

SMALL BUSINESS: \$10B FOR A FAILED OBAMA-ERA PROGRAM IS NOT NECESSARY

Democrats want another \$10B for small businesses. A lack of aid is not what's holding small businesses back.

- Congress has already provided over \$1T in small business COVID relief.
 - Just two months ago, Congress gave \$284B for the hardest-hit businesses to apply for second-draw Paycheck Protection Program (PPP) loans and \$20B for Economic Injury Disaster Loans (EIDL).
- With billions still available, the point of another small business lending program is unclear.
 - As of [February 15, 2021](#), more than \$150B in PPP remained untapped.
 - As of [February 12, 2021](#), none of the \$20B for EIDL had been obligated.
- More government loans will only further crowd out private capital.
 - Recent [reports](#) from the Federal Reserve show that banks are seeing significantly weaker demand for commercial and industrial loans from small businesses, due in part to hundreds of billions of dollars in credit provided by government programs.

The Democrats' State Small Business Credit Initiative (SSBCI) seeks to shower money on politically-favored constituencies for years after the pandemic.

- The Democrat plan requires \$2.5B to go toward "socially and economically disadvantaged individuals." The PPP and the Obama-era SSBCI had no such set-asides, allowing credit to flow through to any borrower with economic need.
- The Democrat plan is not temporary. Unlike the PPP, it makes SSBCI funding available for years beyond the COVID pandemic.
- Unrelatedly, the Democrat plan requires any participating state to crack down on so-called "predatory" lending, a term to be defined by the Biden-controlled bureaucracy.

Meanwhile, Congress just gave \$12B to institutions specializing in credit to minority-owned businesses.

- In December 2020, Congress spent \$9B on an Emergency Capital Investment Program to make direct and indirect capital investments in low- and moderate-income (LMI) communities via Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs).
- Congress also gave \$3B to the CDFI Fund to respond to the economic impact of COVID.

Democrats want to resurrect an Obama-era program that was a failure.

- The Obama-era SSBCI had numerous problems, including (1) states failing to comply with the program's requirements, (2) opaque standards, and (3) difficulty in determining whether the program had any impact on overall small business lending.
 - [Audits](#) by Treasury's Inspector General found just four states were in full compliance.
 - GAO's [final report](#) noted that only two of all SSBCI participants interviewed didn't encounter significant challenges in using program funds.
 - The benefits, if any, of the first SSBCI are not clear. According to [CRS](#), it is "difficult to determine the full extent of the program's effect on small business lending."