



January 24, 2023

The Honorable Roger Williams
Chair
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Nydia Velázquez
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Williams and Ranking Member Velázquez :

Since 1958, the Small Business Investor Alliance (SBIA) has been the voice of America's small business investors. We write to express our strong support for H.R. 400, the Investing in Main Street Act of 2023. The bill, introduced by Rep. Judy Chu (CA-28) and Rep. Andrew Garbarino (NY-2), is a simple, modest improvement to the Small Business Investment Act of 1958, and the SBIA supports its passage.

SBICs are highly regulated private funds that invest exclusively in domestic small businesses. The \$38 billion SBIC debenture program is a successful market-driven platform that serves an important public purpose of increasing private investment into domestic small businesses creating jobs and opportunities that otherwise would not exist. An independent study prepared by the Federal Research Division of the Library of Congress found that SBIC-backed small businesses created almost 3 million new jobs and supported an additional 6.5 million jobs over the 20-year period of their study.¹

H.R. 400 would rectify a historical disconnect between banking law and small business investment law. Under the banking laws, banks are currently permitted to invest up to 15% of their capital and surplus into SBICs which in turn can only provide capital to American small businesses². However, despite the banks being allowed to invest into SBICs, due to a mismatch in the laws, the SBICs are not allowed to accept all of bank investment capital because the Small Business Investment Act of 1958 currently restricts SBICs from accepting private capital investments from banks that have more than 5% of their capital and surplus invested in SBICs. This bill would correct that discrepancy caused by a historical drafting oversight. No bank laws

¹ Paglia and Robinson, Measuring the Role of the SBIC Program in Small Business Job Creation, Federal Research Division, Library of Congress, at 1 (January 2017),

https://www.sba.gov/sites/default/files/files/SBA_SBIC_Jobs_Report_0.pdf

² Under 12 CFR Part 24, banks holding a National Bank Charter, and regulated by the Office of the Comptroller of the Currency (OCC), can make aggregate "public welfare investments" that do not exceed 15% of the bank's capital and surplus. A bank must still ask for written permission from OCC for its aggregate investments to exceed 5 percent. SBIC Investments are Public Welfare Investments.

or regulations would be changed or affected by this bill. The OCC has issued reports on bank investments in SBICs and understands the positive impacts of the program.³

H.R. 400 would make a thoughtful improvement to the SBIC program and thereby help domestic small businesses access capital. SBIA thanks Representatives Chu and Garbarino, and we encourage the House of Representatives to vote in favor of this bill.

SBIA thanks you for your leadership on small business issues and looks forward to working with you during the 118th Congress to move more common-sense legislation like H.R. 400 and strengthen the SBIC program.

Sincerely,



Brett Palmer
President
Small Business Investor Alliance

cc: The Honorable Judy Chu
The Honorable Andrew Garbarino
Members of the Committee on Small Business

³ See OCC Community Development Insights Report, "Small Business Investment Companies: Investment Options for Banks", Community Affairs Department, Office of the Comptroller of the Currency, September 2015, <https://www.comptrollerofthecurrency.gov/publications-and-resources/publications/community-affairs/community-developments-insights/pub-insights-sep-2015.pdf>