

# Small Business Financing

**Small businesses need access to loans, credit, and investments to succeed. A business' ability to afford capital and manage costs enables the economy to grow.**

An August 2025 survey by the National Federation of Independent Business (NFIB) reported that small business optimism improved slightly, with economic uncertainty affecting borrowing and businesses' ability to manage costs.<sup>1</sup> Below are a few of the need-to-know programs for policymakers that can help small businesses and the economy thrive.

## LENDING

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### Small Business Administration (SBA) Guaranteed Lending

*The SBA has multiple lending programs, including the 7(a) Loan Program, which guarantees up to 85% of loans of \$150,000 or less made by participating lenders and up to 75% for loans of \$150,000-\$5 million. Another key SBA program is microloan lending that provides up to \$50,000 to help small businesses and certain not-for-profit child care centers start up and expand.*

### ■ Impact

Elevated interest rates, driven in part by inflation and fiscal concerns, have made borrowing more expensive for businesses. Compounded with recent economic uncertainty and historic barriers to accessing capital, such as demographics, these barriers present businesses with difficult decisions when it comes to hiring, expansion, and pursuing R&D. NFIB found that borrowing on a regular basis decreased 2 percentage points from its June survey to 23%.<sup>2</sup>

### ■ Up on the Hill

To increase access to capital, businesses need to be aware of the financing options that exist, how the programs work, and how they can qualify. This requires improved technical assistance and resources. Reps. Maxine Waters (D-CA) and Ann Wagner (R-MO) introduced H.R. 3422, which would require the Securities and Exchange Commission's Advocate for Small Business Capital Formation to supply educational resources and host events that promote capital-raising options for small businesses. The House passed this bill in June 2025.<sup>3</sup> Congress should also consider increasing 7(a) and 504 loan limits for small manufacturers to enable the businesses to expand and compete with larger firms. Sens. Joni Ernst (R-IA) and Chris Coons (D-DE) introduced S. 1555, which would raise the threshold for being a small manufacturer and raise the loan limits that these small businesses could receive.<sup>4</sup>



### Small Business Investment Companies (SBICs)

*SBICs are private funds, licensed by the SBA to invest in small businesses, that leverage their own capital and money borrowed from the SBA.*

#### ■ Impact

Traditional investment from venture capitalists or private equity is often regionally concentrated, making it difficult for small businesses and startups in the middle of the country or in rural areas to receive capital. SBICs can promote regional growth through investments in more varied small businesses across the country.<sup>5</sup>

#### ■ Up on the Hill

Reps. Judy Chu (D-CA) and Brad Finstad (R-MN) introduced H.R. 754, which would permit banks to invest 15% of their capital and surplus in SBICs, an increase from the currently allowed 5%. Sens. Todd Young (R-IN) and Ruben Gallego (D-AZ) introduced a related bill, S. 2223. The House passed its version in February 2025.<sup>6</sup> Congress should also consider expanding the scope of the SBIC program to target underserved communities and critical technology sectors. Sens. John Hickenlooper (D-CO) and Roger Marshall (R-KS) introduced S. 1917, which would enhance the role of SBICs.<sup>7</sup>

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- 1 National Federation of Independent Business, *NEW NFIB SURVEY: Small Business Optimism Improves Again*, September 9, 2025. Available at: <https://www.nfib.com/news/press-release/new-nfib-survey-small-business-optimism-improves-again/>.
  - 2 Ibid.
  - 3 Promoting Opportunities for Non-Traditional Capital Formation Act, H.R. 3422, 119th Cong., 2025. Available at: <https://www.congress.gov/bill/119th-congress/house-bill/3422>.
  - 4 Made in America Manufacturing Finance Act of 2025, S. 1555, 119th Cong., 2025. Available at: <https://www.congress.gov/bill/119th-congress/senate-bill/1555/cosponsors>.
  - 5 Kenan Institute of Private Enterprise, *Is There a Small Business Funding Gap?* February 25, 2020. Available at: <https://kenaninstitute.unc.edu/kenan-insight/is-there-a-small-business-funding-gap/#:~:text=The%20analysis%20shows%20that%20SBIC,becoming%20Colorado%2C%20Georgia%20and%20Utah>.
  - 6 Investing in Main Street Act of 2025, H.R. 754 and S. 2223, 119th Cong., 2025. Available at: <https://www.congress.gov/bill/119th-congress/house-bill/754/related-bills>; <https://www.congress.gov/bill/119th-congress/senate-bill/2223>.
  - 7 Investing in All of America Act of 2025, S. 1917, 119th Cong., 2025. Available at: <https://www.congress.gov/bill/119th-congress/senate-bill/1917>.

