



July 21, 2021

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

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

Dear Chair Velázquez and Ranking Member Luetkemeyer:

Since 1958, the Small Business Investor Alliance (SBIA) has been the voice of Small Business Investment Companies (SBICs). We write to express our support for H.R. 4256, the Investing in Main Street Act of 2021. The bill, introduced by Rep. Judy Chu (CA-27) 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, with at least 25% of their investments in even smaller enterprises. The nearly \$31 billion SBIC debenture program is a market-driven platform that serves an important public purpose of facilitating private investment into domestic small businesses. After raising private capital and successfully navigating a rigorous licensing process, a licensed SBIC is permitted to access a line of credit (leverage) to increase the amount of capital to be invested in domestic small businesses. Generally, the ratio of leverage to private capital is a little less than 2:1 with some strategies utilizing an even lower leverage ratio. With the private capital in a first-loss position, a modest leverage ratio, and the benefits of the portfolio effect, the program operates by law at zero subsidy, further exhibiting effective protection for the American taxpayer. As a testament to the underlying structure of the SBIC program, it is one of the few SBA programs that was able to continue to operate at zero subsidy through the Great Recession.

H.R. 4256 would rectify an historical mismatch between banking law and small business investment law. This bill would permit banks to invest up to 15% of their capital and surplus in SBICs. 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. At the same time, banks holding a National Bank Charter, and regulated by the Office of the Comptroller of the Currency, can make aggregate “public welfare investments” that do not exceed 15% of the bank’s capital and surplus. Importantly, SBICs qualify as public welfare investments. This bill would correct that discrepancy, while banks making such an investment over 5% would still need to seek OCC written approval to do so. No bank laws or regulations would be changed or affected by this bill. The OCC has done several studies on bank investments in SBICs and understands the positive impacts of the program.

H.R. 4256 would make a thoughtful improvement to the SBIC program and thereby help domestic small businesses. SBIA thanks Representatives Chu and Garbarino, and we encourage the Committee to vote in favor of these bills.

SBIA thanks you for your leadership on small business issues and looks forward to working with you during the 117th Congress to move more common-sense legislation like H.R. 4256 and strengthen the SBIC program.

Sincerely,



Brett Palmer
President
Small Business Investor Alliance

cc: Members of the Committee on Small Business