA guarantee for Small Business Investment Companies (SBICs) to \$250 million to facilitate more financing opportunities for entrepreneurs.
- Finalize the rule making and implementation of the collection of small business demographic information by the Consumer Financial Protection Bureau (CFPB) as mandated by Section 1071 of The Dodd-Frank Act.
- Eliminate the good character criteria on all federal small business loan programs so that justice-impacted small businesses can have an equal opportunity at entrepreneurship.

Ensure transparency and other responsible small business lending practices

- Pass the Small Business Lending Disclosure and Broker Regulation Act, which would extend federal Truth in Lending Act (TILA) disclosure requirements to small business loans and credit products to protect the most vulnerable small businesses from predatory lending practices. Currently, TILA requires that consumer creditors disclose critical financing information, including

annual percentage rate (APR), in a clear and comparable format; however, those disclosures are not required in commercial lending.

- In the absence of a federal law, we must work with state lawmakers to pass strong small business lending disclosure standards. California and New York have already taken the lead by passing such laws; other states are considering similar legislation.
- Prohibit "confessions 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.

Expand access to entrepreneurial assistance resources

- Provide more funding and resources for business assistance centers that provide vital education and outreach to business owners and aspiring entrepreneurs such as Small Business Development Centers, Women's Business Centers, Procurement Technical Assistance Centers and the Minority Business Development Agency.
- Fund programs that offer resources to boost entrepreneurship among justice-impacted individuals.

Remove barriers to entrepreneurship

- Revisit registration and licensing regulations to ensure they are not overburdensome and impede access to entrepreneurship, while protecting consumers safety and health.
- Enact measures that would reform occupational licensing for justice-impacted individuals. In many states, individuals with criminal records are often unable to acquire licenses to operate a business, undermining their long-term success and leading to recidivism.
- Continue to promote and advance federal and state policies that would improve broadband access and make it more affordable for entrepreneurs, particularly those in rural communities.
- Advance policies that would codify access to all reproductive health services (including abortion). Our research shows that access to reproductive healthcare is essential to women's ability to start and grow small businesses.