



MICRO CAPITAL TASK FORCE: MOVING MONEY TO MAIN STREET

Background

The American dream is out of reach for millions of Main Street business owners. According to US Treasury Secretary Jacob Lew, each workday more than 8,000 businesses in communities across the country fail to qualify for a commercial bank loan. The capital gap to Main Street businesses represents \$44 billion to \$52 billion in unmet demand.¹

These requests for credit are declined because applications are too expensive for banks to evaluate and serve, not because all of the businesses are inherently too risky. In fact, AEO estimates that about one-third (30%) of these businesses are credit-worthy using underwriting methodologies currently available in the market. The remaining 70 percent of applicants will present manageable credit risks if and when proven solutions to serve them along the path to capital achieve financial sustainability and scale.

Recognizing this massive market failure, AEO, the national trade association for US microfinance and Main Street businesses, formed a private multi-stakeholder task force to present fact-based and practical recommendations to the Department of Treasury and other agencies, the White House, Congress and other stakeholders regarding access to capital in amounts of up to \$250,000 for the smallest businesses. The process was open, inclusive and fact-based. More than 100 leaders across nonprofit, for-profit, emerging and established organizations shared perspectives and insights.

Recommendations

Make Every Main Street Investible

- Expand coordination of SBA's Microloan and Community Advantage lending programs with CDFI Fund programs for lending to Main Street.
- Promote securities crowdfunding as a viable financing tool for small businesses through a rationalized regulatory framework.
- Create a Main Street solution in the CDFI Fund to provide capital and targeted capacity building to a select set of high-impact/high-potential institutions including networks. This would mobilize and pool capital from financial institutions and other corporations, impact investors and philanthropy.

Unleash a Robust Private Marketplace for Main Street

- Consider regulatory exemptions for certified CDFIs that seek to co-invest in Main Street businesses via crowdfunding and peer-to-peer platforms.
- Permit each qualified program participant in the SBA Microloan program to set pricing in line with specific borrower profiles and market based conditions in its operating area.
- Streamline and rationalize rules surrounding peer-to-peer lending on both the lending and investing side on a national level.

Turn "Decline" into "Delight"

- Enable Main Street business loan applicants to opt into privately automated referral networks of approved lenders and services providers.
- Ensure these approved networks rely on highest levels of privacy and data protection standards. Congress should provide a safe harbor to participants in approved networks that comply with privacy and data protection standards.

¹ "Micro and Small Business Finance in the USA: A Strategy for Structural and Policy Changes in the Sector," Ira Lieberman, Jose Ruisanchez, Paul DiLeo, Jenifer Mudd, Keith Catanzano and Alana Heath, (January 2014).