AMERICAN BANKER®

POLITICS AND POLICY

The Senate should act to improve capital access for small businesses

By Brett Palmer | November 17, 2026

- **Key insight:** Three bipartisan House-passed bills that would make it easier for small businesses to access investment capital at no cost to taxpayers are stuck in the Senate. The upper house should act now.
- **Supporting data:** Five metro areas on the coasts of the country already receive more than two-thirds of all U.S. venture capital and private equity, while less than one percent reaches rural businesses.



Bloomberg News

While political divisions dominate the headlines, there is one issue where Republicans and Democrats are surprisingly finding common ground: capital access for small businesses. That's because small businesses are not partisan. They're the manufacturers, suppliers, tech firms, and family-owned companies that anchor local economies and create opportunity in communities too often overlooked by traditional investors.

Congress has already shown what's possible. Earlier this year, the Investing in All of America Act passed the House and Senate unanimously and was signed into law by President Trump. The act modernized the Small Business Investment Companies, or SBICs, program, a proven public-private partnership that allows private fund managers to invest in developing American companies with backing from the Small Business Administration. Under the new law, SBICs will be able to channel more investment into U.S. manufacturers, small and midsize businesses in underserved communities and rural areas, and critical technology companies, all without a cent of new federal spending. The Senate can build on that momentum with three more bipartisan House-passed bills focused on driving investment where it is needed most.

Five metro areas on the coasts of the country already receive more than two-thirds of all U.S. venture capital and private equity, a staggering number. Meanwhile, less than one percent reaches rural businesses. Are promising U.S. companies only located in San Francisco and New York? Or do many strong businesses simply never get the chance to connect with investors? A Wisconsin manufacturing company or an Arkansas agricultural supplier may be well positioned for growth, but they need access to capital that is not reaching the middle of the country.

That is where SBICs, Business Development Companies, or BDCs, and smaller private funds are closing this gap. They put institutional capital in the hands of those who understand regional markets and are willing to back solid businesses that may not have the glitz of a tech startup but are no less investment worthy. Here is how they can do even more.

First, the Senate should fix the BDC "Acquired Fund Fees and Expenses" problem. BDCs finance small and midsize businesses that can't access bank loans or public markets. A U.S. Securities and Exchange Commission disclosure rule misclassifies them as layered investment funds, double-counting expenses and making BDC investments appear a lot more costly than they are. In 2014, when major index providers excluded BDCs from market indices because of the rule, research shows that the most impacted BDCs saw investment growth fall by 29%-33%, with portfolio company employment growth declining up to 6.4 percentage points. A legislative fix, the Access to Small Business Investor Capital Act (H.R. 2225), corrects documented regulatory distortion without eliminating disclosure requirements or weakening investor protection.

It has already passed the House and has bipartisan support in the Senate.

Second, the Senate should take up the Investing in Main Street Act (H.R. 754). Federal banking regulations currently allow banks to invest up to 15% of capital and surplus in SBICs. However, an outdated 1958 statute caps investments at 5%, meaning banks can't deploy the full capital amount they are allowed to invest. The House passed H.R. 754 unanimously, and its Senate companion bill also has bipartisan backing. There are more than 300 active SBICs managing over $43 billion in capital. Aligning these regulations would simply unlock new private growth capital at no cost to the taxpayer.

Third, the Senate should pass the Small Business Investor Capital Access Act (H.R. 3673) to update the small fund advisor threshold that has not been changed since 2010. The Dodd-Frank bill capped assets-under-management for certain SEC registration exemptions at $150 million and never adjusted it for inflation. Small funds, often investors closest to entrepreneurs and underserved communities, hold less than half a percent of the private equity industry's assets. So why do they carry the compliance burdens built for institutions far larger than them? H.R. 3673 raises the outdated threshold to $175 million and indexes it to inflation. This reform was already passed by the House as part of the INVEST Act. Companion legislation is stalled in the Senate.

Each of these proposals reflects the same practical approach: bipartisan support, no taxpayer cost, no rollback of investor protections and a direct line to more private capital for small businesses. None require any new federal spending or bureaucracy. They simply remove outdated barriers that keep capital from reaching businesses ready to grow, hire and strengthen their communities.

President Trump, Majority Leader John Thune (R-S.D.) and the American people all want and need wins. Two out of three new American jobs are produced by small businesses. Whether someone is just entering or reentering the workforce, advancing their career or even starting their own company, better futures are built on Main Streets across our country. Unlocking small-business investment is not a red or blue issue. It is an economic imperative, and the Senate can deliver a meaningful win for U.S. businesses and the communities that depend on them by passing these commonsense, bipartisan reforms.

Posted with permission from the November 17, 2026 issue of American Banker ® www.americanbanker.com. Copyright 2026. All rights reserved.
For more information on the use of this content, contact Wright's Media at 877-652-5295. (2714434)