July 13, 2026

The Honorable John Thune
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Tim Scott
Chairman
Committee on Banking, Housing, and Urban Affairs
U.S. Senate
Washington, D.C. 20510

The Honorable Elizabeth Warren
Ranking Member
Committee on Banking, Housing, and Urban Affairs
U.S. Senate
Washington, D.C. 20510

Dear Majority Leader Thune, Chairman Scott, Minority Leader Schumer and Ranking Member Warren:

As a leading representative of America's 36 million small businesses, Small Business Majority writes to caution Congress against the impact of failing to close key regulatory loopholes within the Digital Asset Market Clarity (CLARITY) Act before it becomes law. If passed as is, it would create instability in the small business financing sector, incentivizing cryptocurrency companies to offer yield-bearing products outside of the Security and Exchange Commission (SEC) purview that risks resulting in deposit flight and a reduction in overall available capital for traditional small business loans.

Small Business Majority is a national small business organization that empowers America's diverse entrepreneurs to build a thriving and equitable economy. We engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enable us to educate stakeholders about key issues impacting America's entrepreneurs.

Small businesses continue to face an increasingly tight credit environment

As a result of unexpected increases in operating costs for Main Street in the past 15 months, largely driven by volatile tariff policies and SBA loan program restrictions, cash flow has emerged as the top concern for small businesses in 2026.[1] However, at a time in which many small businesses require more capital than ever to fill financing gaps, entrepreneurs are finding it increasingly difficult to access responsible financing products through traditional lenders. A 2025 analysis by the U.S. Department of the Treasury found that bank lending to small businesses has been declining for several years, and as credit standards continue to tighten, more small businesses are not being approved for the full amount of funding they seek.[2] Small Business Majority research found similar trends, uncovering that of the small businesses that pursued financing last year, only around one-third (36%) secured it.[3] What's more, only 32% of small

[1] OnDeck, "Small Business Cash Flow Trend Report," Q1 2026, https://www.ondeck.com/small-business-trends

[2] U.S. Department of the Treasury, "Financing Small Business: Landscape and Policy Recommendations," January 2025, https://home.treasury.gov/system/files/136/Financing-Small-Business-Landscape-and-Recommendations.pdf

[3] "Voice of Main Street: Entrepreneurs struggle to access funding, support policies that increase availability of responsible capital." Small Business Majority. April 30, 2025. https://smallbusinessmajority.org/our-research/voice-of-main-street/entrepreneurs-struggle-access-funding-support-policies-increase-availability-responsible-capital

businesses received sufficient funding, while 44% reported that the funding they received only partially met their needs and 24% said the funding they received was insufficient. More than half of small business owners (57%) who failed to secure funding said it was because their loan application was declined.[4]

Small Business Majority and banking sector advocates across the political spectrum express concerns about the impact of regulatory loopholes that may lead to fewer dollars in the small business loan space

Small Business Majority has long advocated for regulatory oversight of small business loan products to ensure borrowers have access to financing they can understand and trust. This includes pushing for requirements that predatory lenders disclose interest rates in plain terms like annual percentage rate (APR). This standard should also apply to emerging financing options, including those built on blockchain or cryptocurrency technology, with clear rules of the road for financial services companies.

Unregulated products can cause chaos, resulting in business closures and the manipulation of borrowers that are not familiar with products that are not yet under the oversight of the core financial regulators. Small businesses owners that cannot access financing from a traditional, FDIC-insured institution are left with no choice but to seek alternative financing sources like fintech, non-bank lenders and merchant cash advances. Many of these products evade regulatory loopholes and consumer protections, sending small businesses into a vicious cycle of debt and high interest rates.[5]

Under the CLARITY Act, many assets offered on the blockchain can evade Security and Exchange Commission (SEC) oversight. It also gives the SEC substantial power to erect carve-outs or exceptions for cryptocurrency assets from regulatory oversight. While much work remains in understanding how cryptocurrency fits within our financial regulatory system, exempting assets that can be bought and sold for U.S. dollars lacks foresight and opens the door to illicit activity. Small business owners are oftentimes in dire need of capital to grow their business and worry that without proper oversight into how these products can function and who they're benefiting, they'll be taken advantage of.[6]

Another impact of the bill that warrants more attention is the risk of deposit flight and its trickle-down impact on small business loan products, especially those offered by Community Development Financial Intuitions (CDFIs) and local banks. The legislation would incentivize deposit flight because it fails to close a loophole that would allow and encourage cryptocurrency companies to pay yields directly to Stablecoin holders. These yields may be disguised as other terminology in the bill itself, such as allowing companies to offer "rewards" for holding Stablecoins.[7] When customers can access yields, no matter what they're called, less money will be flowing through the traditional financial sector. Estimates provided by the Department of the Treasury predict that these incentives will put upwards of $6.6 trillion at risk of deposit flight.[8] When there's less money in the banking system, there's less money available to smaller, "riskier" borrowers like America's small businesses.

Risking deposit flight over the Stablecoin loophole simply places affordable, transparent and responsible small business loans out of reach when credit environments tighten. Congress can prevent the harm that will inevitably stem from a lack of access to regulated depository institutions by prohibiting incentives for

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[4] Ibid.

[5] "They gave her business a lifeline, then froze all her money." NPR. March 25, 2026. https://www.npr.org/2026/03/25/nx-s1-5745122/small-business-cash-advance-loans-connecticut

[6] "Usury in the Water." The American Prospect. May 30, 2025. https://prospect.org/2025/05/30/2025-05-30-usury-in-the-water/

[7] "NCRC Warns Senate Crypto Bill Leaves Stablecoin Loophole That Could Undermine Community Lending." National Community Reinvestment Coalition. May 14, 2026. https://ncrc.org/ncrc-warns-senate-crypto-bill-leaves-stablecoin-loophole-that-could-undermine-community-lending/

[8] "Ban on stablecoin inducements should be included in Clarity Act." America's Credit Unions. January 13, 2026. https://www.americascreditunions.org/news-media/news/ban-stablecoin-inducements-should-be-included-clarity-act

consumers and small businesses to move their account balances from a regulated bank and into cryptocurrencies like Stablecoins.

As Congress continues to explore the use of new and emerging technologies in the financial services sector, including those utilizing cryptocurrency and blockchain technology, it is critical to understand and do all in our power to protect small businesses from risk. We urge Congress to reconsider its hasty passage of legislation that will inevitably disrupt the traditional banking sector without the proper protections needed to ensure that the small business lending ecosystem will continue to remain accessible to those powering our economy across the country. We look forward to working with Congress to bring forth legislation that would allow a continued exploration into digital finance opportunities while protecting and maintaining access to the proven infrastructure that has served our small business community for decades.

We thank you for your time and consideration of our concerns. Should you have any questions or wish to discuss this with our team, please don't hesitate to contact our Senior Director of Federal Government Affairs, Alexis D'Amato Falvey at adamato@smallbusinessmajority.org

Sincerely,

John C. Arensmeyer

John Arensmeyer
Founder & CEO
Small Business Majority