Investing in Main Street Act

Background

The Small Business Investment Act of 1958 currently restricts Small Business Investment Companies (SBICs) from taking capital investments from banks that have more than 5% of the institution's capital and surplus invested in SBICs. At the same time, bank regulations (for National Banks, under Public Welfare Authority[1]) may permit these same banks to invest up to 15% of their capital and surplus (with regulatory approval) in SBICs. Importantly, SBICs qualify as public welfare investments. Amending the Small Business Investment Act to match bank regulations will increase the amount of capital that banks can deploy into these domestic investment vehicles.

Goal of the Legislation

Increase Bank Investment in SBICs: This legislation would amend the Small Business Investment Act of 1958 to allow a bank or federal savings association to invest up to 15% of their capital and surplus in SBICs, still subject to the approval of the bank regulator if above 5%. This would correct the mismatch between bank law and small business investment law without amending bank laws or regulations.

Positive Impacts of the Legislation:

- Increase the amount of bank capital that can be deployed into SBICs
- Strengthen and grow the SBIC program, and further encourage banks to invest for Volcker Exemption/Community Reinvestment Act purposes
- Dramatically increase the amount of private capital in the SBIC program, which will then be deployed to domestic small businesses
- This adjustment will be at no cost to the taxpayer but will result in significant small business investment

Legislative History

The bill was introduced in the 116th Congress on January 3, 2019, by Rep. Judy Chu (D-CA) and was co-sponsored by Rep. Ralph Norman (R-SC). On January 14, 2019, the Investing in Main Street Act of 2019 (H.R. 116) passed the House by a vote of 403-2. The bill also passed the House (voice vote) during the 115th Congress. A companion bill was introduced in the Senate on June 26, 2019, by Senators Todd Young, Tammy Duckworth, and Jim Risch.

Rep. Chu and Rep. Andrew Garbarino (R-NY) reintroduced the bill (H.R. 4256) on June 30, 2021, during the 117th Congress.

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[1] 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 percent of the bank's capital and surplus. SBICs qualify as public welfare investments. If making such an investment over 5 percent, OCC written approval must be received. *See* 12 CFR 24.4.