

Improve Access to Credit and SBA Lending

The credit crunch continues to stifle America's entrepreneurs and U.S. job growth

Small-business owners face unique challenges when trying to obtain financing. Start-up and expanding small businesses frequently do not have the assets necessary for a traditional bank loan, and smaller loans generally are less-profitable for banks.

Problem:

- Capital is the lifeblood of any small business, and according to NSBA's 2016 Mid-Year Economic Report, there was a drop in bank lending to smaller firms, which has real-world implications: 41 percent said lack of capital is hindering their ability to grow their business or expand operations, and 20 percent said they had to reduce the number of employees as a result of tight credit.
- In the same report, 69 percent of small firms reported they are able to get adequate financing, yet that is down from 73 percent only six months prior.
- Furthermore, the absence of credit continues to hinder small-business owners' ability to finance increased sales and increase inventory to meet demand. Nearly one-in-five small firms say lack of capital availability has rendered them unable to finance increased sales.
- The community banks, which had been the biggest providers of small business loans, are disappearing. The total number of community banks has fallen from more than 14,000 in the mid-1980s to fewer than 7,000 today. Both the decline in community banking and the increased hesitancy among major banks to lend to small businesses may have contributed to the decline in small business loans from 50 percent of all bank loans in 1995 to only 30 percent in 2013.
- The nation's credit unions are currently limited to a cap on business loans of 12.25 percent of their assets, yet they are willing, and able to increase their lending to small firms but need Congressional action to increase the cap. Credit unions could lend an additional \$16 billion to small businesses, helping them create nearly 150,000 new jobs in the first year after enactment if Congress increases the statutory cap on credit union business lending.
- Overall, according to the Federal Deposit Insurance Corporation (FDIC), small business lending is still below pre-recession levels: as of March 2014 small business loans were at \$585 billion, as compared to \$711.5 billion in June 2008, showing a decline of 18 percent.

Solution:

NSBA urges Congress to protect and support the U.S. Small Business Administration's (SBA) critical loan programs as well as increase credit unions' small-business lending cap so that .

- In FY2015, the SBA approved 63,461 7(a) loans totaling nearly \$23.6 billion—with the average approved 7(a) loan amount being \$371,628, whereas in FY 2014, SBA approved 52,044 7(a) loans for \$19.19 billion.
- In FY 2015, the SBA approved 32,252 SBA Express loans, totaling \$2.20 billion, and 26,548 SBA Express loans, totaling \$1.91 billion FY 2014.
- With the continued high loan volumes, NSBA supports an increased authorization level for SBA loans in order to prevent unnecessary stalls in lending. NSBA also supports efforts to streamline and simplify the SBA loan process.
- The waived up-front, one-time loan guaranty fee and ongoing servicing fee for certain SBA loans have contributed to SBA loan growth and should continue until small firms can more easily access affordable capital.

Learn More:

[Read NSBA's detailed white paper on improving access to capital.](#)